

THE PATENTS ACT 1977

IN THE MATTER of an application under
Section 46(3) by Chance Propper Ltd for the
settlement of terms of a licence of right
in relation to Patent No 1539101 in the name
of PyMah Corporation.

licence of right

PRELIMINARY DECISION

Patent Number 1539101 is dated 29 March 1976 and, under the terms of paragraph 3(1)(b) of Schedule 1 to the Patents Act 1977, is a "new existing patent" which, under paragraph 4(2)(c) of that Schedule, became subject to licences of right on 29 March 1992. Chance Propper Ltd ("the applicants") applied on 24 February 1993 to the Comptroller to settle the terms of a licence of right under the patent. PyMaH Corporation ("the proprietors") opposed the terms suggested in the application in a statement filed on 1 June 1993, and the applicants filed a counterstatement on 28 July 1993.

During the following evidence rounds, a number of preliminary matters arose. First, the proprietors filed their evidence in chief on 28 October 1993 together with a request under rule 94(1) that two exhibits to the statutory declaration of Mr B M Hanafin, viz BMH-4 and BMH-7, should be treated as confidential because of their commercial sensitivity. The applicants opposed this request but agreed with the proprietor that, pending the Comptroller's decision, the two exhibits would be made available to the applicants' solicitors and Counsel on the basis of undertakings of confidentiality.

Second, the Office wrote to the proprietors on 30 November 1993 with a list of documents referred to in the proprietors' evidence in chief pointing out that if the proprietors wished to rely on any of these documents, copies should be furnished. The applicants then requested copies of certain of these documents and various other material under rules 103(3) and 106.

After some correspondence, including an Official Letter which expressed the view that certain of these documents fell to be supplied under rule 112 rather than under rules 103(3) and 106, the proprietors voluntarily supplied all the requested documents to the applicants on the basis of undertakings of confidentiality from the applicants' solicitors pending a decision on a further request to the Comptroller under rule 94 that all these documents be treated as confidential.

Third, following the filing by the applicants of their evidence in answer on 27 January 1994, the proprietors wrote on 16 February 1994 making fifteen requests for documents and information from the applicants. Although agreement was subsequently reached over certain of these requests, the applicants resisted the proprietors' remaining requests and the proprietors then made a formal application to the Comptroller for the discovery and production of documents and other particulars under rules 103(3) and 106.

These three matters came before me at a preliminary hearing on 21 September 1994, when the proprietors were represented by Mr Henry Carr, instructed by Bird & Bird, and the applicants by Mr James Mellor, instructed by Stephenson Harwood.

At the hearing Mr Carr referred me to a letter from the applicants indicating that they did not wish to pursue their opposition to the Comptroller making the two orders under rule 94 which had been requested by the proprietors, and saying that they would be satisfied with the provision of the documents to their solicitors and Counsel, and to their expert Mr J Emanuel, on the basis of undertakings of confidentiality. Mr Carr indicated that the proprietors were content to go forward on this basis and that agreement had been reached between the parties in this respect. I am satisfied that in these circumstances I should make the order requested, and I therefore order that exhibits BMH-4 and BMH-7 and all the documents supplied by the proprietors under cover of their solicitors' letter of 24 March 1994 should be treated as confidential under rule 94(1).

Turning now to the proprietor's request for discovery, although such requests are relatively unusual before the Comptroller, there can be no doubt that the Comptroller has the necessary powers, provided in rules 103(3) and 106 of The Patents Rules 1990, which read:

103(3). In England and Wales, the comptroller shall, in relation to the giving of evidence (including evidence on oath), the attendance of witnesses and the discovery and production of documents, have all the powers of a judge of the High Court, other than the power to punish summarily for contempt of court.

106. At any stage of any proceedings before the comptroller he may direct that such documents, information or evidence as he may require shall be furnished within such period as he may fix.

