Intellectual Property Office

BL O/441/16

20 September 2016

PATENTS ACT 1977

BETWEEN

University of Warwick	Claimant
and	
Dr Geoffrey Graham Diamond	Defendant

PROCEEDINGS

Reference under section 12 of the Patents Act 1977 in respect of US Patent Application 12/306505

HEARING OFFICER Phil Thorpe

DECISION ON COSTS

Introduction

1. In a decision[1] dated 6th November 2015 I found that the claimant, the University of Warwick ("the University"), had not shown that the invention in US Patent Application 12/306505 was made in the course of the defendant's, Dr Diamond's, normal duties whilst employed by the University and consequently its request under section 12 that I transfer the patent application to the University failed.

2. In that decision I deferred the question of costs pending further submissions. In addition to both sides providing submissions, a hearing on that matter was held on 18th March 2016. The University did not participate in the hearing instead relying on the written submissions it had made. The defendant appeared in person.

Comptroller's power to award costs

3. Section 107(1) of the Patents Act 1977 provides that:

[1] BLO/518/15 https://www.ipo.gov.uk/p-challenge-decision-results/o51815.pdf

> The comptroller may, in proceedings before him under this Act, by order award to any party such costs or, in Scotland, such expenses as he may consider reasonable and direct how and by what parties they are to be paid.

4. It is however the established practice of the comptroller to award costs in accordance with a published standard scale of costs. The comptroller's standard scale of costs is set out in Tribunal Practice Notice (TPN) 4/2007[2]. The scale costs are not intended to compensate parties fully for the expense to which they have been put, but to represent a contribution to that expense. This policy reflects the intention that the IPO be a low cost tribunal for litigants, and builds a degree of predictability as to how much proceedings before the IPO may cost them. The hearing officer retains discretion, however, to depart from the scale if the circumstances warrant it. There is no hard and fast rule defining such circumstances and each case needs to be considered on its merits. The Patents Hearings Manual[3] does provide some examples of behaviour that might suggest an off scale cost award: These include

    - delaying tactics, failure without good cause to meet a deadline, or other unreasonable behaviour, particularly where the other side is put to disproportionate expense;
    - a claim launched without a genuine belief that there is an issue to be tried;
    - seeking an amendment to a statement of case which, if granted, would cause the other side to have to amend its statement or would lead to the filing of further evidence, if the amendment had clearly been avoidable;
    - unreasonable persistence in a course of action that has been indicated in a Preliminary Evaluation to be inappropriate;
    - costs associated with evidence filed in respect of grounds which are not pursued at the substantive hearing (though a party should not be deterred from dropping an issue which, in the light of the evidence filed by the other side, it now realises it cannot win);
    - unreasonable rejection by the party that eventually loses of efforts to settle the dispute before the proceedings were launched or a hearing held;
    - unreasonable refusal by that party to attempt alternative dispute resolution;
    - failure to attend a hearing;
    - breaches of rules;

5. The guidance goes on to note that an off scale award should seek to recompense for any unnecessary costs incurred as a result of any unreasonable behaviour. It is not intended to be punitive.

Argument and Discussion

6. Here both sides have asked for an off scale award. Before I consider those requests I need to deal with a point raised by Dr Diamond. This goes to

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[2] See http://www.ipo.gov.uk/p-tpn-42007.htm
[3] Patents Hearing Manual https://www.gov.uk/government/publications/hearings-manual

whether in reaching a decision on costs I can at this time also consider costs in relation to a number of preliminary issues that I decided earlier in the proceedings.

7. The first preliminary decision[4] that I issued concerned whether it was appropriate for Harrison Goddard Foote LLP (HGF) to continue to represent the University given an alleged conflict of interest and also whether it was appropriate to deal with that preliminary issue by way of a telephone hearing rather than a hearing in person. I decided both issues in favour of the University. On the question of costs I noted that:

> **"Costs**
>
> 34. The University of Warwick has requested costs on this matter and as the successful party then a cost award in its favour seems appropriate. I indicated at the hearing that I would not be seeking submissions on costs at this stage but would rather roll up any such submissions at the substantive hearing stage. This is not usual practice before the comptroller – the preference being to deal with costs as they arise. In this instance however I am keen to get the proceedings back on track and moving forward. Should further preliminary points arise then that may also provide an opportunity to consider costs incurred to that point."

