

11 August 2008

PATENTS ACT 1977

BETWEEN

Lockheed Martin Corporation

Claimant

and

Hybrid Air Vehicles Ltd

Defendant

PROCEEDINGS

Reference under section 37 of the Patents Act 1977 in
respect of patent number EP (UK) 1451063

HEARING OFFICER

A C Howard

PRELIMINARY DECISION

- 1 This is an entitlement action over the rights to the invention protected by patent EP (UK) 1451063 (the “first patent”), granted by the European Patent Office on 9 November 2005 to Advanced Technologies Group Limited, naming Jeffrey Roger Munk as inventor. It also concerns, as will become apparent, EP (UK) 1292474 (the “second patent”), granted on 23 March 2005 to the same proprietor also naming Mr Munk as inventor.
- 2 Lockheed Martin (“the claimant”) filed a reference under section 37 of the patents act, claiming rights to the first patent, on 8 November 2007. Hybrid Air Vehicles Ltd (“the defendant”) is the successor in title to Advanced Technologies Group. The defendant has filed a counterstatement, but the evidence rounds have not yet begun.
- 3 The substantive allegations are not greatly relevant to this decision but are, in essence, that Lockheed Martin employees in fact developed the inventions in the patents and communicated them to Mr Munk while he was working with them on a project.
- 4 By a letter of 23 May 2008, the claimant sought to amend its statement of claim

to include the second patent and to additionally allege that Mr Munk knew or should have known that he was not entitled to make that application. This application to amend is opposed by the defendant.

- 5 There are equivalent proceedings running in the US regarding the US equivalents of the patents (US 7040572 and US 6880783), commenced on 19 March 2007. In advance of trial in September 2008, discovery (disclosure) of a number of documents has been made by the parties in those proceedings. The defendant seeks disclosure of those documents for use in these proceedings. This application for disclosure is opposed by the claimant.
- 6 In addition, the defendant requests that if the claimant's amendment were allowed, or its application for disclosure refused, that the comptroller decline to deal with this case and refer it to the High Court.
- 7 These matters came before me at a preliminary hearing on June 18 2008. The claimant was represented by Mr Ben Clossick Thomson of Milbank, Tweed, Hadley & McCoy LLP. The defendant was represented by Mr Adrian Speck of Counsel, instructed by Denton Wilde Sapte.
- 8 At the hearing, I asked the parties if a compromise might be possible on disclosure, and both parties indicated that it might be possible for them to agree on the specific disclosure of some documents. I therefore gave them the opportunity to reach an agreement after the hearing. Unfortunately, the parties were unable to come to an agreement and I am therefore deciding the defendant's request for disclosure in this decision.

The Law

Entitlement

- 9 This entitlement action is launched under Section 37 of the Patents Act, the relevant provisions of which are as follows:

37.- (1) After a patent has been granted for an invention any person having or claiming a proprietary interest in or under the patent may refer to the comptroller the question -

- (a) who is or are the true proprietor or proprietors of the patent,
- (b) whether the patent should have been granted to the person or persons to whom it was granted, or
- (c) whether any right in or under the patent should be transferred or granted to any other person or persons;

and the comptroller shall determine the question and make such order as he thinks fit to give effect to the determination.

(2) Without prejudice to the generality of subsection (1) above, an order under that subsection may contain provision -

- (a) directing that the person by whom the reference is made under that subsection shall be included (whether or not to the exclusion of any other person) among the persons registered as proprietors of the patent;
- (b) directing the registration of a transaction, instrument or event by virtue of which that person has acquired any right in or under the patent;
- (c) granting any licence or other right in or under the patent;

(d) directing the proprietor of the patent or any person having any right in or under the patent to do anything specified in the order as necessary to carry out the other provisions of the order.

(3) ...

(4) ...

(5) On any such reference no order shall be made under this section transferring the patent to which the reference relates on the ground that the patent was granted to a person not so entitled, and no order shall be made under subsection (4) above on that ground, if the reference was made after the end of the period of two years beginning with the date of the grant, unless it is shown that any person registered as a proprietor of the patent knew at the time of the grant or, as the case may be, of the transfer of the patent to him that he was not entitled to the patent.

(6) ...

(7) ...

(8) If it appears to the comptroller on a reference under this section that the question referred to him 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.

(9) The court shall not in the exercise of any such declaratory jurisdiction determine a question whether a patent was granted to a person not entitled to be granted the patent if the proceedings in which the jurisdiction is invoked were commenced after the end of the period of two years beginning with the date of the grant of the patent, unless it is shown that any person registered as a proprietor of the patent knew at the time of the grant or, as the case may be, of the transfer of the patent to him that he was not entitled to the patent.

