



BL O/268/05

8th September 2005

PATENTS ACT 1977

BETWEEN

Statoil ASA

Claimant

and

University of Southampton

Defendant

PROCEEDINGS

Reference under sections 12(1) and 37(1) and application under sections 13(1) and 13(3) of the Patents Act 1977 in respect of patent GB 2382875 and international patent application WO 03/048812

HEARING OFFICER

P Hayward

DECISION

This decision was given orally. The attached is the transcript of the decision as approved by the hearing officer and a copy of the order that was then made.

1 THE PATENT OFFICE

Room 2/3
Harmsworth House
13-15 Bouverie Street
London, EC4Y 8DP

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Thursday, 8th September 2005

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B e f o r e:

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THE HEARING OFFICER

(MR. P HAYWARD)

(Sitting for the Comptroller-General of Patents, etc.)

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IN THE MATTER of Patent No. GB 2382875 and International
Application WO 03/048812 presently standing in the name of the
University of Southampton

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And

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IN THE MATTER of a reference under Sections 12(1) and 37(1)
and an application under Sections 13(1) and 13(3) of the
Patents Act 1977 by Statoil ASA

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(Computer-aided Transcript of the Stenograph Notes of
Marten Walsh Cherer Ltd., Midway House,
27/29 Cursitor Street, London, EC4A 1LT.
Telephone No: 0207 405 5010. Fax No: 0207 405 5026.)

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MR. GUY BURKILL QC and MR. THOMAS HINCHLIFFE (instructed by
Messrs. Lovells) appeared on behalf of Statoil ASA.

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MR. DANIEL ALEXANDER QC and MISS IONA BERKELEY (instructed by the
University of Southampton Legal Services) appeared on behalf of
The University of Southampton.

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DECISION AS APPROVED BY THE HEARING OFFICER

1 THE HEARING OFFICER: The hearing today is a follow-up to my
2 decision BL O/204/05 issued on 21st July in this entitlement
3 dispute between Statoil ASA and the University of Southampton.

4 In my earlier decision, I found that the inventors of
5 the patent and patent applications in suit were two people
6 formerly employed by Statoil and that the named inventors from
7 the University of Southampton should not have been named as
8 inventors. I also found that the GB patent in suit properly
9 belongs to Statoil. However, there is also a PCT application
10 which has spawned at least four foreign patent applications.

11 I gave the parties an opportunity to make submissions on
12 the form my order should take in respect of the foreign
13 applications and also to make submissions on costs. Because
14 the parties were unable to agree on either of those we have
15 had a further hearing today. It is perhaps a little
16 disappointing there was no agreement but, on the other hand,
17 it was probably inevitable given the importance of this case
18 and the high value of the rights at stake .

19 An appeal has been lodged against my original decision
20 which I understand has been put down provisionally to be heard
21 in May. Both sides have agreed that there should be a stay of
22 any transfer of the patent and patent applications pending the
23 appeal, subject to certain safeguards to protect Statoil's

1 interests. There is disagreement on whether there should be a
2 stay of declaratory relief, but Statoil indicated this
3 morning that they are no longer pressing for specific
4 relief in respect of the procedures for changing the
5 names of the inventors on the various foreign
6 applications.

7 There are two main issues I have to decide. First,
8 should I make an order in respect of the foreign applications
9 now, or should I wait until after the appeal and then launch
10 a more detailed investigation into the state of the law in
11 the countries abroad (the countries being Canada, Brazil,
12 Norway and the US)? Second, should I order costs on the
13 Comptroller's normal scale, should I order full compensatory
14 costs or should I go for something in between?

15 This morning we dealt with costs first and the foreign
16 applications second, but in my decision now I am going to deal
17 with them in the reverse order.

18 I will turn first to the extent of my jurisdiction in
19 respect of the foreign applications. Section 12 of the
20 Patents Act 1977 clearly gives me a jurisdiction. I do not
21 think that is in dispute but, as Mr Alexander pointed out this
22 morning, under section 12 the comptroller "shall determine the
23 question so far as he is able to and may make such order as
24 he thinks fit to give effect to the determination".

1 Thus I am not obliged to reach a conclusion come what may. I
2 have to determine what I can, and then decide what order might
3 be appropriate.