8. The second preliminary decision[5] dealt with a request from Dr Diamond that I decline to deal with the substantive question of entitlement. I again found in favour of the University and in the decision I also again indicated that I would consider costs in relation to that issue later when I considered costs in general.

9. Dr Diamond is however now claiming that I am not entitled to do this. Rather according to Dr Diamond I should have dealt with costs at the time. He seeks support for his position from paragraph 10 of TPN 4/2007 which reads:

> **Costs arising from interlocutory or preliminary hearings**
>
> 10. Notwithstanding the guidance in TPN 2/2000 on the timing of costs awards and their payment, there remains some uncertainty as to whether a Hearing Officer should **generally** award costs following an interlocutory or preliminary hearing. As from the 3 December 2007 the Hearing Officer will always consider dealing with costs as the cause of them arises, either by specifically making no award if the issues were fairly well balanced or by making an award to the successful party.

10. I would note that the word "generally" is highlighted in the notice. Also relevant is the guidance provided in paragraph 5.42 of the Hearings Manual which reads:

> 5.42 The hearing officer should be prepared to make an award of costs at any appropriate stage in the proceedings and not just "save them up" to the end, because this associates the costs more closely with their cause (see Tribunal Practice Notice 2/2000, reproduced at [2000] RPC 598 and Tribunal Practice

[4] BLO/208/14 https://www.ipo.gov.uk/p-challenge-decision-results/o20814.pdf
[5] BLO/225/15 https://www.ipo.gov.uk/p-challenge-decision-results/o22515.pdf

> Notice 4/2007). Thus whenever making a decision on a preliminary matter, the hearing officer should presume in favour of making an award there and then to whichever party was successful in respect of the points raised at that hearing, or specifically making no award if the issues were fairly evenly balanced In deciding, the level of costs may reflect any unreasonable conduct which has caused increased expense for the other party (see below for examples of such conduct).

11. The University's response on this point is that the legislation clearly gives the comptroller a wide discretion as to the awarding of costs and this was confirmed in *Rizla Ltd's Application*[6]*.* It notes that my decision to stay costs from the preliminary decisions falls well within this discretion. I agree. Whilst as the guidance notes it is generally preferable to deal with costs as they arise there may be circumstances where this is not the best course of action. What is clear from the preliminary decisions is that at the time I did consider whether to award costs and choose instead to defer the issue. That was in my opinion the right course of action at the time though with hindsight it might have been better to deal with the matter then. That I didn't does not prevent me from considering it now.

12. Before I turn to the costs arising from the various preliminary and substantive issues I will address some broader issues raised by the parties.

Dr Diamond as a litigant in person

13. Both sides have sought to highlight Dr Diamond's decision to represent himself in support of their respective claims on costs. The claimant notes that this decision was taken in the face of repeated advice from the IPO that he should seek legal advice and his refusal to do so increased the expense of the proceedings as a whole. It highlights my comment in the substantive decision that the course of these proceedings has not been smooth and that at times Dr Diamond pursued hopeless points.

14. Dr Diamond in contrast argues that the claimant sought to take unfair advantage of his position as a litigant in person. He points by way of example to occasions where he alleges the University's representatives did not copy him in on correspondence it was having with the IPO. He also suggests that the University's representative sought to correspond with him after the hearing in an effort to encourage Dr Diamond to change his testimony. He also contends that the University was allowed to submit additional evidence in the course of the hearing in contravention to the IPO's normal practice.

15. I can deal with this last point briefly. Firstly Dr Diamond has not stated what this additional evidence was nor more importantly how it prejudiced him or put him to any additional expense. Secondly I would note that it is permissible to introduce new evidence in cross examination. Hence I can see nothing in this point.

16. On the broader question of Dr Diamond's decision to represent himself in these proceedings and how this influenced proceedings and the behaviour of

[6] Rizla Ltd.'s Application [1993] R.P.C. 365

the University I will make a number of observations. Firstly Dr Diamond was perfectly entitled to represent himself. He was also entitled to ignore the advice that the IPO and I gave him on many occasions to obtain professional advice. Secondly the main consequence of Dr Diamond's decision to represent himself was that these proceedings took longer than they should have, notwithstanding some delays on my part in issuing various decisions. That is not unusual when litigants in person are involved. Whether Dr Diamond's behaviour was unreasonable particularly in relation to the preliminary issues he raised is something that I will come to shortly.