Disclosure

10 The *Patent Hearings Manual* explains the types of disclosure in paragraph 3.43:

“Under the Civil Procedure Rules 1998 there are two types of disclosure in court proceedings, ‘standard’ and ‘specific’. Standard disclosure (see rule 31.6) is a fairly wide-ranging requirement to disclose relevant documents which are or have been in a party’s control. It normally takes place more or less automatically in intellectual property proceedings. Specific disclosure (rule 31.12) is an order to disclose specific documents or classes of documents. Orders for disclosure in proceedings before the comptroller are usually orders for specific disclosure. It is unlikely it would ever be appropriate for a hearing officer to order standard disclosure, though it sometimes takes place anyway by voluntary agreement between the parties.”

11 A point on the availability of disclosure is made in para 3.41:

“Disclosure is standard practice in High Court proceedings. However, despite the limitations that the courts now impose, it can still be a major factor in pushing up costs because of the time and effort involved in identifying what may well be a very large number of documents. Disclosure is not common in proceedings before the comptroller and the Office does not expect that to change. This is partly because the sorts of issues that the comptroller deals with are less likely to require disclosure. As Aldous J said in *Merrell Dow Pharmaceuticals Inc’s (Terfenadine) Patent [1991] RPC 221* at page 228:

‘... 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.’

Further, if disclosure did become common in proceedings before the comptroller, the advantage of the comptroller as a relatively cheap jurisdiction would quickly be lost.”

The Overriding Objective

- 12 Rule 74 sets out the “overriding objective” which should be applied in dealing with cases before the Comptroller:

74.— (1) The rules in this Part set out a procedural code with the overriding objective of enabling the comptroller to deal with cases justly.

(2) Dealing with a case justly includes, so far as is practicable—

- (a) ensuring that the parties are on an equal footing;
- (b) saving expense;
- (c) dealing with the case in ways which are proportionate—
 - (i) to the amount of money involved,
 - (ii) to the importance of the case,
 - (iii) to the complexity of the issues, and
 - (iv) to the financial position of each party;

(d) ensuring that it is dealt with expeditiously and fairly; and

(e) allotting to it an appropriate share of the resources available to the comptroller, while taking into account the need to allot resources to other cases.

(3) The comptroller shall seek to give effect to the overriding objective when he—

- (a) exercises any power given to him by this Part; or
- (b) interprets any rule in this Part.

(4) The parties are required to help the comptroller to further the overriding objective.

Discussion of the issues

Amendment of Statement

- 13 The claimant is asking to amend its statement of claim in two ways – firstly, by adding the patent EP 1292474 to the reference, and secondly by adding a claim relating to the successive proprietors’ knowledge as to their rights to the patent application. The latter claim is necessary to overcome the prohibition in section 37(5) as it is undisputed that this claim was launched more than two years from the date of grant of EP 1292474 (23 March 2005). (It is unnecessary regarding the first patent as the reference was launched less than 2 years from grant of the first patent).
- 14 Mr Speck objected to both amendments. He objected to the “knowledge” contention as not being sufficiently particularized, and he objected to the adding of EP 1292474 on the grounds that once the knowledge objection was deleted, it would not be possible for the claimant to succeed regarding that patent. As Mr Speck’s argument against the addition of the second patent falls away if I allow the knowledge claim to be made, I shall consider the “knowledge” point first.
- 15 There was much argument between Mr Speck and Mr Clossick Thomson on whether “knew... that he was not entitled to the patent” amounted to an allegation of fraud, or bad faith, or indeed dishonesty. Mr Speck argued this was a very serious allegation which needed to be fully particularized; Mr Clossick Thomson that the allegation was not necessarily of dishonesty but could arise from an honest mistake.
- 16 At root, it seems to me, the argument was over whether the requirement in section 37(5) is for objective or subjective knowledge on the part of the patent

applicant. Mr Speck maintained it was subjective; Mr Clossick Thomson that it was objective and encompassed “ought to have known.” Mr Clossick Thomson pointed out a paragraph on page 406 of the *CIPA Guide to the Patents Act, 5th Edition* which indicates the matter is open. As a result, Mr Clossick Thomson’s proposed amendment, as can be seen, does not go so far as to allege that the proprietors actually knew they were not entitled to the patent.