4 In this connection I was referred to *Norris's Patent*
5 [1988] RPC 159 which establishes the point that to be able
6 to make an order in respect of patents in other countries, I may
7 need evidence of the law in those countries.

8 However, I was also referred to *Cannings' United*
9 *States Application* [1992] RPC 459. In that application the
10 hearing officer decided that the employer was entitled to the
11 invention in a US application that had been made in the name of
12 the employee. Having so decided, he then said he had no doubt
13 that this meant the employer was entitled to the US application
14 itself, and so he ordered an assignment to be executed.

15 In the present case the issue, as I have explained, is
16 whether I should stay making any order in respect of the
17 foreign patent applications until we have had a more
18 detailed investigation of the law abroad or whether I should
19 make an order now.

20 Mr. Burkill was anxious for me to make an order now. He
21 pointed out that the whole point of section 12 is to provide
22 what he called a one-stop shop, i.e. you should be able to
23 settle the ownership disputes around the world by one action in
24 the country of origin. He stressed that the breach of Statoil's

1 rights, as he saw it, occurred in the UK when the University of
2 Southampton filed the PCT application. A PCT application is a
3 single filing that then extends to a large number of countries.
4 It has the same applicant in all those countries, with the
5 well-known exception that, in respect of the US, the named
6 applicant initially has to be the inventor because of the
7 requirements of US law.

8 Mr. Burkill argued that if, in fact, the PCT application
9 had been filed properly it would have been filed by Statoil and
10 would have named Statoil's employees as the inventors. The
11 University of Southampton would not even be in the picture
12 because the foreign applications would also have been in
13 Statoil's name (subject, of course, to the usual assignment from
14 the inventors in the US). No one would have been arguing about
15 whether there are any special quirks of foreign law that
16 require different provisions, and so we shouldn't be doing
17 so now just because the application was improperly filed.

18 Mr. Burkill was also concerned about staying the matter.
19 If I do not make a decision now, he said, we have to wait
20 until the appeal is concluded and then we have to start all
21 over again with lengthy proceedings to look in detail at all
22 the law abroad. During that time some of the foreign patents
23 could start being granted or getting towards grant and that
24 could prejudice Statoil's position.

25 In this connection, it is worth looking at the likely
26 timetable for the foreign applications. On the basis of
27 the information provided by the University of Southampton,

1 in three of the four countries I have named nothing is actually
2 likely to happen before 2007. In the US things will happen next
3 year and could come to the point of having to respond to
4 examination reports in the second half of that year. Thus if I
5 stay making an order in respect of the foreign applications
6 pending the appeal, there is no guarantee that the matter could
7 resolved before something has to be done with the US patents,
8 although it probably could be resolved before something has to
9 done with any of the other patents.

10 Mr. Burkill also stressed that the foreign patents have
11 been in issue right from the word go and that there has been
12 plenty of time to investigate them. The University of
13 Southampton has looked at the law in the four countries and
14 so has Statoil, and I have had submissions on this from both
15 sides. The University's submissions looked at the law on
16 inventorship in these countries, and Mr. Burkill submitted that
17 the point at issue was not what the law in various countries
18 said on inventorship but what it said on entitlement. However
19 Mr. Alexander, correctly in my view, pointed out that the two
20 are bound up together and do not separate quite that easily.

21 Mr. Burkill submitted that the University of Southampton
22 had failed to identify any unusual provisions in the Brazilian,
23 Norwegian and Canadian laws. The evidence it produced suggested
24 that the same principles applied there as in the UK. He
25 accepted that in the US the approach is on a claim by claim
26 basis, the basis that some decisions in this country were
27 moving to before *Markem Corporation v Zipher Ltd* [2005] EWCA
28 (Civ) 267 came along, but he pointed out that the main claims
29 in the US are the same as the main claims in GB. The only

1 claimed subsidiary feature for which Mr. Alexander had suggested
2 different considerations might apply was normalisation and,
3 said Mr. Burkill, the evidence of Statoil showed that their own
4 inventors had come up with that beforehand anyway.