Mr Carr suggested that the test which the Comptroller should apply when deciding whether to exercise his powers on discovery had two parts; first, are the documents discoverable, and second, if so, is discovery necessary for the fair disposal of the proceedings? In this respect he referred me to *Merrell Dow Pharmaceuticals Inc (Terfenadine) Patent* [1991] RPC 221, and specifically to the second paragraph on page 223 where Aldous J said:

"The Comptroller has power to order discovery and does so in appropriate cases. The principles which he should apply were, it appears, canvassed before the superintending examiner. He concluded that he should follow the principles applicable to discovery in the High Court, namely, discovery should only be ordered if the documents relate to matters in question in the proceedings (RSC, Order 24, rule 1) and disclosure was necessary to dispose fairly of the proceedings (RSC, Order 24, rules 8 and 13(1)). I believe he was right. Even though that is the test, it should not mean that the burden of discovery should become more widespread in Patent Office proceedings. It is not normal in proceedings before the Comptroller for there to be discovery and experience has shown that discovery has not been necessary in most cases which, in the past, have come before him. No doubt this has been because complex questions on infringement and validity normally come before the court."

I agree that this sets out the approach I should take when deciding the issue of discovery before me. Mr Mellor in particular, but also Mr Carr, suggested that in following this approach I should consider the "relevance" of the documents in question. Although the word

"relevance" is often used in this context in the sense of something which is to do with the matters in question, the authorities indicate that it is unwise to rely on the concept of relevance, since it can be construed much more narrowly, and can lead to error. Aldous J made this point in his judgment in *Merrell Dow*, when he referred to the test of relevance put forward by Lloyd Jacob J in *Compania Uruguaya de Fomenta Industrial S.A., Biro Swan Ltd., and another v. Mentmore Manufacturing Co. Ltd.* [1955] RPC 287, which sets out the basis of the test laid down in the well-known *Peruvian Guano* case, (1822) 11 QBD 55. Aldous J, however, quoted the actual words of Brett LJ where he said:

"The doctrine seems to me to go farther than that and to go as far as the principle which I am about to lay down. It seems to me that every document relates to the matters in question in the action, which not only would be evidence upon any issue, but also which, it is reasonable to suppose, contains information which may - not which must - either directly or indirectly enable the party requiring the affidavit either to advance his own case or to damage the case of his adversary. I have put in the words "either directly or indirectly", because, as it seems to me, a document can properly be said to contain information which may enable the party requiring the affidavit either to advance his own case or to damage the case of his adversary, if it is a document which may fairly lead him to a train of inquiry, which may have either of these two consequences."

As Aldous J then observed:

"It should be noted in that passage that the word "relevant" is not used. The test is whether the documents relate to the matters in question. If they do, then they should be disclosed and their relevance will be decided at trial.

To decide whether a document relates to a matter in question, it is first necessary to analyse what are the questions in issue in the proceedings."

It therefore seems clear to me that the first part of the test which I must apply is properly not one of relevance but of whether the documents relate to a matter in question. In this

connection, Mr Carr urged me to take a very wide view of what constituted a matter in question. He referred me to the passage in the *Merrell Dow* judgment where Aldous J said:

"I understand that the patentees will contend at the hearing that the Evans Medical licence is the best indication of what a willing patentee and willing licensee would agree. The applicants do not agree; that is therefore an issue."

In Mr Carr's submission, this means that if there is a disagreement over any matter, then that matter is an issue. Whilst I do not necessarily go the whole way with Mr Carr on this, I do consider that I should take a fairly wide view of what matters are in question, since to do otherwise risks restricting the case that either or both of the parties can present at the full hearing.

As for the second part of the test set out by Aldous J in *Merrell Dow*, viz whether disclosure is necessary to dispose fairly of the proceedings, Mr Carr suggested that I should again take a wide view of what is necessary on the basis that the word "necessary" does not mean "essential to the determination of an issue" but, rather, encompasses anything that might shed light on a matter which has to be decided. Mr Mellor, on the other hand, invited me to take a sterner approach. In his submission, in order to grant the request I must be persuaded not only that the documents sought are relevant, but that the relevance of every document has been established. I should perhaps add here that, in this context, I am taking Mr Mellor's reference to "relevant" to mean no more than that the documents relate to a matter in question.

In this connection, Mr Mellor referred me to *Fuji Film v. Carr* [1989] RPC 713 in which, in refusing an application for discovery, Aldous J said:

"In my view, not all the documents falling within the class of documents that has been sought by the plaintiff can be of relevance. The class is of great width; it relates to 'all documents relating to the invention of the plaintiff's patent'.

Certainly, all such documents could not be relevant to the issue of obviousness; and, on that basis, it appears to me that this application cannot succeed. If parties seek discovery of great width under Order 29, rule 7, then it leads to resisted applications and increased costs of patent actions. I could in no way grant such an order. Discovery of that width is not necessary, would be extremely onerous and include a large number of documents which could not be relevant on any basis."

