

PATENTS ACT 1977

0182193

IN THE MATTER OF an application
under Section 40 by Peter David Knight to
be awarded compensation by Communication
& Control Engineering Company Limited
in respect of Patent No. 2115226

PROCEDURAL DECISION

This is a decision on a preliminary procedural question of whether to order discovery.

On 16 February 1990 Peter David Knight applied under section 40 of the Patents Act 1977 for an award of compensation in respect of Patent No. 2115226, for which he is the sole named inventor. Proprietorship of the patent and the identity of the applicant's former employers have undergone a number of changes during the relevant period, but as these are not material to the issues before me I shall refer to the respondents throughout this decision as "the employers". The counterstatement was filed in June 1990, and then in November 1990, before any evidence had been filed, the applicant asked for wide-ranging discovery. The employers objected to this, and the Patent Office indicated that it thought the request was premature and too broad. A hearing was appointed in March 1991 to consider this and other matters, but the parties reached an agreement under which, *inter alia*, the application for discovery was withdrawn. The possibility of a fresh application for discovery being made at a later stage was not ruled out. The evidence rounds commenced with the filing of the applicant's evidence-in-chief on 27 March 1991, and on 19 December 1991 the employers filed their evidence.

The evidence-in-reply was due from the applicant by 6 April 1992, but on 2 April the Office received a request from his patent agents for an extension of this period, giving as the reason:

"... we might be compelled to seek discovery of certain matters to put the Applicant in a position such that full Evidence-in-Reply can be filed. I am still considering with the Applicant the specifics of a discovery request, which would not be a wide-ranging request."

The request for extension was granted, as was another one three months later. Then, in July 1992, the employers' solicitors filed a letter which *inter alia* mentioned that the patent had just been assigned to a company known as Vitalprint Limited. There was a slight delay whilst the other matters mentioned in that letter were sorted out, then on 3 September 1992 the applicant's agents wrote to the Office, arguing that the assignment could well be relevant to his case and accordingly asking for a stay of the evidence-in-reply stage pending discovery of:

- "1. details of licences, agreements, assignments, mortgages or other relevant documentation between the employers and any assignee, mortgagee or other beneficiary under the Patent in Suit, including Vitalprint Limited; and
2. details of royalties received to date, or any lump sum received in connection with the matters itemised at paragraph 1 above."

In a letter dated 24 September 1992, the employers resisted this request, saying it was a "fishing expedition" and arguing that discovery should not be considered until the evidence stages were complete. They also stated that there had been no licences, and no assignments other than those arising from internal group restructuring and the one to Vitalprint for a nominal £1, implying that there was nothing worth discovering anyway. The applicant, however, decided to maintain his request, and in the end the two sides agreed to an Office suggestion that the matter be considered as a preliminary point at the substantive hearing.

In the event, the substantive hearing got no further than the issue of discovery. It was held before me on 5 May 1991. Miss Denise McFarland, instructed by Edward Evans & Co, and Mr Nicholas Bragge, instructed by Eversheds, appeared as counsel for the applicant and the employers respectively.

At the hearing Miss McFarland did not, in fact, argue for discovery of details of licences, agreements, assignments &c as set out above. Instead, she asked for discovery relating to a number of items which she picked out from the employers' evidence. She had come with no prepared statement of exactly what it was she was seeking discovery of, but when I pressed her at the end of her closing speech she expressed it generally as "the documents used to support the conclusions given in paragraph 14 and 15.1" of the statutory declaration of Mr Gerald Beetles, Managing Director of Communication and Control Engineering Co Ltd. These paragraphs relate to such things as the number of items incorporating the invention which had been sold and the associated income, costs and profit. I regret that I am still not entirely clear exactly what she was seeking, because her summary was inconsistent with the fact that she had earlier been arguing for discovery in connection with other paragraphs of the employers' evidence, in particular paragraphs 13 (pre-production costs), 17 (company profit and turnover) and 18 (a device described as the CALSTAR light fitting).

Rule 103(3) of The Patents Rules 1990 gives the comptroller in all relevant respects the same powers to order discovery as the High Court. I am satisfied that my exercise of this power is governed by the practice of and guidance given by the courts. It is fortunate, therefore, that the question of discovery has been considered by the Patents Court in a previous section 40 case which was drawn to my attention at the hearing, Memco-Med Ltd's Patent [1992] RPC 403. In that case the Hearing Officer said:

"Clearly, discovery will often be of considerable value to the applicant in section 40 proceedings, particularly when he or she is no longer employed by the proprietor. It is up to an applicant to decide what is needed to support the application, and if at any stage it becomes apparent that discovery is needed, it should be requested promptly, not at the last minute, and in terms which are as specific as possible."