5 Whilst it is common ground that the PCT specification
6 and the GB specification are to all intents and purposes
7 identical in content, Mr. Alexander for the University
8 of Southampton said the foreign position is more complicated
9 and that I cannot just apply the principles of our domestic
10 legislation, ie section 7 of the Patents Act 1977, to
11 determine entitlement abroad. I have to look at the law
12 in each country. That will take a bit of time, so I need
13 to stay, especially as undertakings have been agreed to protect
14 Statoil's position in the meantime. To support this position
15 the University has, as I said earlier, looked at the law in
16 each of the four countries to some extent. They suggest that
17 there may be some differences, but I observe that they have only
18 done so in general terms. They have not presented any specific
19 arguments showing that alleged differences in law mean there
20 should be a different outcome in the present case.

21 As I observed this morning, this question of foreign
22 patents is not, in my view, as difficult as Mr. Alexander
23 was trying to allege. Patent agents in the UK and, for that
24 matter, around the world, file patent applications across
25 the world regularly. It is well known that in doing so

1 they take account of differences in the law in some
2 countries in respect of, for example, infringement and will
3 tailor claims accordingly. But they do not re-assess ownership
4 and change owners country by country. Indeed, the whole basis
5 of the PCT system presumes that is not necessary, that
6 that is not what happens. The person who is entitled to file
7 the PCT application is, bar the slight quirk in the US where it
8 has to be the inventors named first time round, the person
9 entitled to the patent throughout the world.

10 That is not surprising because patent law is broadly
11 similar the world over, although there will obviously
12 be differences in detail. So I feel that Mr. Alexander
13 was over-playing this point. I do not believe the
14 differences in law are that great.

15 I also made this quite clear in my original decision,
16 where I said I was starting with the presumption that the law
17 on entitlement in other countries would be the same and putting
18 the onus on either party to show me that that was not the case.
19 I made very clear that is where the onus lay. The University of
20 Southampton have not discharged that onus. What they have
21 done is simply attempt to muddy the waters by saying it is
22 possible there might be a difference here or it is possible
23 there might be a difference there.

1 That, I am afraid, is not sufficient. They have had
2 enough time to investigate the position properly, particularly
3 since knowledge of foreign laws is easy to access from the vast
4 number of patent agents in this country without even going
5 abroad, and they have not done anything concrete in the sense of
6 coming up with any specific grounds for saying why entitlement
7 to the present case must be different in any of the countries
8 named. Therefore, in my view, they have not discharged the onus
9 that was clearly put upon them. Frankly, even in so far as they
10 have looked at the facts in each country I cannot see that they
11 have made out even the beginnings of a case. Indeed, I agree
12 with Mr. Burkill that the information the University of
13 Southampton supplied in respect of Norway, Brazil and Canada
14 suggest pretty strongly that the principles applied are exactly
15 the same as the principles applied in the UK.

16 As far as the US is concerned, I also agree that nothing
17 has been produced which suggests the answer would be different
18 there. In my original decision I went through all the
19 subordinate features because there had been arguments about
20 entitlement in relation to them, and was unable to identify
21 anything in which the University could claim rights. This is
22 brought out in paragraph 110 of my decision. I also observed
23 there that not only could I not find anything inventive in all
24 these subordinate features but there was no evidence they had
25 ever been perceived as inventive when the application was filed.

1 Thus I am at a loss to see how, even if I accept that for the
2 US I need to go through on a claim by claim basis, I am going to
3 find anything that could in the US belong to the University.

4 Against that background I do not think there are any
5 grounds for staying making an order in respect of the foreign
6 patent applications pending some deeper investigation of
7 foreign law. I have given the opportunity for that
8 investigation and nothing has come up. So I am going to go
9 ahead and make an order. Mr. Burkill has suggested that the
10 easiest way to deal with this is by ordering the University to
11 assign the patents to Statoil. I agree and that is what I shall
12 do.

13 There is one other issue on the relief and that is the
14 question of whether I should at this stage make the declaratory
15 relief sought or whether I should stay that. Mr. Burkill
16 said that he could not understand how it could be stayed because
17 it was actually in my original decision. The University had
18 requested a stay, but I did not get the impression that Mr.
19 Alexander was pursuing this with any vigour this morning. I
20 have to say that I think the point is unarguable because, as Mr
21 Burkhill said, the declarations are in substance already
22 embodied in my original decision. Thus I do not propose to
23 exclude the declaratory relief from my order.