Having considered this, I do not believe that it substantiates Mr Mellor's contention that the relevance, in the wider sense of relating to a matter in question, of every individual document must positively be established. Indeed, I think it would be quite unreasonable to require this in a situation where the party making the request is commonly unlikely to know what documents exist. Rather, I think it is a matter of degree as to what is reasonable in the circumstances. The facts of *Fuji Film* were very different from those of the present case and concerned a very widely drawn request, large areas of which manifestly could not have been relevant, even in the wider sense of simply relating to a matter in question. That is not the situation in the present case, where the requests are generally defined in a way which is more closely tied to the matters in question. On the other hand, both *Fuji Film* and *Molnlycke AB v Procter & Gamble Ltd (no 3)* [1990] RPC 498, to which Mr Mellor also referred me, do I think highlight an issue which crops up in others of the authorities I was shown, not least in the passage from *Merrell Dow* which I have quoted above, namely the burden that discovery could impose on parties to actions before the Comptroller and the general reluctance the Comptroller should show to granting requests for discovery.

For example, in pursuing his argument about the relevance of all the documents, Mr Mellor referred me to certain of the headnotes to *Molnlycke* which do I think accurately summarise the approach which I must adopt, as follows:

"(1) Any discovery of documents in an action must be necessary either for fairly disposing of the cause or matter or for saving costs.

(2) An order of specific discovery was discretionary, and might be refused on the ground that it was unduly oppressive to the party giving discovery. The value of the

discovery to the party seeking it, and the burden imposed on the party giving it, would be considered with a view to restricting the volume of documents and the labour and expense involved to that which was necessary for fairly disposing of the issues in the case.

(3) In an application for specific discovery, a class of documents sought to be discovered must not be defined so widely as to include documents which would not be relevant to the issue."

In *Molnlycke* the specific discovery sought by the defendants on the issue of commercial success was held to be too wide, embracing documents which did not relate to the matters in question between the parties in the action, and was not necessary for disposing fairly of the action or for saving costs. It would have been oppressive to order discovery on the scale sought by the defendants of documents which were no more than marginally relevant background material to one of the issues in the action.

Mr Mellor also raise a further issue which he called "mutuality". His argument was that it was normal in High Court discovery for there to be mutuality in that the side requesting discovery would itself volunteer its own documents on the same issue. He went on to say that in the present case the proprietors had not done this but that, in any event, the applicants did not want to see any documents because they considered that any such documents would not be relevant. I am not convinced by this argument. The proprietors may volunteer evidence if they so wish, and indeed they still have the opportunity to file evidence in reply. But this seems to me to be independent of the proprietors' application for discovery, which I must consider separately on its merits in the light of the authorities.

Thus, I believe that in determining the proprietors' application for discovery, I have to decide first whether the documents requested relate to a matter in question. If they do, I must then go on to decide whether the documents are necessary for fairly disposing of the case or for saving costs, and in doing this I should have regard to the burden that discovery would place upon the applicants as against the benefit it could provide to the proprietors.

The categories of document for which a request for discovery is being sought are as follows (the numbers being taken from the original list, some of the categories from which have not been pursued):

In relation to the Statutory Declaration of Michael Williamson

3. Documents relating to the machines purchased by Chance Propper to make the patented devices, including all the documents concerning the "Hybrid" machine and "delivery" of two machines from Propper in August 1992 and their return in September 1993 as mentioned in paragraph 7;
4. Documents concerning the design faults of the "English manufactured machine" and how these faults have been corrected as mentioned in paragraph 7;
5. Documents relating to projected sales, return on investment, marginal profitability, market studies, projected market share, or the contemplated sales price of the devices intended to be sold by Chance Propper under the '101 patent' until its expiry in 1996;
6. Documents relating to the source of supply in the UK of component parts of the indicator, including details of the prices quoted as mentioned in paragraph 8;
7. Documents relating to the testing by Propper of the sample materials, including the results of the tests and the conclusions made, as mentioned in paragraph 9;
8. Documents pertaining to Chance Propper's intent to produce a device which would avoid the quality control problems evident in Propper's 1991 - 1992 SteamLine (RTM) devices that were sold to NYCHHC;
9. Documents and/or information to support the estimate of £10 million sales in the UK of sterilisation integrators over 5 years.

