

PATENTS ACT 1977

IN THE MATTER OF a reference under
Section 12(1)(a) by Exal Sampling Services Limited
and Leutert (North Sea) Ltd
in respect of International Patent Application
No PCT/GB91/00224 in the name of
Oilphase Sampling Services Limited, Keith James Massie,
James Andrew McGilvray and Jonathan Webster Brown

DECISION

The application, entitled "Well Fluid Sampling Tool and Well Fluid Sampling Method", was filed by Oilphase Sampling Services Ltd on 14 February 1991 and published as WO 91/12411 on 22 August 1991. This reference was made by Exal Sampling Services Ltd and Leutert (North Sea) Ltd (the referrers) on 31 October 1991 and poses the question whether the application should proceed in the referrers' names. The reference has been opposed by the applicants, and by the three named inventors, Mr Massie, Mr McGilvray and Mr Brown. (I shall refer to the applicants and the named inventors collectively as the opponents.)

By December 1992, evidence had been filed in the three stages provided for by the Patents Rules, and arrangements were then set in train to fix a date for the hearing of the reference. However, in letters dated 20 and 22 July 1993 the opponents asked the Comptroller to stay the Section 12 proceedings or to decline to deal with the matter as provided for by Section 12(2).

Their argument (in letters of 20 July and 10 August 1993) was that the Section 12 proceedings were part of a much wider dispute between the parties involving proceedings in the Court of Session for breach of confidence. Specifically, they submitted that in the Section 12 proceedings the referrers' claim was that the design forming the inventive feature of the patent application belonged to them as it was conceived whilst (some of) the opponents

were employed by them, and in the breach of confidence action they alleged that the design was confidential information taken from them by the opponents.

The opponents contended that the question of ownership of the information and "wider issues associated with the nature of the information" fall to be decided by the Court of Session and that a determination of the facts before the Court will determine the outcome of the Section 12 proceedings.

Responding in a letter dated 7 September 1993 the referrers conceded that there was some overlap in the information which is the subject of the proceedings, but contended nonetheless that the Section 12 proceedings could be determined without reference to the Court action. They pointed out that the proof was considerably delayed because an appeal on procedure was pending, and argued that it would not be in the interests of either party or the Office to delay the entitlement proceedings pending the outcome of the Court action. Finally, they claimed that the second referrer, Leutert, was not a party to the breach of confidence action and would be adversely affected by a stay.

In reply (letter dated 15 September 1993), the opponents stressed the close links between the two sets of proceedings and asserted that Leutert were involved in the court action, albeit indirectly, by virtue of an arrangement which gave Leutert ownership of intellectual property generated by Exal.

On 30 September 1993, the Office gave its prima facie view that the Comptroller should decline to deal with the Section 12 reference so that the question of entitlement to the patent application could be put to the Court of session. The referrers requested a preliminary hearing.

As a result, I conducted a hearing on this preliminary issue in Edinburgh on 26 April 1994, at which Mr Nigel Emslie QC represented the opponents and Mr Roy Martin QC represented the referrers.

Section 12, subsections (1) and (2) of the Patents Act 1977 provides:

12.-(1) At any time before a patent is granted for an invention in pursuance of an application made under the law of any country other than the United Kingdom or under any treaty or international convention (whether or not that application has been made) -

(a) any person may refer to the comptroller the question whether he is entitled to be granted (alone or with any other persons) any such patent for that invention or has or would have any right in or under any such patent or an application for such a patent; or

(b)

and the comptroller shall determine the question so far as he is able to and may make such order as he thinks fit to give effect to the determination.

(2) If it appears to the comptroller on a reference of a question under this section that the question involves matters which would more properly be determined by the court, he may decline to deal with it and, without prejudice to the court's jurisdiction to determine any such question and make a declaration, or any declaratory jurisdiction of the court in Scotland, the court shall have jurisdiction to do so.

It is not in dispute that the effect of these subsections is that there is a presumption that proceedings of this kind should be determined by the Comptroller, and that the operation of subsection (2) requires a positive finding that "the question involves matters which would more properly be determined by the court". Accordingly, it was accepted that in the circumstances of this case, the onus was on Mr Emslie to persuade me to decline to deal with it, with the consequence that the referrer would, if so advised, refer the question afresh to the Court of Session.

Mr Emslie's primary submission was that there was a substantial overlap between factual issues in these proceedings under Section 12, and in the action for breach of confidence.

Mr Martin contended that the overlap was of a limited extent, insufficient to justify terminating these proceedings 2½ years after they had been started.

The facts that are agreed in the Section 12 proceedings are that the referrers are in the business of providing services relating to bottom hole samples, that is to say, taking a sample from the bottom of an oil well bore hole. The problem they wished to deal with was that oil at the bottom of a bore hole may contain gases in solution: such gases would come out of solution as the pressure of the sample reduced on being raised to the surface, so that the sample would cease to be a representative sample. A solution was to maintain the sample under pressure as it was brought to the surface, so that it remained entirely in liquid form. This is described as "single-phase sampling" or "SPS".