17. Fourthly the broader claim by Dr Diamond that the University sought to take unfair advantage of his status as a litigant in person is not in my view well founded. There may indeed have been the odd instance where correspondence from the University was not properly copied to Dr Diamond or was not copied to him in a timely manner. However that was I believe perfectly understandable given the at times sheer volume of communications involved. The extent of those communications can be seen from one of Dr Diamond's own submissions on costs where the largest cost is associated with "Emails" which Dr Diamond claims accounted for 315 hours of his time at a total cost to him of £2139.90. This is he says based on an estimate of 20 minutes per email which suggests that the number of emails was of the order of 900. I am not convinced that the number of emails sent to the IPO or on which it was copied in on was quite that many nevertheless it was still significant. That the University failed to copy the odd document to Dr Diamond when seen in that context is perhaps not surprising. Also in the absence of any clear indication that this caused any significant unnecessary expense for Dr Diamond then I do not need to say anything more on this point.

18. Dr Diamond also refers to the University's apparent reluctance to provide him with the necessary trial bundle in advance of the substantive hearing and also to certain deficiencies in the bundle when it was received. This he argues necessitated the submission by him of a supplementary bundle. That there were some omissions from the original bundle provided by the University is not in dispute. The University however corrected this. That Dr Diamond still felt it necessary to file a ten page supplemental bundle does not in my opinion point to the University acting unreasonably or in any way seeking to exploit his position as a litigant in person.

19. Indeed overall I found the University to be professional in its dealings with the office and with Dr Diamond and at times to have shown commendable patience and restraint.

<u>The approach of the parties to resolving the dispute through alternative means</u>

20. Dr Diamond contends that the University's approach to resolving the dispute through alternative means was cynical. In particular the University terminated without notice discussions on resolving the dispute and only offered specific mediation dates after the substantive hearing. This is denied by the University who suggest rather that it was Dr Diamond's approach to these proceedings that was the obstacle to any resolution by other means.

21. In the absence of any further specifics or real evidence from either side of how the parties behaved in this respect, there is little more that I can say and consequently I do not believe it is something that I need to consider further in relation to costs. I would however reiterate my belief that parties engaged in disputes such as this should always give proper consideration to the benefits of early mediation.

Were the proceedings necessary at all?

22. Dr Diamond raises one more point of a general nature. He argues that if the University's objective was solely to gain exclusive proprietary rights to the US patent then it could have availed itself of the America Invents Act (AIA) to file a continuation patent on the patent in its own name and then allowed the original patent to die. This he argues would have given the University sole ownership of the patent without the need for these proceedings. In support of this Dr Diamond has provided a copy of US patent application US 9,201006 which is a continuation of the patent in issue here, US 12/306505. Dr Diamond highlights that in the continuation patent he is named as the sole applicant. He argues that because of "the timing of the continuation patent, it would have come to me regardless of any decision the tribunal may have arrived at during the recent section 12 entitlement hearing".

23. What Dr Diamond is however missing is that these proceedings were concerned with the question of who is entitled to be granted a patent for the invention set out in US Patent Application 12/306505. That question is not determined by who manages to get their name on a patent application or on a continuation patent but rather by the relevant laws on entitlement which in this case is section 39 of the Patents Act 1977. Hence I can see no merit in this strand of Dr Diamond's case. The action brought by the University of Warwick was not in my view unnecessary as claimed by Dr Diamond.

24. I turn now to the costs resulting from the various decisions I issued.

Costs in relation to the first preliminary decision

25. As I have mentioned the first preliminary decision stemmed from a request from Dr Diamond that I disqualify HGF from representing the University because of an alleged conflict of interest. The hearing dealing with this also first considered the question of whether it was appropriate to deal with this by a telephone hearing rather than in person. On both points I decided against Dr Diamond. It follows that the University of Warwick is entitled to costs.