.In relation to the Statutory Declaration of Thomas Augurt

11. Documents and information that support the statements made in paragraph 16.

As both Mr Carr and Mr Mellor agreed, these categories divide into two groups concerned, respectively, with the quality of the applicants' products and the applicants' competence, and with the assessment of the royalty payable under the licence. My first task is therefore to decide whether these are matters in question in this case, and while I do not think that there was any dispute that the assessment of the royalty payable is a matter in question, Mr Mellor did not accept that this was true of the quality and competence issues.

In this connection, Mr Mellor argued first that where licences are available as of right the Comptroller has no jurisdiction to introduce provisions into the licence relating to quality control. Second, he argued that even if the Comptroller does have such jurisdiction, his discretion is very limited and should only be used in the clearest of cases. Third, Mr Mellor argued that even if there is jurisdiction and it would be appropriate to introduce quality controlling terms into the licence, the Comptroller must still weigh the relevance of all the documents which stand to be discovered. Finally, Mr Mellor argued that certain of the documents requested were wholly irrelevant even to what he regarded as an unduly wide term on quality in the proprietors' draft licence, which would have the effect of allowing the proprietors the final say over the quality of the licensees' products made under the licence.

On his first submission on jurisdiction, which he conceded was perhaps rather ambitious, Mr Mellor referred me to *Allen & Hanburys Limited v Generics (UK) Limited and others* [1986] RPC 203 at page 250 where Diplock LJ said:

"These provisions seem to me to confirm the conclusion that I have already expressed on the construction of section 46(3)(a) alone that the Comptroller has a wide discretion as to the terms to be incorporated in a licence of right that are settled by him. For instance, I see no ground why he should not attach to a licence of right to manufacture as well as to a licence to import a condition providing for quality control

... under paragraph (c) of section 50(1) or paragraph (b) of section 50(2) if he thought it appropriate to do so."

Mr Carr also referred me to this passage in support of his submission that it was indeed open to the Comptroller to include provisions in a licence on quality control and that, as a consequence, issues of quality and competence were matters in question on which discovery could and should be granted in this case. Mr Mellor, on the other hand, argued that Lord Diplock's comments were simply obiter. Moreover, he also referred me to a passage in Templeman LJ's judgment in the same case, in which at page 256 he said:

"By section 46(3)(a), the applicant is entitled to a licence as of right to do those things for which he requires a licence in order that he shall not be restrained or found liable in damages under section 61 for an infringement under section 60. No power is conferred on the Comptroller to deny to an applicant in whole or in part the licence which the applicant requires or to impose conditions on the use of the invention for which the applicant is entitled to be licensed as of right. ... If the applicant is willing to fetter his use of the invention for example by agreeing to employ materials and to make the patented product in a manner approved by the proprietor of the patent or in compliance with some other quality control standards, then such limitations on the use of the invention may be introduced into the licence by the Comptroller. But if the applicant requires a licence as of right to use the invention without any restrictions the Comptroller is not entitled, in my opinion, to impose restrictions which will restore or confer on the proprietor of the patent control over the use of the invention which are inconsistent with the statutory direction that the applicant is to be entitled as of right to the licence to use the invention which he requires. ... The Comptroller has no power to limit the application to half the licence or part of the licence which the applicant requires or to impose a conditional or restricted licence when the applicant requires a licence conditional only on the payment of such remuneration as the Comptroller may consider reasonable having regard to the scope of the licence required by the patent."

Mr Mellor argued that this was a clear indication in support of his contention that the Comptroller had no jurisdiction to introduce quality control terms in a licence of right. However, it seems to me that if, as Mr Mellor argued, Lord Diplock's remarks on quality control are obiter, then so must be those of Lord Templeman. Moreover, although, as Mr Mellor recognised, it is not for me to decide between the views of Lord's Diplock and Templeman, it is true to say that subsequent judgements, for example in *Hilti AG's Patent* [1988] RPC 51, have tended to follow Lord Diplock's approach. No doubt there will be argument at the full hearing on this matter, and in order to avoid prejudging that issue I must I think leave the matter open and assume for the purpose of this decision not only that the Comptroller does have jurisdiction to introduce terms relating to quality control, but also that quality control and the competence of the applicant company are matters in question in this case.

