

## **PATENTS ACT 1977**

IN THE MATTER OF an application  
under section 40 by Bruce Alan Milner in  
respect of UK Patent number 2212505

### **DECISION**

#### **Background and History**

1. UK Patent No. 2212505 (the "patent") in the name of Dixon International Limited was filed on 17 September 1987 under application No. GB 8826879.0 (based on International application No. PCT/GB87/00650) claiming a priority date of 17 September 1986. The inventors named were Tessa Malcolm-Brown, Bruce Alan Milner and Eric Southern. The patent was granted on 31 May 1990 and relates to an intumescent material comprising a polymeric or elastomeric binder containing expandable graphite. The material has fire resistance and is for use, *inter alia*, as sealing strips for doors and windows, as a pressure and gap sealant in pipe closures, and in glazing panels.

2. Claim 1 reads:

*"An intumescent material comprising a flexible polymeric or elastomeric binder containing expandable graphite and plasticizer."*

3. On 4 July 1996, Mr Milner (the "applicant") initiated proceedings under section 40(1) seeking employee compensation from Dixon International Limited, now Dixon International Group Limited, ("Dixon") for making the invention of the patent. His statement of case claimed that he was the sole inventor of the patent and that the profitability of Intumescent Seals Limited ("ISL"), a wholly owned subsidiary company of Dixon, was almost entirely due to the patent and so it was reasonable to suggest that the patent has been of outstanding benefit to ISL and consequently to Dixon.

4. A counterstatement was filed by Dixon on 25 September 1996 stating that the action was wrongly directed against them in that the applicant was rather employed by Sealmaster Limited ("Sealmaster"), a different wholly owned subsidiary of Dixon. It was also denied that the patent

was of outstanding benefit to Dixon or any of its subsidiary companies. It was contended that any contribution made by the applicant was so small that it would not be just that Dixon should pay him compensation. In response, on 24 October 1996, Mr Milner filed an amended statement modified to take account of the fact that he was allegedly employed by Sealmaster and not by Dixon. Sealmaster responded on 20 December 1996 with a counterstatement along the same lines as that filed earlier by Dixon. On 18 February 1997, Mr Milner wrote to Sealmaster and to their patent agents Edward Evans & Co. requesting copies of certain documents in connection with the section 40 action. These requests were refused. Subsequently, the applicant's evidence-in-chief in respect of the section 40 action was filed on 10 March 1997.

5. In parallel with the section 40 action, Mr Milner on 7 November 1996 additionally filed an application under section 13(3) claiming that he had sole rights in the invention of the patent and seeking to have the names of the other two inventors removed from the Register. This action was opposed by Dixon, Sealmaster, and the named inventors Tessa Reeve (formerly Tessa Malcolm-Brown) and Eric Southern, who each filed counterstatements on 10 February 1997 with a request for costs. On 8 April 1997, Mr Milner wrote to the Patent Office requesting discovery of documents in connection with both the section 40 action and the concurrent section 13 action brought against Dixon.

6. Dixon had written to the Patent Office on 12 December 1996 requesting costs in respect of the withdrawn claim originally initiated against them rather than Sealmaster. In the light of this, the Patent Office wrote to the parties seeking views of whether this request should be considered at the same time as the section 40 action against Sealmaster or immediately as a separate issue. In response, on 4 February 1997, Mr Milner indicated preference for the former option and, at the same time, provided the Patent Office with documentation which threw doubt on the allegation that Dixon was not his employer. These documents included a letter of appointment, a wage and salary review, a reply to the applicant's claim for compensation, and a copy of the pension scheme. All documents had Dixon letter heads.

7. Notwithstanding this, Dixon maintained that the matter of an award of costs in this issue be considered as a separate matter from the Sealmaster action, either on the papers following a further opportunity for observations or at a hearing. Mr Milner for his part indicated a preference for determining the award of costs on the papers but also maintained his preference for this to be at the conclusion of the overall section 40 dispute rather than at a preliminary hearing. Dixon, in

response, confirmed that they had in fact incurred costs in respect of the section 40 proceedings against them and maintained that settlement should not be delayed.