- 17 In my view, the words of the statute are crystal clear. The legislation says “knew”, not “knew or ought to have known”. With all due respect to the *CIPA Guide*, I can see no way to read this as other than a subjective test, and I was not shown any case law which might cast doubt on the plain meaning of the words. As a result, the claimant’s pleading, even if proved, would not by itself be sufficient to surmount the Section 37(5) bar. Therefore this amendment does not make out a case to answer and I thus refuse it.
- 18 This leaves the remainder of the amendments, which are all concerned with adding EP 1292474 to the claim, with the same allegations concerning inventorship as for EP 1451063.
- 19 Mr Speck’s objection was that, once I refused the amendment to make the knowledge allegation, it is impossible for the claimant to succeed regarding the second patent – section 37(5) providing a total bar. Mr Clossick Thomson’s response on this point is to argue that Section 37(5) only prevents transfer of the patent – other equitable remedies are still available.
- 20 Mr Speck argued firstly that it would be “legal gibberish” to allow any other remedy – for example, how could an order be made that someone who is not a proprietor grant licences under it? – and secondly that in law equity is limited by the limitation period. If the limitation period is exceeded, it could not be equitable to grant any other remedy. He referred to a general principle principle of limitation periods that if a remedy prescribed by law was barred, so was an equitable remedy.
- 21 There seems to me to be nothing in Mr Speck’s first point. I can easily envisage how a right to licence could be given someone who is not a proprietor. The idea of a licence with an ability to sublicense is a commonplace concept. I see no reason why, in principle, I could not grant one of the alternative remedies given in the broadly drafted section 37(1) whilst refusing to transfer ownership.
- 22 On the second point, Mr Clossick Thomson argued that section 37(5) specifically barred one remedy (transfer of the patent). It did not bar others. Mr Speck attempted to explain this by arguing that section 37(1) had been amended to expand its scope and the later provision in 37(5) had simply not caught up. I do not think this can be right. Whether characterized as “equitable” remedies or not, the comptroller is given broad powers by section 37(1) and section 37(5) is explicitly directed to limiting his power to grant only one of these. The others must remain untouched. The claimant thus has an arguable case (if it can prove its assertions on inventorship) for one of the alternative remedies and could mount a separate action to claim that. I therefore allow the amendment to add the second patent to allow this issue to be argued at the same time as the similar issues relating to the first patent.

Disclosure

- 23 The defendants request disclosure of documents already gathered under the discovery process in the equivalent US proceedings. They seek
1. Documents already disclosed in the US proceedings
 2. Documents filed in the US proceedings
 3. Any other documents which LMC considers support its case that LMC employees disclosed the invention of the patent to Mr Munk.
- 24 The claimants object that this is a very broad request for disclosure, broader even than “standard disclosure” as usually conducted in the courts. At the hearing, it became apparent that what the defendants are really seeking is standard disclosure. However, to minimize the amount of work that would need to be done sorting through documents, they considered it more convenient to simply ask for all the documents already found for the US case. They would be content with an order for standard disclosure, but this would likely involve more work removing irrelevant documents. At the hearing, both parties agreed that if I were minded to essentially order standard disclosure, both sides would prefer the form of disclosure requested by the defendant, to avoid this additional work.
- 25 The claimant’s objection on this point really boils down to that, if I order disclosure, they are placed on the horns of a dilemma: either very expensive standard disclosure, or less expensive but more revealing disclosure of the kind contemplated by the defendant. In that event, they would choose the latter course, but that is only the lesser of two evils, which they believe should be weighed in the balance when considering disclosure.
- 26 Both parties agreed that the overarching consideration in whether disclosure should be granted is the overriding objective: the need to do justice in the case. Mr Speck, while accepting that this did not mean that there should be “no stone unturned” regardless of the cost or the relative value of the assets at stake, argued strongly that the comptroller should not be deterred from making a disclosure order simply because the UK-IPO is supposed to be a relatively low-cost tribunal. Instead, he emphasized that the question should be one of doing justice. Furthermore, if this case were heard by the court, standard disclosure would be ordered as a matter of routine.
- 27 The primary argument for the need for disclosure advanced by Mr Speck was, in his own words, that otherwise I would be faced with a situation at the substantive hearing where “one side says ‘tis and the other says ‘taint.” He gave examples from his experience when, for instance, a witness asserted the meaning of a particular word in documentary evidence was standard shorthand in the company for something else. Without the disclosure in these documents, I would find it difficult to assess who was right. Furthermore, early disclosure would enable the witnesses (in particular Mr Munk) to read the documents and refresh their memories of what happened, better focusing their evidence.