Turning then to Mr Mellor's other points, it seems to me that they essentially come down to the same question, namely the relevance or otherwise of the documents requested by the proprietors. Mr Mellor, and indeed Mr Carr, referred to *Hilti*, in which the Comptroller ordered that quality control provisions should be included in the licence. Mr Mellor also referred to *Cabot Safety Corp's Patent* [1992] RPC 39, in which quality control terms were not included in the licence. Although both of these cases, like the present one, include what might be called safety related questions arising from the use of the invention, I do not consider that either of them help me. As I have already indicated, it seems clear to me that I should not concern myself with the relevance of the documents requested but should confine myself to considering whether the documents requested by the proprietor which involve quality and competence are documents relating to a matter in question. Having done that, I have concluded that Mr Carr is right in saying that the documents requested by the applicant which involve quality and competence are indeed documents which relate to a matter in question.

I must therefore go on to decide whether the documents requested concerning quality and competence are necessary for fairly disposing of the case, and in order to do that I must look in broad terms at their general nature and likely content.

Looking in turn at the categories of documents of this type in respect of which the proprietors seek discovery, category 3 relates solely to past events concerning the so-called hybrid machine and the two manufacturing machines which the applicants purchased and subsequently returned to the United States. Whilst these documents may or may not provide some background into the applicants' past attitude to manufacturing the patented device, I do not see how they can be necessary for fairly disposing of this case, which will concern only the future manufacturing activities of the applicants. Although category 4 concerns a machine which may actually be used by the applicants to manufacture the patented device under the licence, again I do not see how the further information requested is necessary for fairly disposing of the case. The evidence speaks of teething problems, which are surely not unusual in any new manufacturing installation, and I do not see how knowing how these might have been corrected will advance matters at all.

Category 7 concerns documents relating to tests which the applicants have made of sample materials. Picking up an argument put forward by Mr Mellor, Mr Carr suggested that if the proper basis for testing were comparative tests, the proprietors needed information about the applicants' tests as a basis for comparison. Mr Williamson's evidence, on the other hand, shows that although some tests have been made, full testing will not be done until details of new standard and statutory tests which are still being developed are finally available. This seems eminently sensible to me, and I can see absolutely no benefit to the proprietors in delving into details of the partial tests performed by the applicants to date. I therefore do not see how these documents can be necessary for fairly disposing of the case.

Category 8 concerns documents relating to the applicants' intention to produce a device which would avoid the problems experienced in devices made by the applicants' United States parent company. These problems were first mentioned in the proprietors' evidence, specifically in evidence from Mr B G Fitzpatrick. Mr Fitzpatrick worked at one stage for the proprietors' parent company, Propper, in the United States and later set up his own distribution company which bid for a contract to supply the proprietors' products to the New York City Health and Hospital Corporation, a contract which was won by Propper. Mr Fitzpatrick's subsequent investigations revealed certain difficulties with Propper's products. Whilst I make no comment on Mr Mellor's view that, being upset at the loss of

a potentially lucrative contract, Mr Fitzpatrick set about procuring evidence to show defects in products supplied to hospitals in New York by Propper, I do not see how any documents or information relating to problems experienced by a different company in the United States can be necessary for fairly disposing of the present case, which involves the future activities of the applicants in this country.

Category 11 concerns documents and information supporting statements made in paragraph 16 of the statutory declaration by Thomas Augurt, which concerns steps taken by Mr Augurt to gain acceptance for Propper's products in the United Kingdom, culminating in a letter of approval from the Department of Health and Social Security for Indicator Test Sheets for use in the Bowie and Dick Test. Again, I fail to see how this further information is necessary for fairly disposing of the case. The approval concerns only one particular product from Propper and has no bearing on any future activities of the applicants making a different product under a licence under the present patent in this country.

It therefore follows that I do not regard the documents and further information sought by the proprietors under categories 3, 4, 7, 8 and 11 as being necessary for fairly disposing of the case or for saving costs. The proprietors' evidence in chief contains certain material relating to alleged problems experienced by the applicants' parent company in the United States and the applicants' evidence contains material which addresses these matters, explains the various standard and statutory quality tests, both national and European, which exist or are still under development, and sets out at least some of the procedures the applicants are proposing to take to ensure the quality of their intended product. I agree with Mr Mellor that this evidence is sufficient to enable a proper, full and fair determination of the quality and competence issues arising and that nothing further is necessary to that end. I therefore decline to make any order in relation to the proprietors' categories 3, 4, 7, 8 and 11.