24 I will now move on to the second big issue, the question
25 of costs. I do not think there was much between Mr. Alexander
26 and Mr. Burkill on my jurisdiction and the law. They both

1 went back to *Rizla Ltd's Application* [1993] RPC 365 where Mr.
2 Antony Watson QC, sitting as a Deputy Judge of the High Court,
3 made clear that the Comptroller could order compensatory costs
4 if a party had abused the jurisdiction, e.g. by commencing or
5 maintaining a case without a serious belief that there was an
6 issue to be tried.

7 That case law was then partially overtaken by the
8 Office's issue of Tribunal Practice Notice TPN 2/2000 in 2000
9 which discussed at some length in paragraphs 8 and 9 the
10 circumstances in which the Comptroller would award costs on the
11 published scale and the circumstances in which the Comptroller
12 would deviate from that scale.

13 The notice also made clear that when the Comptroller
14 does depart from the scale he can go as far as full compensation
15 or anywhere between the scale and full compensation, and that
16 any departure from the scale would be "to deal proportionately
17 with wider breaches of rules, delaying tactics or other
18 unreasonable behaviour." Some examples are given.

19 The Patent Hearings Manual was also quoted this
20 morning. This builds on the Tribunal Practice Notice,
21 giving at paragraph 5.47 a number of examples in which the
22 Comptroller might depart from the scale. The list here
23 includes delaying tactics; failures to meet deadlines;
24 other unreasonable behaviour, particularly where the other
25 side is put to disproportionate expense; a claim launched

1 without a genuine belief that there is an issue to be tried;
2 making avoidable amendments to a statement that would
3 necessitate further amendments or evidence and thus create work
4 for the other side, and so on. These examples, of course, are
5 not limiting but they are indications of how the Comptroller
6 will approach the question of off-scale costs.

7 Whilst Mr. Alexander and Mr. Burkill are agreed in
8 principle in my jurisdiction, they differ in how bad they say
9 behaviour has to be before I should depart from the scale.
10 Mr. Alexander says it has to be so bad that it is akin to
11 an abuse of process. Mr. Burkill says it is sufficient
12 if the circumstances are exceptional.

13 What then should I do in the present case? The
14 Comptroller has a scale to provide some predictability of
15 costs. There is a balance between providing parties with some
16 predictability of their liability for the other side's costs if
17 they lose against the desirability of compensating the winner
18 for the costs they have incurred in establishing their rights.
19 The balance goes in favour of predictability in most
20 circumstances even though that will not give proper
21 compensation for the winner, and that is why we have the scale.

22 A point Mr. Burkill raised this morning
23 is that with an entitlement dispute the claimant does not have

1 the option of going to the court because the first instance
2 jurisdiction is with the Comptroller. Had Statoil been
3 able to go to the court, they would have got their full costs
4 (as taxed) anyway, but because they had to come to us
5 they did not have that option. It is an interesting
6 point, but I am not going to give it weight because
7 the Tribunal Practice Notice does not suggest that a different
8 approach should be adopted depending on whether or not the party
9 had the option of going to the courts.

10 It is, though, right to depart from the scale if the
11 behaviour of a party was such that it unreasonably caused
12 the other side to incur costs, because without that sanction it
13 gives a party a carte blanche to be as unreasonable as they
14 like safe in the knowledge that they cannot be clobbered for
15 the extra costs the other side has to incur. It also seems to
16 me a correct principle that if there is a departure from the
17 scale, the extent of the departure should reflect the extra
18 costs that the other side has incurred as a result of what I
19 might call the bad behaviour.