In their Statement, the referrers claim that the possibility of using single-phase sampling was first identified by British Petroleum, and by Mr Fearnley (managing director of Exal) and Mr Massie whilst they were both working for the referrers around the latter part of 1988, though in evidence they concede that it has since become clear that the concept was already known. Mr Massie, Mr McGilvray and Mr Brown, the three named inventors, together with a Mr Forbes, were formed into a team to design, develop and test the invention in cooperation with Leutert. Testing of a prototype SPS tool began no later than January 1989, but Mr Massie and Mr McGilvray resigned from Exal in September 1989, followed by Mr Brown in November. The referrers' case is that the invention that is the subject matter of the application in suit was made while the named inventors were employed by Exal and the terms of their employment were such that under Section 39 the rights in the patent application belong to the employer.

It is alleged that though delayed by the resignations, the invention was successfully tested around February 1990. Further improvements were made and UK patent application No 9026585 was filed on 6 December 1990 (the application served as priority for a later application published as GB 2252296).

The opponents' case, as outlined to me by Mr Emslie, was that Mr Massie, Mr McGilvray and Mr Brown realised that the line of development they were constrained to pursue while

working for Exal was leading nowhere and they needed to think the problem through afresh. Accordingly, they resigned from Exal towards the end of September 1989, joined Oilphase, and started the development of the sampling system which is the subject of the patent application in suit.

It seems clear to me that the resolution of this dispute requires an investigation into the terms of the three inventors' contracts of employment, and into the knowledge acquired by them while employed by Exal, followed by an assessment of the extent to which this knowledge is incorporated into the patent application.

The issues in the breach of confidence action are contained in the Closed Record which was handed up to me at the hearing. The Record is more detailed than the Statement and Counterstatement in the Section 12 proceedings and, it seems to me, covers all the factual matters that are put in issue by the Statement and Counterstatement. Although Mr Martin submitted that there was not a substantial overlap between the two sets of proceedings, he did not in fact identify any factual matters in issue in the Section 12 proceedings that are not covered by the Record. In summary, I am satisfied that the factual issues arising in the Section 12 proceedings will in very large measure fall to be decided in the breach of confidence action.

Mr Martin's principal submission on the overlap point was that the remedies in the two sets of proceedings were quite different. In the action, the pursuers were seeking damages and interdict, whereas in the Section 12 proceedings the referrers sought to have the ownership of the patent rights transferred to them. By declining to deal with this case, I would probably be imposing on the court the additional burden of deciding who should own the patent rights, but I believe that in the circumstances of this case that particular decision will call for very little additional judicial time.

Mr Martin also pointed to the inconvenience occasioned by the opponents waiting some two years before challenging the appropriateness of the Comptroller's jurisdiction. It is certainly true that on the face of the record the three stages of written evidence will have been

prepared and filed needlessly if I decline to deal with this case. It is implicit however in my findings about the overlap of factual matters that this will not be completely new evidence.

There is also the likelihood of a slight delay while application is made to the court to amend the action to cover the patent ownership issue, or alternatively to commence new proceedings and apply to conjoin them with the existing action. However, in my opinion there will be a worthwhile overall saving of time and expense if the two sets of proceedings are dealt with in one forum, though, as I have said, with some slight increase in the amount of judicial time needed. There would be a saving in judicial time, and also no delay to the action, if I were to stay the Section 12 proceedings until judgment had been delivered in the action rather than decline jurisdiction, but on balance I consider that the benefits of a stay are outweighed by the convenience of having all these matters decided in one court. I therefore decline to deal with the question that is the subject of this reference.

I should say that I have given no weight to two factors mentioned by Mr Emslie. He told me that the enquiries called for by this case would be long and complex, and the affidavit evidence filed to date would need to be supplemented both by recovery of further documents and by cross-examination. Secondly, he said that difficult issues of law arose. None of the opponents had written contracts of employment; their position as ex-employees also arose for consideration; the position of Mr Haites, who was a director but not an employee, was particularly unusual, and finally the relationship between Leutert and Exal was a complicating factor. These considerations, he submitted, strengthened the case for the court to deal with them rather than the Comptroller.

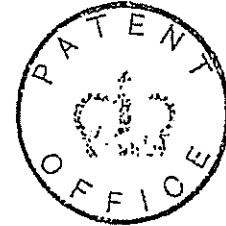
In my judgment however, the issues in this case are well within the range of difficulty that the Comptroller's hearing officers are used to dealing with. It is not necessary for me to consider whether legal difficulties alone could ever justify the Comptroller in declining jurisdiction. I would say however that the presumption is that the appropriate forum is the Comptroller, and that a counter argument to Mr Emslie's submission, at least so far as difficulties of law are concerned, is that the normal avenues of appeal are more effective at separating the routine issues from the difficult.

Although the opponents have succeeded on this issue, and would therefore normally be entitled to a contribution to their expenses on that account, I consider that their delay in making the application, and the consequential wasted effort, should be taken into account. I therefore make no order in respect of expenses.

Dated this 9th day of June 1994

W J LYON

Superintending Examiner, acting for the Comptroller



THE PATENT OFFICE