Turning now to the remaining categories of documents in respect of which discovery is still sought, namely categories 5, 6 and 9 which concern financial matters and the assessment of an appropriate royalty under the licence, both sides were agreed that the only point of having these documents would be to facilitate use of the so-called "profits available" approach in determining the terms of the licence. This approach entails making an estimate of the likely

profit available to the licensee in working the licence, and then deciding how that profit should be divided between the licensee and the patentee. Mr Mellor pointed out, however, that both the applicants' and the proprietors' evidence clearly shows that in this case the present market was very small, and he argued that in such circumstances, which were very different from the more normal situation where a licensee was intending to break into an existing, well established market, the profits available approach would be speculative and highly suspect. Indeed, he pointed to paragraph 26 of the declaration by the applicants' General Manager, Mr M Williamson, where Mr Williamson indicates that it is not possible at this stage to give any meaningful assessment of marketing or manufacturing costs, nor of appropriate product prices, and that, as a result, it is not possible to give any meaningful prediction of profits. Mr Carr, however, pointed to paragraph 8 of Mr Williamson's declaration where it is stated that the applicants have been quoted prices for components, and suggested that these documents would shed light on the applicants' costs.

In *Smith Kline & French Laboratories Ltd's (Cimetidine) Patents* [1990] RPC 203 the Court of Appeal held that the profits available approach should only be used as a last resort or as a cross-check on the royalty figure derived from other approaches, since it made the royalty dependent upon the remuneration of the licensee rather than that of the patentee, contrary to section 50(1)(b). In the present case very little evidence has been adduced to date which is likely to assist me to decide the financial aspects of the licence, in particular the royalty payable. It is of course the case that the proprietors have not yet filed their evidence in reply, and that certain of the material voluntarily supplied by the proprietors does include licence and other agreements which may provide some assistance, but nothing has yet formally appeared in evidence. The profits available approach may, therefore, yet take on the "last resort" status referred to in the *cimetidine* case. Even if other financial evidence is adduced, for example in another licence, the profits available approach may still have a role as a cross-check. It is self-evident that it would be unsatisfactory to have to try to estimate figures providing the basis for a profits available consideration in the absence of evidence, and that it would be greatly preferable to have evidence in this regard. I therefore conclude that, in principle at least, I must regard documents which would have a bearing on a profits available approach to royalty determination as relating to a matter in question in the

case in suit, and, in the possible absence of other persuasive financial evidence, as potentially necessary for fairly disposing of the case.

To decide whether this conclusion of principle applies in practice to the categories of document of which discovery is sought, it is necessary to consider the categories in more detail. Category 5 concerns documents relating to projected sales, return on investment, marginal profitability, market studies, projected market share or the contemplated sales price of the devices intended to be sold by the applicants. Applying the criteria set out in *Molnlycke*, it seems to me more than likely that the applicants will have at least some documents relating to all the various items in this list, all of which seem to me to relate to matters central to the calculation of available profits. Moreover, given the relatively focussed nature of the items, I do not consider that the burden on the applicants in providing them will be excessive, nor do I consider that their provision should take an undue length of time. Consequently, I believe that these documents do relate to a matter in question and are necessary for fairly disposing of the case, and that I should order their discovery.

Category 6 concerns documents relating to the sources of supply and the prices quoted to the applicants for component parts of the patented device. Again, it seems to me that this item, concerning as it does an element in the costs which the applicants will face when working the licence, is central to the calculation of available profits. Moreover, since Mr Williamson has indicated in his evidence that the applicants have been quoted prices it would seem to follow that documents do exist and that they will be readily available. My only reservation is that the proprietors' request primarily relates to the applicants' source of supply of component parts and refers to details of the prices quoted only as a secondary matter. This seems to me to be the wrong way around, in that the matter in question is profits available, and the factor which relates to that matter is primarily price and not source of supply. In practice, of course, it may make no difference in that in may be that the same documents refer to the price and the source of supply. Be that as it may, it seems to me that the appropriate order for me to make would concern documents relating to details of the prices quoted to the applicants for the supply of component parts of the indicator, as mentioned in paragraph 8 of Mr Williamson's declaration, and I shall order accordingly.