20 Has there been bad behaviour on University of
21 Southampton's part in this case? Mr Burkhill said yes. He said
22 the University ran a case that was completely contrary to the
23 evidence of their own witnesses, particularly referring to the
24 fact that their own witnesses conceded claim 1 had come
25 from Statoil. The University denied the case in its

1 entirety right from the outset, saying that they had invented
2 it all and that Statoil had invented nothing, and my decision
3 found that not to be the case at all. The University ran the
4 case that the Statoil employees could not have invented it
5 because they did not understand the technology, and again, my
6 decision shows that that was not a plausible case. The
7 University maintained a claim to sole entitlement based on
8 inventorship by the University staff despite the fact that one
9 of those staff conceded that claim 1 had come from the Statoil
10 employees, and they never even responded to the alternative
11 pleading that Statoil had made on joint ownership. Mr Burkhill
12 also pointed out that the University never responded to
13 Statoil's initial enquiries when trying to find out what the
14 University were doing in filing an application. He also argued
15 that they changed their grounds as the case went on,
16 particularly over validity and, as their case collapsed, they
17 started running arguments that (and he is quite correct) I
18 described as "hopeless" in my original decision.

19 Not surprisingly, Mr. Alexander did not agree with all
20 this. He said that the University have acted reasonably and
21 proportionately throughout. He pointed out that this was a
22 technically complex case, which is quite correct. He also
23 pointed out that it was a legally complex case to the extent
24 that the law was developing as the case proceeded. This refers
25 particularly to the fact that the *Markem* judgment came out at a
26 late stage in this case and it changed the law in some respects.

1 Mr. Alexander also pointed out that the University of
2 Southampton did contribute much of what is in the
3 specification of the patent and therefore it was reasonable
4 for them to assume that they had some entitlement.
5 He said that Professor Sinha, one of the named inventors, did,
6 in fact, address the patent claim by a claim in his witness
7 statement and that Statoil never asserted they had come up
8 with all the sub-claims. He also pointed out that the
9 University focussed on the substance whereas Statoil focussed
10 on the claims and that it turns out that the University were
11 right to focus on the substance because that is what *Markem*
12 eventually said was the correct approach.

13 Mr. Alexander also argued that it was perfectly proper
14 for the University to try to show that Statoil's contribution
15 was trite and not an inventive contribution and that the
16 University had made an extensive contribution.

17 It is important to distinguish between the fact
18 that someone has lost a case and the fact that their
19 behaviour may have been an abuse of process or
20 unreasonable. If merely losing a case allows the
21 winner to say that you behaved badly, then the scale
22 becomes meaningless because there will be an off-scale
23 award every time.

24 I think there is quite a lot of force in many of
25 Mr. Alexander's arguments, particularly on the legal

1 complexity and the fact that the University of Southampton did
2 contribute to the specification. But, given the concessions his
3 witnesses made, arguing that Statoil had made no contribution
4 and had no entitlement, was, in my view, never a tenable
5 position. The failure to concede any scintilla of entitlement
6 or inventorship in my view clearly caused Statoil to incur extra
7 costs that they should not have had to incur and would not have
8 incurred if the University had behaved more reasonably in their
9 conduct of this case. I am, therefore, going to compensate
10 Statoil for what I perceive as those extra costs by departing
11 from the scale.

12 That immediately raises the question of the quantum:
13 how much should that be. We have a statement of costs from
14 Statoil. It totals roughly £621,000. Mr. Alexander said the
15 court would not accept that statement. Rather, it would make a
16 detailed assessment, taxing the costs properly and would almost
17 certainly find some of the claimed costs unreasonable. Mr.
18 Burkill said everyone knows that the court will always come down
19 to about 60-70% of the bill put in. He
20 points out that was what was taken in the Rizla case. There
21 is an element of rough justice, but the 60-70% is taking
22 account of possible excessive costs. He also observes correctly
23 that, in so far as it is possible to compare what the two
24 parties have spent, their expenses are comparable in that
25 they have spent broadly similar amounts on counsel and broadly

1 similar amounts on patent agents. It is not possible to
2 compare the amounts they have spent on solicitors
3 because the University of Southampton have used their own
4 solicitors and therefore that time has not been costed.

5 I agree with Mr. Alexander that if we were in court and
6 making a full compensation award, the correct approach
7 would be to try and make a proper detailed assessment of the
8 claim that has been put in. However, I think that doing so
9 here would be disproportionate. The reason I say that is that
10 if I were to make a careful assessment as to whether Statoil's
11 detailed claim is right to the last penny, I would then have to
12 apply a factor to reflect how much of that expenditure was
13 attributable to unreasonable behaviour on the part of the
14 University of Southampton. That cannot be done by
15 means of precise calculation. It can only be done by means of
16 my making a considered assessment of the proportion that
17 I think is appropriate, and the inevitable uncertainty in that
18 assessment would far outweigh any uncertainty there might be in
19 the assessment of the correct level of total expenditure. Thus
20 in this particular case I do not think a detailed assessment
21 would be a sensible procedure.