8. On 23 May 1997 the Patent Office gave its preliminary view to the parties on the issues of costs and discovery, *viz.* that the early determination of costs in respect of the section 40 proceedings against Dixon was premature and that it was not clear from the documents that the applicant had provided on 4 February 1997 that Dixon's involvement in the proceedings had in fact unambiguously ended. In the light of this, Dixon agreed that the matter of costs would be left until the conclusion of the section 40 proceedings. Further, to save costs the Office proposed that the determination of the question of discovery requested under section 40 be deferred, since the request for discovery did not clearly relate to the primary question of whether the patent has been of outstanding benefit to the employer under section 40 but rather to the secondary question of determining any subsequent compensation under section 41. If the applicant maintained his request for discovery then a preliminary hearing would be arranged to determine the matter.

9. In the event, a preliminary hearing was held to consider (i) discovery under section 13 and (ii) consolidation of the concurrent section 13 and 40 proceedings, or alternatively the staying of the section 13 proceedings pending the outcome of the section 40 proceedings. In a Preliminary Decision dated 10 November 1997, I decided that the issues in the section 13 and section 40 actions were different and that there would be no saving in having them consolidated. I further concluded that the section 13 proceedings should be stayed until the section 40 proceedings had been resolved. I also found that modified discovery under section 13 was allowable but should be stayed for the time being along with the section 13 action as a whole. The parties were then invited to continue with filing of evidence with respect to the section 40 proceedings.

10. The formal evidence rounds produced:

- i. Evidence-in-chief on behalf of the applicant comprising a first statutory declaration by Mr Milner;
- ii. Evidence-in-response on behalf of the employer comprising statutory declarations by Dr Southern (Dixon), Ronald Cooke (Business Manager of Technical Fibre Products), and Mrs Susan Hume (Commercial Director of Lorient Polyproducts Ltd).
- iii. Evidence-in-reply on behalf of the applicant comprising a further statutory declaration by Mr Milner accompanied by a statutory declaration from Mr Whiting

(who had fire-tested products developed by the applicant at Sealmaster).

11. A substantive hearing was set for 3 June 1998, but the day before that, on 2 June 1998, Dixon filed an unsigned declaration from Dr Southern to remedy alleged inaccuracies made in Mr Milner's reply statutory declaration and invited the applicant to respond orally to a formal version of the declaration at the substantive hearing itself. In view of Mr Milner's agreement, albeit reluctant, to respond orally to the late-filed evidence at the hearing, I admitted Dr Southern's 3rd statutory declaration and invited Mr Milner to respond to the various points when giving his evidence.

12. At the hearing, Mr James Mellor QC instructed by Titmuss Sainer Dechert appeared as Counsel for Dixon and Mr Milner appeared without representation.

### **Relevant Law**

13. Since there is no dispute over the ownership of the patent, I am only concerned with section 40(1) of the Patents Act 1977. This section states:

*"40.-(1) Where it appears to the court or the comptroller on an application made by an employee within the prescribed period that the employee has made an invention belonging to the employer for which a patent has been granted, that the patent is (having regard among other things to the size of the employer's undertaking) of outstanding benefit to the employer and that be reason of those facts it is just that the employee should be awarded compensation to be paid by the employer, the court or the comptroller may award him such compensation of an amount determined under section 41 below."*

14. The elements of this section which are material to the case are: *"that the employee has made an invention belonging to the employer for which a patent has been granted"* and *"that the patent is (having regard among other things to the size of the employer's undertaking) of outstanding benefit to the employer"*.

15. As I was reminded by the parties, the guidance to the interpretation of section 40 is primarily contained in three reported cases: **GEC Avionics Ltd [1992] RPC 107**, **British Steel plc [1992] RPC 117** and **Memco-Med Ltd [1992] RPC 403**. The most authoritative is the lattermost in which Aldous J considered various aspects of the two former decisions. Some general principles are set forth in the Headnotes, viz

- (1) Section 40 drew a distinction between the patent and the invention. The task of the court was to ascertain whether the patent, not the invention, was of outstanding benefit to the employer, that benefit being a benefit in money or money's worth;*
- (2) It was unwise to try to redefine the word "outstanding", which denoted something special and required the benefit to be more than substantial or good. Courts would recognise an outstanding benefit when it occurred;*
- (3) In cases where the employer exploited the patent by manufacturing articles in accordance with the invention of the patent, the court must differentiate between the benefit from using the inventive advance and that from the patent;*
- (4) In answering the question whether the patent had been of benefit to the employer, it was useful to decide what the employer's position would have been if the patent had never been granted, and to ascertain the benefit by comparison with the actual position;*
- (5) The onus of proof that the benefit was derived from the patent rather than the invention lay on the applicant. Thereafter the onus might shift to the employer, but this would depend upon the evidence before the court and not any inference of law or presumption that at least part of the benefit was derived from the patent. Each case must be decided on its own facts using the normal standard of proof in civil proceedings, namely the balance of probabilities;*
- (6) Although a finding that sales of a patented product had been of vital importance to the employer was a relevant consideration in deciding whether the patent was of outstanding benefit, it could not be determinative. The sales might have resulted from the price and quality of the product and a good relationship with the buyer, and have been no less if the patent had not been granted.*