On appeal Mr Justice Aldous endorsed the Hearing Officer's approach, saying:

"Further, I endorse his view that a request for discovery should be made promptly. Discovery should only be ordered when necessary and should be limited to those issues which on the pleadings are essential for a decision."

and adding later:

"Discovery of documents showing the number of detectors sold and the profit from those sales could only have been relevant if Mr Trett had established that the patent had played a major part in securing the sales."

The circumstances in the Memco-Med case which gave rise to the Hearing Officer's observations on the need for promptness, approved by Mr Justice Aldous, were that the request for discovery had been received by the Office a week before the hearing, eight months after the proprietors of the patent in suit had filed their evidence. It was, in the words of the Hearing Officer, "in very imprecise terms". In the present case the request with which I eventually found I had to deal was not elaborated until the day of the hearing itself, some 16½ months after the filing of the employers' evidence, and then only at my pressing at the end of Miss McFarland's submission to me on discovery and in terms which I consider I can with equal justification describe as "very imprecise". It was, furthermore, when it eventually emerged, in a form quite different from that which both I and the other party had, prior to the hearing, been given to understand it would take.

Miss McFarland sought to defend the delay by arguing that the original wide-ranging request for discovery was, in effect, still live. As she put it, the preliminary hearing in March 1991 "was compromised in order to allow evidence to come in following the preferred course adopted by the Office, which was to consider evidence first and then resume the hearing". I cannot accept this submission. From the transcript of that hearing it is plain that the understanding was that the request for discovery was withdrawn. Indeed, the Hearing Officer expressly stated, with no dissension from Miss McFarland, that "the application for discovery, as agreed by the parties, has been withdrawn at this stage". That conclusion could not have been clearer. When I pressed her on this point at the present hearing, Miss McFarland sought to argue that there had been a misunderstanding over what request

for discovery the present hearing was supposed to be considering. She said that when the applicant's agents wrote in their letter of 30 October 1992 "whilst the applicant maintains his request for discovery, nevertheless he agrees to his request being considered as a preliminary matter at a substantive hearing" they were referring to the original wide-ranging request. I do not accept this submission either. Having looked very carefully through the correspondence, I cannot see how this passage can be interpreted as referring to anything other than the limited request made in the letter of 3 September 1992 for discovery of details of licences &c. In any case, the discovery the applicant was seeking at the present hearing was not the original wide-ranging discovery, nor even the narrow discovery about licences. It appeared to be, so far as I could ascertain at the hearing, a new shopping list which had not been put forward at any previous stage in the proceedings.

The issue of promptness was not in the event critical in Memco-Med since the Hearing Officer, again with the approval of Mr Justice Aldous, indicated that if he had, on hearing the parties on the substantive issues, concluded that discovery was necessary, he would come back to them, by implication notwithstanding the late arrival of the request. It is necessary for me to interpret the learned judge's endorsement of the observation that a request for discovery should be made promptly in the light of this. That conclusion is consistent both with the fact that promptness of the request for discovery does not appear in the Rules of the Supreme Court as a necessary qualification for the success of the request, and with the dictum of Mr Justice Whitford in Poseidon Industri AB v Cerosa Limited and others [1975] FSR 122, an authority not referred to at the hearing, that "it is of course thoroughly undesirable that applications of this kind (for discovery of documents in an infringement case) should be made as late as this application was in fact made (a few days before the main issue was due to be heard), but mere lateness in my view, should not necessarily exclude from consideration by the court any document which is in fact going to be of assistance in the determination of the matters which the court has to decide" (my emphasis).

The lateness of the request appears in the present case to be substantially more marked than in Memco-Med, and, to the extent that direct comparison can be made, than in Poseidon v Cerosa. I am persuaded, therefore, even more forcibly than were the Hearing Officer in Memco-Med or the learned judge in Poseidon v Cerosa, to express the desirability, in

relation to the timely and just settlement of cases such as this one, of the prompt filing of requests for discovery. A careful consideration of the evidence available to the applicant in December 1991 should have indicated what discovery, if any, was needed. Nothing that has appeared in the case since that date has, in my judgement, materially affected the issues which gave rise to the request in the form in which it was eventually made. I suspect, in fact, that it is likely in general in section 40 cases to be the period immediately following the filing of the proprietors' evidence and prior to the filing of the applicant's evidence-in-reply which will prove to be most fruitful in relation to discovery.