26. The University notes that given the nature of the allegations made against HGF it was necessary for a partner of HGF to spend significant time investigating the matter as well as attending the hearing which lasted longer than expected. It goes on to argue that an award of £6500 is justified, this representing its costs minus an allowance because even though I found in its favour I did nevertheless indicate that there was a certain lack of clarity in its submissions concerning HGF's interactions with Dr Diamond.

27. Whilst Dr Diamond's objection to my attempts to keep costs down by having a telephone hearing did border on unreasonable, ultimately I do not believe it caused the other side any extra expense. It was a point that I dealt with quickly at the start of the telephone hearing dealing with the question of conflict. It did not for example require a separate hearing or additional submissions.

28. I am also of the view that Dr Diamond did have a genuine concern about the position of HGF given as I noted in my preliminary decision HGF and Dr Diamond did liaise fairly closely on issues relating to the invention in issue. That HGF felt it necessary to involve one of their partners is not something which in this instance should influence my determination of costs. The hearing, which lasted approximately one hour and twenty minutes did lack some focus, as is often the case with litigants in person, however I do not think that it was unreasonably prolonged by Dr Diamond.

29. Hence taking everything into account I do not believe an award off scale is justified in respect of the first preliminary hearing. Hence applying the scale I award the University £900 which is made up of the following:

    Preparing a statement and considering other sides statement: £200

    Preparing evidence and correspondence and considering and commenting on the other side's evidence: £300

    Preparing for and attending hearing: £400

    Costs in relation to the second preliminary decision

30. As noted the second preliminary decision dealt with a request from Dr Diamond that I decline to deal with the substantive question of entitlement. The University did not participate in the telephone hearing on this matter though it did respond to the various submissions made by Dr Diamond. Whilst I decided against Dr Diamond on this point I do not consider the request that I decline to deal to have been unreasonable though it was made somewhat late in proceedings. Hence taking everything into account I believe an award to the University of £300 to be appropriate as a contribution to its costs of preparing its submission and considering those of Dr Diamond.

    Costs in relation to the main substantive action

31. The University accepts that it was unsuccessful in its application under section 12 however it does not agree with my conclusion in the substantive decision that a cost award in Dr Diamond's favour is therefore justified. It suggests that this was an unusual case in that neither side was really successful. It refers in particular to my ultimate reliance on the burden of proof in reaching the conclusion that I did. It points to my adverse comments on the credibility of Dr Diamond as a witness and the weaknesses in his overall case. It contends that since I was not able to reach a decision as to who was actually entitled to the invention in the patent application in issue then I should make no order for costs against either side. It appears to be in effect

suggesting that the outcome was a draw or in the alternative that it secured what in some cricketing circles at least would be considered a losing draw. I do not accept this argument. Whilst the case at least as far as the basis on which I reached my decision was unusual, this does not alter the fact that the onus was still on the University to make its case. It did not do so and hence a cost award against it is in principle justified.

32. I turn now to the quantum of that award. The University contends that as a litigant in person Dr Diamond needs to demonstrate that he has suffered a recoverable financial loss. It refers also to any award being at "a level appropriate to a litigant in person". I take this to be a reference to the limit of two thirds of the costs that would have been awarded had he been represented that is applied in the court by the Civil Procedure Rules ((See Rule 48.6(2) CPR.) It is however important to remember that costs before the comptroller are not intended to compensate parties for their expenses but are merely a lump sum contribution to those expenses. They are guided by a published standard scale which reflects that the comptroller ought to be a low cost tribunal. The scale does not differentiate between litigants in person and represented parties. The published scale does however make it clear that the comptroller will not normally award costs which appear to him to exceed the reasonable costs incurred by a party. This can be relevant sometimes to litigants in person. In particularly it is necessary to ensure that a litigant in person is not overcompensated whilst also at the same time ensuring that they are not unfairly disadvantaged by comparison with a represented litigant.

33. The other issue I need to determine is whether the behaviour of either side has been such that an award off scale is justified. Both sides have suggested that hopeless arguments were run by the other side. The University notes that Dr Diamond argued from the start that he was not an employee of the University on the basis that he had not signed and returned a number of letters offering extensions to his contract. He did however continue to undertake activities within the University's school of Engineering and continued to receive a monthly salary form the University. It was only in his skeleton argument submitted shortly before the substantive hearing that he conceded, rightly, that he was in the employ of the University at the time that the invention was made.