16. As Mr Milner pointed out at the onset, these set the employee a high, perhaps impossibly high, hurdle to surmount and perhaps one not envisaged by the authors of the section. He compared the situation to ones existing elsewhere in the EU, in particular in Germany. Nevertheless, as indeed Mr Milner himself seemed to recognise, the **Memco-Med** parameters are those within I must consider his claim.

17. With that said, I will move on to consider the two limbs of Mr Milner's case, namely

- ! has he provided evidence to establish that his employer obtained outstanding benefit from the patented invention?; and
- ! has he provided evidence to demonstrate that the benefit was due to the patent rather than to the invention?

In this latter regard, I note that the current situation is of the type considered in the **Memco-Med**

case, *ie* one in which the employer has exploited the patent by manufacture rather than licensing.

### **Context of the Patent**

18. Before doing this, however, it is perhaps worth looking at the context of the companies and products involved and at the market situation at the time of the patented invention. This was to a large degree not disputed between the parties, although inevitably they placed differing interpretation upon the facts.

19. The patented invention lies within the field of intumescent seal products, such as provide fire-retardance around, for example, doors and windows. There was a spur to the UK market in 1972 as a result of new, stricter fire regulations. There are three major chemical categories of such products, namely: those based on sodium silicate; those based on mono-ammonium phosphate; and those based on graphite. It is to the lattermost category that the patented invention relates. Graphite-based intumescent are said to be superior to the other two categories in that they are less susceptible to absorption of water and carbon dioxide, prevention of which necessitates coating in resin or encapsulation in plastics sleeving for the alternative materials. At the time of its introduction, there seems to have been only one other major manufacturer of graphite intumescent (Chemie Linz), although the material was sold under different brand names through two alternative sources. The intumescent produced according to the Dixon patent had an advantage also over the Chemie Linz product in that it was flexible rather than fragile or brittle.

20. A good deal of the argument at the hearing related to the degree that intumescent products containing these different chemically-active materials and/or having different physical properties, in particular flexible versus brittle and degree of water resistance, was an important element in directing customer choice and hence in defining the 'market' to be considered. Mr Milner argued that these were of importance, thus that the relevant market was that of 'graphite-based intumescent'. Dixon on the other hand, whilst acknowledging their patented products had desirable properties and advantages in production over the opposition, deny that these created any new markets or applications for the products. Mr Mellor submitted that, on the contrary, the customers were only interested in price and performance, *ie* whether the product passed BS 476 Part 22, and thus that the relevant market was for intumescent fire seals generally. Having heard both sides, I would be inclined towards the Dixon point of view, to the extent that it affects my later deliberations when considering whether or not the benefit can be attributed to the patent rather than the invention.

21. The parties are agreed that the subsequent years led to the introduction of a range of competitor products. They disagree, however, as to the order and timing of their introduction. Dr Southern for Dixon states that Wolmann was first into the field with a competitor flexible graphite product in the late 1980's, closely followed by Foseco's Calloseal at a date before 1990, and then a range of several products appeared in the years 1991-1993. This sequence of events finds some support in the testimony of Mrs Hume and Mr Cooke. Mr Milner, however, submits that Calloseal was first to appear and not until 1992 or 1993. He points to the testimony of Mr Whiting for support.

22. Turning to the companies themselves, Dixon (up to recently a holding company only) is the parent company of both Sealmaster and ISL. Sealmaster has been in business since the 1960's and introduced its first intumescent seal products in 1975/6. It still uses mono-ammonium phosphate-based seals for the bulk of its product range, although as will be seen there are minor sales of products incorporating the patented graphite material. ISL started trading in 1988 and was from the outset intended to sell products directed at the economy end of the market. The overwhelming majority of its sales are of products incorporating the patented material, and 85% of these are for door seal products. Dixon point, in this regard, to the fact that these door seal products are plastics-encased in a similar fashion to competitor products and thus the superior properties of their graphite do not create any market advantages for which they could charge a premium. These two companies (Sealmaster and ISL) are the only two companies in the Dixon Group selling products according to the patented invention.