Furthermore, in my judgement there is greater culpability on the part of the applicants for discovery in the present case in relation to delay than in either Memco-Med or Poseidon v Cerosa, since the request for discovery was in effect only formulated, if such can even be said of it at all, verbally as a pressed afterthought to Miss McFarland's submission. It is not, in my view, an unfair statement of the position to say that both I and the other party were misled, going into the hearing and for the early part of the hearing itself, as to the nature of the request.

But as Mr Justice Whitford stated so clearly, lateness alone is not sufficient cause for me to refuse the request for discovery. By the same token, since I suppose that a present lack of clarity in the precise nature of the request could be put right by means of a further delay, even this is presumably not necessarily fatal to the applicant's desire in general to obtain an order for discovery. This appears to be an implication of the Hearing Officer's observations about possible later discovery in Memco-Med, notwithstanding his comments concerning lateness and imprecision. I cannot, however, escape the view that this lack of clarity and precision must be fatal to this particular request - in effect the third one submitted by the applicant during the course of these proceedings. Miss McFarland suggested, in this connection, that the relative informality of the comptroller's forum as compared with the courts was both a benefit and a burden. I would not dissent from that general view, but would observe that informality does not excuse lack of necessary clarity and precision. The potential advantages of hearing actions before the comptroller would be entirely lost if Hearing Officers were to allow matters to become so unstructured that parties were unsure as to what they are in dispute about. In the present case, as I have indicated, not only was

the broad direction of discovery changed at the hearing, but even then I was left in doubt as to exactly what was being sought. A request to the comptroller for discovery should, if it is to be properly considered on its merits, have as much clarity and precision as the case permits. That cannot, I consider, be said of the present request.

In general the critical consideration determining whether discovery should be ordered, as expressed in Order 24 Rule 13 of the Rules of the Supreme Court, and confirmed by Mr Justice Aldous in Memco-Med, is whether it is necessary either for disposing fairly of the matter or for saving costs. Although I have concluded that I should reject the present request for discovery for lack of sufficient clarity and precision, I consider, since this objection might readily be overcome at the cost of further delay, that it is necessary for me also to address the general consideration. The question of saving costs was not argued before me, so the only consideration is whether discovery is necessary for fairly disposing of the matter. In approaching this I will attempt to address all aspects of the discovery requested, so far as I have been able to identify them.

Miss McFarland's argument that discovery was necessary may, I think, fairly be summarised as saying that it was required to verify the unsupported figures given by the employers, because the applicant did not have these figures himself. She also suggested that there was a big discrepancy between his own estimates and the employers' figures - at one point she used the expression "grossly different". Without such verification, she said, I would not be able to evaluate the weight of the evidence. For the employers, Mr Bragge pointed out that the applicant was not claiming that the relevant parts of the employers' evidence were in any way false or unsatisfactory or in some way dubious or doubtful. He merely wanted to check the figures, and this was not sufficient to make discovery *necessary*. He also argued (though he did not press the point strongly) that the applicant could not be quite as ignorant of the figures as he claimed because in his first statutory declaration he says:

"My involvement in the development of the pull-key was total, from original ideas, presenting capital costs, manufacturing costs, ... controlling costs, ... pre-production trials and product launch."

Taking this last point first, I do not feel it carries any weight so far as discovery relating to paragraphs 14, 15.1 and 17 of the employers' evidence is concerned because the information in these paragraphs relates to a period which extends long after the applicant left the company. It only carries weight insofar as the applicant is seeking discovery of the pre-production costs given in paragraph 13.

In relation to paragraphs 13, 14, 15.1 and 17 the main issue appears to be whether discovery is necessary in view of the alleged differences between the figures from the two sides, since if the differences are less significant than implied by Miss McFarland, they are unlikely to leave me in any doubt in relation to the broad issues to be resolved under section 40. Only one side has produced definite figures, Miss McFarland having acknowledged that as the applicant did not have access to the required information he has merely made estimates. She also confirmed that he was not suggesting that the employers' evidence was dubious or untrue in any way. On the strength of the figures I have been shown, I do not think there is as big a discrepancy between the figures produced by the two sides as Miss McFarland seemed to suggest. The applicant's estimate of pull key sales between 1982 and 1990 of about £1.5M does not seem to be very far out of line with the employers' figure of £1.388M excluding VAT for 1982-1991. Other figures I was shown, for example those provided by the employers to an Industrial Tribunal in relation to a claim arising from the termination of the applicant's employment, do not, at least as far as they have been presented to me, appear to support an assertion that there is any discrepancy between the parties.