34. For its part the University had initially claimed that it was entitled to the invention by virtue of section 39 or in the alternative by virtue of the University regulations**.** It only conceded that it could not succeed on the basis of the regulations alone in its skeleton argument. It did however continue to maintain, not unreasonably, that the regulations were relevant to the question of the duties of Dr Diamond.

35. Hence both sides pursued arguments that were particularly ill founded if not hopeless. However have reviewed the proceedings I have come to the conclusion that any extra costs incurred by the parties in dealing with these particular arguments in effect offset each other.

36. Indeed overall I have concluded that the behaviour of neither side was such that an award off scale is justified in respect of the substantive matter. I turn now to applying the published scale

37. In his submissions on costs Dr Diamond has helpfully sought to itemise his costs under the headings referred to in the TPN. His stated costs are as follows:

> Preparing a statement and considering the other side's statement: £815.20
>
> Preparing evidence and considering and commenting on the other side's evidence: £1080.14
>
> Preparing supplementary bundle: £163.04
>
> Preparing for and attending a hearing: £815.20
>
> Expenses: £3685.90

38. The University has questioned the basis on which these figures were calculated. It has also questioned whether some of the expenses are recoverable. I will come on to that shortly but in terms of the other costs then they do not appear unreasonable and provide I believe a useful check for when I apply the published scale.

39. In terms of complexity I would note that notwithstanding the various delays that I have touched on above, the underlying case was relatively straightforward and evidentially light. The hearing stretched across two days but that was only because Dr Diamond experienced travel problems that delayed the start on the first day. Also I allowed Dr Diamond some extra time which he had requested to allow him to properly consider the various arguments made and to compose his closing arguments. At the start of the hearing I also had to consider some further preliminary issues that Dr Diamond raised though I was able to dispose of those relatively quickly. Without these delays and time allowances, and with only two witnesses to be cross-examined then I would have expected the hearing to have been concluded within one day. That it actually took longer did lead to extra costs on both sides however the reasons for that which I set out above were not in my view unreasonable though there were in part a direct consequence of Dr Diamond choosing to represent himself. Nevertheless I believe it would be unfair to impose costs in relation to preparing and attending a hearing on the University in excess of one day. Consequently bearing in mind the straightforward nature of the case and having regard to the published scale I have concluded that an award of £1520 be made by the University to Dr Diamond by way of contribution to his costs. This is based on the following:

> Preparing a statement and considering the other side's statement: £200

Preparing evidence and considering and commenting on the other side's evidence: £500

Preparing for and attending a hearing: £820 (this is the extent, with suitable rounding, of the actual costs incurred according to Dr Diamond)

40. As for the expenses claimed by Dr Diamond then for the reasons discussed above I make no award in respect of the costs incurred by Dr Diamond in providing the supplemental bundle. Whereas travel and subsistence expenses of witnesses may be recovered, the same does not normally apply to the parties to the dispute or their representatives who would normal be expected to attend the hearing. Dr Diamond has also sought recovery of the costs of the same day transcript service that both sides agreed to contribute to. Again that is not something that is generally recoverable and I see no reason to depart from that here. If Dr Diamond felt that such transcription was essential to enable him to present his case then that was I suggest to a large extent a consequence of his decision to represent himself.

41. Dr Diamond also refers to miscellaneous consultancy legal expenses. He does not explain what these were though I am aware that he did submit early in the proceedings some legal advice about his employment status. The cost of that is however already accounted for in the above assessment.

42. Dr Diamond's largest expense according to his submission is "Emails". I have briefly discussed this already. I would observe further that the overwhelming majority of the emails that were sent by Dr Diamond to the IPO or on which the IPO was copied in on were seeking guidance or clarification or were in some other way attributable to Dr Diamond's decision to represent himself. As such I do not believe that this is something the other side should be expected to pay for.

Conclusion

43. I award the University the sum of £1200 as a contribution towards its expenses in respect of the two preliminary issues I decided.

44. I award Dr Diamond the sum of £1520 as a contribution towards his expenses in respect of the substantive matter.

45. The net effect of these two awards is that University should pay Dr Diamond the sum of £320 within 7 days of the expiry of the appeal period set out below.

Appeal

46. Any appeal must be lodged within 28 days

PHIL THORPE