**Any evidence of outstanding benefit?**

23. It should be said at the outset that there was much dispute about the correct figures to be taken to denote the benefit of the patented invention. Mr Milner wrote to Dixon in January 1998 requesting discovery of before-tax profit figures and number of employees for ISL for the years 1994-1997 and similar information in respect of Dixon for 1996-1997, since he had been unable to obtain these figures from the abbreviated accounts that had been submitted to Companies House. On Dixon responding that their evidence would deal with these matters and consequently that discovery was inappropriate at that stage, Mr Milner agreed to wait for this. After Dixon's evidence had been filed, Mr Milner again wrote to Dixon stating that the supplied figures did not satisfy his needs being net figures which did not show any explanation for a sudden dip in profits between 1993 and 1994. Despite Mr Milner writing to the Patent Office in protest at this, he (as he conceded at the hearing) did not take up this issue into a formal request for discovery of the

pre-tax information. Consequently, the substantive hearing was reached with the issue still unresolved.

24. I have some sympathy with Mr Milner's evident exasperation in this regard. He flagged the figures he wanted at an early stage, but through inexperience did not press his case or make a formal request for discovery when these figures were not forthcoming through Dixon's evidence. To some extent that is a peril of his choosing not to be legally represented in this matter, but Dixon's attitude has perhaps been less than cooperative all the way through this action. Although the subject of additional discovery in this regard was raised at the hearing by Mr Milner in the context of him asking for it in the event of any appeal, he did not make any request before me. In any event, I would not have been amenable to such a request having regard to the principles established in the **Memco-Med** decision.

25. A direct result of the lack of provision of expanded profit figures was, however, that Mr Milner suggested that Dixon must have something to hide in concealing them. This Dixon took as allegations of false accounting towards themselves and also their auditors in order to frustrate his claim. I should make it clear that I do not see Mr Milner as contending anything such, although at times he perhaps used unfortunately emotive language. As I understood him, he was merely seeking a satisfactory explanation as to why there had been a sudden drop in net profits from 1993 to 1994, given the constant turnover. Whilst he might have been suggesting that Dixon's lack of full disclosure in this respect was to strengthen their case, I do not take him as suggesting any premeditated wrong doing on Dixon's part in terms of false accounting intended to frustrate his case. Indeed as Mr Mellor pointed out, the absurdity of the latter view was highlighted by the fact that it must pre-date his claim for compensation. He pointed out that the financial figures provided by Dr Southern were extracted from properly audited accounts.

26. I would comment, however, that like Mr Milner I find the explanation of the drop in net profits of ISL between 1993 and 1994 unclear. Dixon have suggested that rather than any sudden change there was a steady increase in production accompanied by prices steadily being driven down by competition leading, coincidentally, to steady overall turnover figures. I find it hard to square this explanation with the supplied figures which show a sudden drop of [\*]% from 1993 to 1994 followed by a static situation for 1994-1996 rather than steady decreases over those years. In the event, Mr Milner has estimated his own figures for the gross profits of ISL for the years 1994-1997. As can be seen below, I do not see that they make any difference to the

outcome of this case.

27. Turning now to the benefit gained from the patented invention itself, Mr Milner has based his calculations on estimated pre-tax profits of £250K for ISL from 1994 onwards, in similarity to the figure he was able to obtain for 1993. He argues that the turnover in these succeeding years was similar to that in 1993 and, hence, in the absence of significantly increased production or capital investment in the later years (which he states from his personal experience did not occur at least until 1995) the gross profit should have remained of similar order. He points to the fact that Mr Cursley (Company secretary of Dixon) did not challenge his estimated figure of £250K when replying to his original claim for compensation.

28. On the basis of these figures he estimates the pre-tax profitability of ISL as 27.5% in 1990 falling to 23% in each of 1993-97 (NB there is a one year fall to 16% in 1991 which he explained by a dislocation due to a move of production in that year). These figures he compares favourably to the profitability of Sealmaster and Dixon (which were both roughly comparable to that of ISL in 1990-1993 but fall to single figures post-1995) as indicative of the outstanding benefit the patented invention has been to the Dixon Group as a whole. In support of his arguments, Mr Milner drew my attention to the approaches taken in **British Steel plc [1992] RPC 126** at lines 33-42 and **Memco-Med Ltd [1992] RPC 414** at lines 7-17 which refer to the issue of what might be interpreted as being of "outstanding" benefit. He submitted that ISL's profits were in a different ball park from these earlier cases and that the benefits due to the patent were outstanding. He made reference as to the extra benefit of sales of patented products by Sealmaster in addition to ISL, which he estimated as worth an additional £435K in turnover or £100K of profit to be added to the equation. Mr Milner maintained that ISL turnover was higher per employee than that of Sealmaster and submitted that the turnover per employee at ISL was double that of Dixon and was increasing over the same period at ISL and decreasing at Dixon. Referring to his estimates of profits as % of turnover at Table 2 of his second statutory

