



## PATENTS ACT 1977

BETWEEN

Malcolm Paul Varnham and Diana Hodgins

Claimant

and

BAE Systems plc

Defendant

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PROCEEDINGS

Claim for employee compensation under section 40(1) of the Patents Act 1977 in respect of European Patent No. EP0461761B1

HEARING OFFICER

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## PRELIMINARY DECISION

### Introduction

- 1 Proceedings under s.40 for employee compensation were commenced on 8 May 2012. The claimants are two of four inventors named in the patent, which relates to inertial sensors such as accelerometers and vibrating gyroscopes for use in navigational equipment. It is not necessary to go into any details of the invention for the purposes of this decision.
- 2 On 15 October 2012 the defendant filed its counterstatement together with a request that I decline to deal with the claim under s.40(5). This request is resisted by the claimants and a hearing is in prospect to determine that question.
- 3 On 17 May 2013, the claimants requested that the defendant disclose a number of documents before I hear the decline to deal request. They also requested that the proceedings be stayed pending issue of an Office decision in another case under s.40. Both these requests are resisted by the defendant and I therefore have to decide them as preliminary questions before it is possible to proceed. Both parties have agreed that I should decide these matters on the basis of written submissions.

### The law

- 4 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."

5 A point on the availability of disclosure in proceedings before the comptroller is made in paragraph 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."

6 Rule 74 of the Patents Rules 2007 sets out the "overriding objective" which should be applied in dealing with proceedings 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.

7 In summary, I have the power to order disclosure, although the clear message from the court is that it should be exercised sparingly. In considering the request, as well as the request for a stay in the proceedings, the overriding objective to deal with the case justly must be respected.

- 8 Although it is not for determination at this point, it is helpful here to note that regarding the matter of whether I should decline to deal with the substantive claim, the key question will be whether the claim involves matters which would more properly be determined by the court, bearing in mind that an IPO Hearing Officer is a technical person and not a lawyer. In considering this, the factors that need to be weighed include whether the case is complex from the point of view of the factual issues which need to be resolved (especially non-technical factual issues) and the law involved (especially if there are significant questions of non-patent law).

## **Discussion**

- 9 The claimants request disclosure of the following five documents or sets of documents on the grounds set out below:

*1. BAE Systems plc's submission for the Queen's Award for Enterprise.*

The claimants cite *Kelly v GE Healthcare*<sup>1</sup> at paragraphs 121-123 in which Floyd J (as he then was) considered that a Queen's Award document contained two items of information which were characterised as "important factors favouring the employee". It is argued by analogy that the equivalent document in this case is likely to be of similar importance and relevance. It is also argued that it will be a concise, high-quality, readily understandable summary document which should be easy for the defendant to produce, and that is why it would be helpful to see it now.

*2. BAE Systems submission for the Royal Academy of Engineering's MacRobert Prize for the Silicon VSG in-car gyroscope*

The claimants say that what is said in relation to the Queen's Award submission applies also to the document.

*3. Collateral materials relating to the above two submissions*

The claimants assert that supporting materials would have been submitted with the above documents and to the extent that they are referred to therein, they should be readily identifiable and easy to produce. Materials would also have been prepared for visits by judges and for the award ceremonies, including possible acceptance speeches.

*4. The sale and purchase agreement entered into by the defendant when it sold its inertial sensing business in 2007*

The claimants say that this document will contain information about the financial performance of the relevant business, other financial information and contracts for the technology.

*5. The agreement by and between BAES and Delco not to assert patents against each other.*

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<sup>1</sup> [2009] EWHC 181 (Pat)

The claimants say that this is referred to in the counterstatement and the defendant is accordingly obliged to produce it or in the alternative to make it available for inspection under CPR 31.14(1)(a).

- 10 The defendant contends that all the documents requested are concerned with details of the case and are not relevant to the preliminary issue of whether or not to decline to deal with the case. In addition, they say that they do not have the first to third documents readily available; and that the fifth document is a commercially confidential document which is in any event not identified in the counterstatement and therefore not covered by the CPR provision cited.

### **Discussion**

- 11 The claimants' arguments address to some extent how the documents may be relevant to the main proceedings, but I agree with the defendant that they do not explain how they may assist in the determination of the preliminary matter immediately at hand, particularly with reference to the factors to be taken into consideration as referred to above. The defendant's assertion that three of the documents/sets of documents are not readily available suggests that producing them would not be straightforward, but even if that were not the case, there is always some cost and complexity associated with disclosure and I do not consider that it would be ever be appropriate and in accordance with the overriding objective for me to order disclosure in circumstances where no clear justification has been made out.
- 12 That disposes fully of the request with regard to the first four documents listed, but there is an additional argument with regard to the fifth document, which is said to be mentioned in paragraph 77 of the counterstatement.
- 13 The relevant procedural rule is Rule 79(1) of the Patents Rules 2007 which requires that "where a relevant statement refers to any other document, a copy of that document must accompany the relevant statement". The claimant refers to the Civil Procedure Rules which are not applicable to proceedings before the comptroller, although CPR 31.14 has a somewhat similar effect to Rule 79.
- 14 The relevant passage in the counterstatement reads as follows:
- "Further and in any event, it is denied that EP0623807A1 would have reduced or damaged the value of the alleged benefits derived by BAES from the Patent. BAES and Delco agreed not to assert certain patents against each other, including EP0623807. However, ..."*
- 15 While an assertion that the claimant "agreed" something with another party is an allusion to the existence of an agreement, in my view that is not the same as a reference to a document. I therefore agree with the defendant that they are not under any obligation at this stage to produce a copy.
- 16 It remains for me to deal with the claimants' request that the proceedings be stayed pending the issue of the Office decision in the case of *Shanks v Unilever*. This falls under the comptroller's case management powers set out in Rule 82, and in particular Rule 82(f). The claimant argues that it would be helpful for the parties to be

able to review the *Shanks* decision prior to the hearing on the question of decline to deal.

- 17 Decisions in proceedings before the comptroller are not binding, although the self-evident desirability of Office decisions being consistent with one another does imbue on them a measure of persuasive authority at this level. I can therefore see there is a possibility that having sight of the *Shanks* decision could be of assistance to the present parties. However those proceedings are confidential and there is no indication of when any decision may be published, or indeed if one ever will be published. In these circumstances I do not see how I can reasonably stay the present proceedings.

### **Conclusion**

- 18 The claimants' requests for disclosure and for a stay in the proceedings are both refused.
- 19 The next step will be to proceed to a hearing on the question of whether the claim involves matters which would more properly be determined by the court.

### **Costs**

- 20 Having received no submissions on the question, I make no order for costs at this stage in the proceedings.

### **Appeal**

- 21 Any appeal must be lodged within 28 days

A C Howard  
Divisional Director, acting for the Comptroller