- 28 Mr Speck emphasized that the patents are the very centre of the defendant's business and thus extremely valuable to them. He also argued that because the documents have already been found for use in the US proceedings, the bulk of the expenditure has already been made. He therefore argued that the cost involved would not be excessive, especially to an international giant such as the claimant.
- 29 In response, Mr Clossick Thomson argued that relevant documents will be put in during evidence. There will be far more available to the hearing officer than simply the bare assertions of the various witnesses. Mr Speck's scenarios where the hearing officer had insufficient information were simply speculation. Further, although some of the costs of the disclosure could be mitigated by using the US disclosure, it would still require a significant amount of effort for the UK representatives to go through a large proportion of the documents (the claimant has stated that these amount to around 145,000 pages, an estimate which has not been disputed by the defendant) to understand how they applied to the case. He further objected to the breadth of the request as I have indicated above.
- 30 Considering these arguments, it seems to me that this is not a case where all the information is in the possession of one side. Mr Munk will have whatever records he made of his alleged development of his invention, and any records he made of meeting with Lockheed's employees. Lockheed will have whatever records its employees made of their alleged development of the invention and any records they made of meetings with Mr Munk. Each side will have the opportunity to put in whatever evidence they have in support of their case and it will be my responsibility to determine which I find more convincing.
- 31 Ultimately, I find the defendant's arguments unpersuasive. As the claimant argued, they essentially consist of speculation as to the situation I might find at the substantive hearing. I accept the claimant's point that even though the documents have already been identified, there will still be significant costs involved in reading through and determining the relevance of each for use in these proceedings. Further, I do not find the argument about Mr Munk being able to refresh his memory persuasive.
- 32 I am therefore not of the opinion that justice would be advanced rather than hindered (due to the substantial costs involved) by ordering disclosure of the kind sought. However, this is not to exclude the possibility that, after the evidence is in, it may become apparent that specific disclosure is appropriate on some point. Either party would be free to apply for such disclosure at a later stage in such an eventuality.

Decline to Deal

- 33 I must now deal with the defendant's request that, in the event that I decided against him on either the disclosure point or the amendment, I should decline to deal with the reference and thereby allow the matter to be taken up in the High Court. The relevant provision is section 37(8) of the Act (recited above).
- 34 Regarding disclosure, Mr Speck's argument was, in summary, that if I decided to refuse his request, then "all the reasons [he gave] as to why it is necessary to do

justice are reasons why [the case should be heard] in a forum where we do get disclosure”, namely the court, which would order standard disclosure as a matter of routine.

- 35 It seems to me that this argument is putting the cart before the horse. If it were necessary in the interests of justice to make the disclosure order sought by the defendant, there is no doubt that I have the power to do so. In the hypothetical scenario that I were minded so to decide, if this were to make the case so complex as to be one that is more properly determined by the court, then I would decline to deal with it. However, the fact that the court might order the disclosure sought cannot in itself be justification for declining to deal with the question. For the reasons set out above, I do not consider disclosure to be necessary to deal with the case justly, as it would simply add cost for no gain. In such circumstances, if it is indeed true that the court would nonetheless order disclosure, then that does not point to the court being a more proper place to determine the case – in fact, it tends to suggest the opposite.
- 36 Regarding the amendment I have allowed to the statement of claim, the only effect of this is that the inventorship of both patents is considered rather than only one. As I have refused amendment relating to the knowledge issue, there is no added complexity from that question. It therefore seems to me that both inventorship points are relatively straightforward questions of who actually are the inventors, without any difficult points of general law. Two patents may increase the volume of evidence, but do not increase the complexity compared to one. It is hard to see what questions could be decided by the comptroller if such straightforward cases required reference to the court.
- 37 In summary, I do not find Mr Speck’s arguments, either separately or in combination, persuasive that this case would be better dealt with by the court.

Conclusion

- 38 Accordingly, I
- allow in part the application to amend the statement of claim;
 - refuse the request for disclosure; and
 - affirm that it does not appear to me that this reference relates to a question which would more properly be determined by the Court.

Costs

- 39 The claimant has asked for its costs relating to the disclosure request to be awarded on an indemnity basis. I defer any decision on costs and make no order at this time.

Appeal

- 40 Under the Practice Direction to Part 52 of the Civil Procedure Rules, any appeal must be lodged within 28 days.

A C HOWARD

Divisional Director acting for the Comptroller