declaration, he maintained that they demonstrated that ISL's performance outshone Dixon and Sealmaster combined whose profits had declined from 1994 onwards.

29. For their part, Dixon have supplied turnover and net profit figures for Dixon, Sealmaster and ISL, the latter two broken down by sales of intumescent products using the patented invention and not-using the patented invention. Mr Mellor contended that they illustrated that:

- ! Sale of products according to the invention is overwhelmingly by ISL (97-100% of turnover in 1988-1994 although falling off to 91% in 1997), and relatively minimal by Sealmaster (3-5% of turnover over period 1991-1997);
- ! The profitability of ISL (which, of course, is almost entirely due to sales of patented products) despite being some £[\*] for the period 1989-1997, equates to no more than an average return on turn-over - varying from a maximum of [\*]% in 1990 (when the market was buoyant) to a minimum of [\*]% in 1997 (indicating the results of increasing competition) - giving an average return on turnover for the period 1989-1997 of about [\*]%;
- ! This should be compared with the equivalent average figures for Sealmaster ([\*]%) and Dixon itself ([\*]%) over the same period;
- ! The proportional contribution to net profits of products not using the patented invention has been greater than that of products using the invention. This Mr Mellor contended was a similar situation to that discussed in **GEC Avionics Ltd [1992] RPC** vis-a-vis the patented products and conventional products manufactured under contract by GEC.

30. What should I make of all this? It is clear that sales of products according to the invention have sustained ISL since its formation (and still do), and that the total benefit over the years of the patent has been significant - perhaps amounting to a total turnover (ISL plus Sealmaster) of some £ [\*] in the years 1988-1997. However, has the profit or benefit obtained from this turnover been such as to be 'outstanding'? Dixon's net figures for this suggest some £ [\*], *ie* something over [\*]%. As Mr Mellor has argued, viewed in the light of a 'typical' expected business return on turnover of, say, some 10%, this does not appear in any way remarkable - much less outstanding. I am inclined to agree. Even taking Mr Milner's own estimated figures for the period 1994-1997, these (by analogy with 1993) could be expected to return net profit of something of the order of £130K for each of those years giving a total overall profit return of about £1063K or about 12% based on total turnover. A significantly better return than the [\*]% from Dixon's figures certainly, but still not in my eyes such as to be outstanding.

31. I find, therefore, that Mr Milner has failed in the first limb of his case, *ie* to establish that his employer received outstanding benefit from the patented invention.

32. It is perhaps worth my commenting here that I have not felt the need to consider fully the issue of who was Mr Milner's true employer (Sealmaster or Dixon) or the effects of Dixon being

the proprietor of the patent, but instead the great majority of the benefits therefrom falling to the subsidiary company ISL. Mr Mellor whilst indicating that there was an issue in this regard and that his primary submission was that Dixon was the entity I should be considering in this action, said that Dixon were quite content that they could show that the patent had not been of outstanding benefit even to ISL. This they have done. Viewed in this light the other considerations are academic. For the sake of completeness, however, I should say that in the context of the situation existing in this case, I would have been inclined to the view that the phrase “*employer’s undertaking*” as used within the context of section 40(1) related to the overall Dixon Group, (or at least that proportion of Dixon that equated to the combined businesses of ISL and Sealmaster).

**Was any benefit due to the patent itself rather than the invention?**

33. In case I am incorrect in my view that Mr Milner has failed in the first limb of his case and mindful that he more than once made reference to the fact that he would consider an appeal if not successful, I will move on to consider the second necessary limb, *ie* the need to establish that any benefit was due to the patent itself rather than the invention.