Category 9 relates to documents and/or information to support the estimate of the size of the future market for the patented device in the applicants' evidence. This relates to the estimate in paragraph 26 of Mr Williamson's declaration, and while it seems to me self-evident that this sort of information is pertinent to the calculation of likely available profits, I do think that the category should be specifically restricted to Mr Williamson's estimate. It is not clear from Mr Williamson's evidence whether his estimate has been derived in an objective or a speculative way, but in either event it seems to me that it is necessary to know the basis of the estimate in order to dispose fairly of the case. Consequently, since I believe that documents relating to this item do relate to a matter in question and that they are necessary for fairly disposing of the case, I shall order their discovery.

Therefore, following, as I believe is appropriate, the broad procedures set out in Order 24 rules 3 and 9 of the Rules of the Supreme Court, I hereby order that the applicants shall, within two weeks from the date of this decision (which is the period which Mr Mellor indicated that his clients would require to prepare for discovery), make and serve on the proprietors a list of the documents which are or have been in their possession, custody or power relating to the following:

- a) projected sales, return on investment, marginal profitability, market studies, projected market share and the contemplated sales price of the devices intended to be sold by the applicants under the licence of right;
- b) details of the prices quoted to the applicants for the supply of component parts of the indicator, as mentioned in paragraph 8 of Mr Williamson's declaration; and
- c) the estimate of the size of the future market for the patented device in paragraph 26 of Mr Williamson's declaration;

and that the applicants shall, when they serve the list, also serve on the proprietors a notice stating a time within seven days after the service of the notice at which the proprietors or their agents may inspect and take copies of the said documents at a place specified in the notice. In the event that the applicants consider that confidentiality considerations which

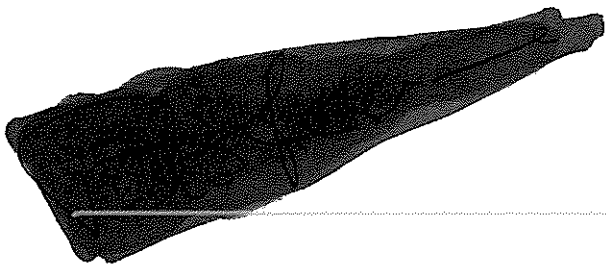
would give rise to an order under rule 94(1) of The Patents Rules 1990 apply to any of the documents on the list and the parties are unable to agree suitable conditions as to inspection of such documents, I will, on application from one or other of the parties, make appropriate orders.

Turning now to the timetable for the further prosecution of these proceedings, Mr Mellor indicated at the hearing that he would need two weeks to consider the documents supplied by the proprietors with their solicitors' letter of 24 March 1994 before he could decide what, if any, of them should be put in evidence. Since the hearing, the applicants has asked for an extension of one week to that time to give their expert, Mr Emanuel, an opportunity to consider the matter. That extension has been agreed, giving the applicants until 12 October 1994 to complete the filing of their evidence in answer. As to the proprietors' evidence in reply, the proprietors has consistently argued that they cannot finalise their evidence in reply until they have had sight of the applicants' documents. That is clearly correct, and I therefore direct that the proprietors should file their evidence in reply, including any evidence arising from the applicants' list of documents discovery of which I have ordered, within three weeks after having inspected the documents on the applicants' list. I would then expect to be able to appoint the substantive hearing, and I shall make directions accordingly at that point.

Finally, Mr Carr asked me to award costs to the proprietors in relation to the two requests under rule 94 because the applicants had only withdrawn their opposition at a late stage in the proceedings. I would observe here not only that it is the practice of the Comptroller not to award full costs, but only to award a contribution to costs, but also that it is not normally the practice of the Comptroller to make any award of costs in cases concerning the settlement of terms of a licence of right, though awards have on occasion been made on preliminary issues. I see nothing in the circumstances of the present case which cause me to vary from the general practice at this stage, and I therefore, without prejudice to any finding as to costs which I may reach on consideration of the substantive issues, make no order as to costs arising at this preliminary stage.

This being a procedural matter, the time within which any appeal from this decision may be lodged is 14 days from the date of the decision.

Dated this 11 day of OCTOBER 1994.



DR P FERDINANDO

Superintending Examiner, acting for the Comptroller.

THE PATENT OFFICE