

PATENTS ACT 1977

BLO/001/89

IN THE MATTER OF an application to the
Comptroller under Section 40 by
Colin James Michael Knox for an award
of compensation in relation to the
invention of Patent No 2028397 in the
name of Istock Building Products Limited

STATEMENT OF REASONS FOR SECOND PRELIMINARY DECISION

An application has been made under Section 40 of the Patents Act 1977 by Mr Knox for an award of compensation in respect of Patent No 2028397, which is in the name of Istock Building Products Limited (Istock).

The interlocutory matter that is now before me concerns exhibit AJT4 to the statutory declaration of Mr A J Taylor, filed on behalf of the patentees. This exhibit is accepted by both sides as containing commercially sensitive information, and by agreement it has been sent to the solicitors acting for Mr Knox with certain restrictions on their freedom to disclose it. Within those restrictions, I understand that disclosure has been made to a firm of accountants, Binder Hamlyn, retained to advise Mr Knox in these proceedings, but Mr Knox seeks a direction allowing disclosure to a second firm of accountants retained by him, Thompson Jenner. I should add that no need arises for a direction to keep the exhibit off the file that is open to public inspection, because by Rule 93(5)(d) of the Patents Rules 1982, documents filed in these proceedings are not open to inspection unless the comptroller otherwise directs.

The request for a direction in favour of disclosure to Thompson Jenner came to me to decide on the papers, after the parties had agreed not to have a hearing on the request. I decided that I would direct disclosure to Mr Thompson only of Thompson Jenner, and this was communicated to the parties in an

Official letter dated 21 November 1988, which said:-

"As agreed, the request for a direction in respect of confidential exhibit AJT4 to the declaration of Mr A J Taylor has been put to a Hearing Officer for decision on the papers and without a hearing.

The decision of the Hearing Officer (Mr W J Lyon) is that the exhibit should be disclosed to Mr Thompson only of Messrs Thompson Jenner. A statement of the reasons for this decision will be given on request. It is assumed that suitable terms by which Mr Thompson will keep the information confidential can be agreed between the parties, but if not, a supplementary decision should be requested."

The patentees have now asked in a letter dated 23 November 1988 for a statement of reasons. These I now give.

The issue is I think accurately set out in the following passage from the patentees' solicitors' letter of 18 October 1988;-

"The two reasons put forward by the applicant in support of his desire to instruct two firms of accountants are:

- (i) that the information is difficult to comprehend, and
- (ii) that it would be cost effective.

The applicant has chosen Messrs Binder Hamlyn & Co to advise him. This is a well known and highly competent firm and is obviously capable of advising the applicant in this respect. Since our clients appreciate that the financial information may be difficult to interpret without being familiar with the background and the accounting practices used by our clients, our clients have volunteered to meet the applicant's accountants to explain the information to them.

This offer has been accepted and it is expected that a meeting will take place very shortly. We believe that this not only demonstrates that our clients are far from being obstructive in their dealings with the applicant but also that this will serve to remove any difficulties in comprehension which lead the applicant to believe that it is necessary for him to instruct two firms of accountants.

We do not accept that there can be any cost saving in instructing two firms of accountants who would, we are informed, both be considering the matter independently and would therefore obviously both covering the same ground.

In response to the applicant's request, we would repeat our own contentions:

- i) that our clients are entitled to the protection of confidential information and each further disclosure of the information increases the risk that it will not remain confidential.
- ii) the applicant has given no cogent reason why the advice of Messrs Binder Hamlyn will not be sufficient.
- iii) we do not attack Mr Thompson's personal integrity but we maintain that his position as the applicant's local personal accountant puts him in a different position from Messrs Binder Hamlyn and, for that matter, Messrs Bristows Cooke & Carpmael.

In the premises, we would ask the Comptroller not to make an order for disclosure of confidential information to Messrs Thompson Jenner."

The principal matters that favour disclosure to more than one firm of accountants are the novelty and complexity of the accounting issues in the case, and the principle that a party's

freedom to take expert advice should not be fettered without good reason. I have of course not been addressed on the accounting issues, but there is clearly no settled practice on applications under section 40, (the first substantive hearing of a section 40 application took place on 1 December 1988) and it is clear from the correspondence on file that there will be difference of opinion to resolve in relation to the benefit that the patentees have derived from the invention. I therefore think that Mr Knox should be able to get a second opinion on these matters from an accountant independent of Binder Hamlyn.

The patentees' solicitors refer to Mr Thompson's position as the applicant's local personal accountant, and coupling this with the view they express in their letter of 26 September 1988 that Mr Thompson "is not wholly independent", I take this to mean that his standing as an expert witness will be devalued by his association with one of the parties to the cause. However, it seems to me that that is a factor to be evaluated at the substantive hearing, and does not justify taking the choice of accountant out of Mr Knox's hands.

I also accept that the more people there are to whom confidential information is divulged, the greater the risk of the information getting out. The risk that Mr Knox will accidentally get the information must be greater if the accountants concerned have regular contact with him, and I have considered whether Mr Knox ought to get his second opinion from someone other than his usual accountant.

On balance, I decided that both parties' interests would be adequately safeguarded if the disclosure was made only to a named member of the firm of Thompson Jenner. The only member of that firm who was named in the correspondence was Mr Thompson, so it was his name that I chose.

I did not of course know whether this decision would be acceptable to Mr Thompson - indeed I did not know that there was only one Mr Thompson - and that is one reason why the decision in the Official letter of 21 November invited the parties to request a supplementary decision if necessary. The other reason was that the Comptroller will settle the terms of Mr Thompson's undertaking if necessary.

Dated this 14th day of December 1988

W J LYON

Superintending Examiner, acting for the Comptroller



THE PATENT OFFICE

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