22 I am going to use Mr. Burkill's 60-70% of the bill as a
23 rough guide to give me a starting point. 60-70% comes out at
24 £430,000, and I will assume that is the order of costs Statoil

1 would have got if this were in the High Court. In my
2 view, something like 30% of Statoil's expenditure was probably
3 attributable to the unreasonable behaviour of the University
4 of Southampton.

5 On that basis, I am awarding Statoil £120,000 towards
6 their costs.

The Hearing Officer then made the attached Order

IN THE MATTER of GB 2,382,875 and International application WO 03/048812 presently standing in the name of the University of Southampton

-and-

IN THE MATTER of a reference under Sections 12(1) and 37(1) and an application under Sections 13(1) and 13(3) of the Patents Act 1977 by Statoil ASA

ORDER

UPON the hearing of the trial of the references made by Statoil ASA under Sections 12(1) and 37(1) and the application made by Statoil ASA under Sections 13(1) and 13(3) of the Patents Act 1977

AND UPON the University of Southampton undertaking that in the event that it files an Appellant's Notice in respect of this Order it will, until the determination of any such appeal:

- (a) prosecute any such appeal with all due diligence;
- (b) take all necessary steps to maintain and prosecute UK Patent GB 2,382,875, WO 03/048812 and all and any national applications filed in pursuance of international patent application WO 03/048812 (including at least Canadian Application No. 2468896, United States Application 10/497807, Brazilian Application No. PI0214678-9 and Norwegian Application No. 20042852) ('the Patents');
- (c) not to assign, license, mortgage, charge or otherwise deal in the Patents or any of them;
- (d) not to amend or seek to amend any of the Patents in any way without the prior written consent of Statoil ASA;
- (e) not bring any proceedings in relation to any of the Patents without the prior written consent of Statoil ASA.

- (f) to provide forthwith Statoil ASA with copies of the entire prosecution files for each of the Patents; and
- (g) hereafter to provide Statoil ASA with copies of all correspondence with any patent office in relation to any of the Patents.

IT IS DECLARED THAT:

1. Terje Eidesmo and Svein Ellingsrud are true inventors of GB 2,382,875 and that Martin Sinha and Lucy MacGregor are not the inventors of GB 2,382,875.
2. Statoil ASA is the true proprietor of GB 2,382,875 and that GB 2,382,875 should not have been granted to the University of Southampton.
3. Terje Eidesmo and Svein Ellingsrud are the true inventors of WO 03/048812 and all national applications derived therefrom (including at least Canadian Application No. 2468896, United States Application 10/497807, Brazilian Application No. PI0214678-9 and Norwegian Application No. 20042852) and that Martin Sinha and Lucy MacGregor are not the inventors of WO 03/048812 and all national applications derived therefrom (including at least Canadian Application No. 2468896, United States Application 10/497807, Brazilian Application No. PI0214678-9 and Norwegian Application No. 20042852).

AND IT IS ORDERED THAT:

4. The register of Patents be rectified to show Terje Eidesmo and Svein Ellingsrud as the inventors of GB 2,382,875 and to remove Martin Sinha and Lucy MacGregor as inventors.
5. GB 2,382,875 be transferred from the University of Southampton to Statoil ASA.
6. The University of Southampton do within 14 days assign free from any licence, charge or other encumbrance to Statoil ASA WO 03/048812 and all national patent applications derived therefrom (including at least Canadian Application No. 2468896,

United States Application 10/497807, Brazilian Application No. PI0214678-9 and Norwegian Application No. 20042852) together with all accrued rights of action in respect thereof.

7. The University of Southampton do within 28 days pay Statoil ASA's costs of these references and applications, such costs assessed in the sum of £120,000.
8. Paragraphs 4-6 of this order be stayed pending the determination of any appeal by the University of Southampton from this Order.

P HAYWARD

8 September 2005