Against this background, I am not persuaded that discovery is necessary. The applicant argues on the basis of his estimate that compensation is due. The employers argue on the basis of a seemingly not very different figure that there should be no compensation. The critical substantive issue for me to decide in due course, then, is not which of the two figures is correct, but whether a figure of the general magnitude indicated by both parties is such as to cause me to conclude, in the terms of section 40(1), that outstanding benefit has accrued from the patent to the employers having regard, *inter alia*, to the size and nature of their undertaking. I am satisfied that the discovery sought will not materially assist me in reaching this decision, and that it is therefore not necessary for fairly disposing of the matter in suit.

So far as the CALSTAR light fitting is concerned (ie paragraph 18 of Mr Beetles' evidence), the real question does not arise in relation to the figures, but concerning whether the product embodies the invention. The employers insist that it does not, and I note that the applicant has not alleged that it does, but merely that it can do or should have done. Miss McFarland alleged that there was a dispute of fact in this regard, but I am unable to detect one from the evidence. In British Steel PLC's Patent [1992] RPC 117 I held that, in order to establish a case for compensation under section 40(1), it was necessary for an applicant to demonstrate that the patent has been of actual, not merely of potential, benefit. The most that could be said of the evidence relating to the CALSTAR fitting is that it raises an issue of whether the patented invention could or should have been used in that fitting. Resolution of that issue will not assist me in settling whether actual benefit has been derived from the patent, and I therefore conclude that discovery concerning the CALSTAR fitting is not necessary for fairly disposing of the matter before me.

I must also take account of the comment by Mr Justice Aldous in Memco-Med that discovery in that case could only have been relevant if the applicant had established that the patent had played a major part in securing sales. Miss McFarland accepted that I would have to be satisfied that the applicant had discharged this particular burden, but provided little for me to go on beyond bald allegations that the onus of proof had shifted. Mr Justice Aldous, of course, made his comment after having had the advantage of hearing the full case from both sides. I have not had that advantage and thus cannot reach any conclusion at this stage on whether the present applicant will be able to discharge this burden. I would merely observe that it is not clear from the evidence how he intends to do so.

I conclude, in summary, that I must refuse the request for discovery made on behalf of the applicant by Miss McFarland at the hearing, firstly on the grounds of lack of sufficient clarity and precision in the request, but, secondly and more fundamentally in the sense that it effectively precludes a making good of the fault at the price of further delay, on the grounds that it is not in my judgement necessary for disposing fairly of the matter.

There is one other point to be resolved at this stage. The preliminary issue that was supposed to be considered at the hearing was the specific request for discovery in the letter

of 3 September 1992. Miss McFarland did not address me on this request at all, leaving doubt as to whether or not the applicant is still maintaining it. I do not think it is fair to the other side to go ahead with the substantive hearing with uncertainty over this issue. I am therefore interpreting Miss McFarland's silence as an indication that the applicant is not pursuing this request. The fact that the employers' letter of 24 September 1992 strongly suggests such discovery would not be useful reinforces me in this approach. Accordingly, I direct that the request for discovery in the letter of 3 September 1992 be treated as withdrawn.

Miss McFarland stated that her client would appeal if this procedural decision went against her. Indeed, it is because of this assurance that I have issued the decision in writing rather than giving it orally on the spot, despite Mr Bragge's argument that further delay would be prejudicial to his client. I have to observe in this regard that the employers themselves took about 9 months to file their own evidence following the evidence-in-chief of the applicant, and are not therefore well-placed to be too critical of further delays caused by the action of the other side. Nevertheless, I direct that, subject to any appeal, the substantive hearing should be resumed as soon as possible. When costs before me are assessed at the end of this case, costs in relation to the issues disposed of in this decision will, of course, be in favour of the employers.

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

Dated this 14 day of June 1993



DR P FERDINANDO

Superintending Examiner, acting for the Comptroller

THE PATENT OFFICE