34. Mr Milner considered that the patent restrained competition in the market for at least 5 years, contrary to the statements made by Mr Cooke and Mrs Hume in their Statutory Declarations of 10 February 1998. He made the point that the patent defined a very simple method of manufacture comprising merely mixing the various ingredients together “*in a bucket*”. This had the dual benefits of forcing potential competitors to seek more complex alternative methods of production and of reducing production costs for ISL. Thus, the benefits to be gained from the invention were greater than they would have been in the absence of patent protection and ISL was able to define its own prices. In this regard he pointed to two written quotations he had obtained in March 1998 from ISL of £2.09 per metre for a specific fire seal product which, he submitted, was inconsistent with Dr Southern's testimony of competition forcing a fall in price from £ [\*] per metre in 1992 to £ [\*] per metre in 1997.

35. He pointed to the failure of Dixon's witnesses to provide documentary proof of any new competitive product (other than the pre-existing Chemie Linz graphite product) that had appeared on the market before 1992 or 1993. He identified the 'Calloseal' product as the first to appear in this regard, and pointed to the testimony of Dr Whiting for support. He said that he had been responsible at Sealmaster for regular production of reports testing potential competitor products,

and he indicated that, in retrospect, he regretted not requesting discovery of these from Dixon because they would support his version of events.

36. Nevertheless, he had, he argued, satisfied the initial onus of proof with respect to linking the benefit to the patent. That done, this was a case such as contemplated in the **Memco-Med** judgement where it was appropriate that the onus would then shift to the employer.

37. Mr Mellor invited me to apply the **Memco-Med** test of removing the patent from the situation and seeing whether there was any difference - he contended "no". To support this, he drew my attention to the profit figures in Table 2 of Dr Southern's statutory declaration of 10 February 1998. Sealmaster (earnings from non-patented products) had consistently been more profitable than ISL (earnings from patented products) which was a similar situation to that discussed in **GEC Avionics Ltd [1992] RPC** vis-a-vis the patented products and conventional products manufactured under contract by GEC. There was not any exclusive market for the products made using the patent and there was no exclusive application for the products using the patent. Therefore, in theory Dixon could not price fix. The ISL sales reflected the input of "sales efforts and competitive pricing" not the effect of the patent. In this regard, ISL had been able to take advantage of the sales experience of Sealmaster which was already established in the business.

38. When it came to the deterrent effect of the patent, Mrs Hume and Mr Cooke had testified that they were not deterred in the least by the existence of the patent from developing their own graphite intumescent products, and had confirmed Dr Southern's evidence. Mr Milner had tried to dispute Dr Southern's testimony as to when particular products were first available on the market, with the support of Mr Whiting. However, neither of Messrs Milner and Whiting had been involved with the commercial side of the business. They only got to see competitor products when given them to test, which was not necessarily coincident with their first appearance on the market. The remainder of Mr Milner's testimony in this regard was inadmissible hearsay about the opinions of others. Mr Mellor noted that legal proceedings had never been taken by Dixon to enforce their patent and on only one occasion had their been need to write to a competitor and, in the event, no further action was taken by either party.

39. Mr Mellor also pointed to the fact that the 'headstart' theory which formed Mr Milner's case for the benefit flowing from the patent itself rather than the patented invention was itself inconsistent with Mr Milner's own estimated profits for ISL which allegedly maintained profit

levels post-1993, and also with the fact that the patent was still in force and thus should still be performing any deterrent effect.

40. In response, Mr Milner maintained that both Mrs Hume and Mr Cooke had not needed to be restrained by the patent because they were not in the market of true competitor products, for example Mr Cooke's company was in the field of sheet products using existing paper-making machinery and Mrs Hume's company used existing Chemie Linz' products. He pointed again to the simplicity of the production method of the patent and to the superior physical properties of the resulting products.

41. I have considered the arguments by both sides. Whilst I do not feel that some questions have been entirely satisfactorily answered by Dixon, *eg* the remarkable difference in price quoted for supply of the patented product by ISL to Mr Milner from that appearing in Dr Southern's evidence, nevertheless I am clear that Mr Milner has not satisfied the onus upon him of establishing that the benefit to ISL (and Sealmaster) was due to the existence of the patent as distinct from the invention *per se*.

### **Summary of decision**

42. Since section 40 draws a distinction between the patent and the invention, I need only determine whether the *patent*, not the invention, *is of outstanding benefit* to the employer, that benefit being in terms of money or money's worth. I have considered the evidence and the arguments put forward by Mr Milner but I am not persuaded that the patent is, or has been, of outstanding benefit to Dixon, Sealmaster or ISL. The reasons for my decision are as follows. Mr Milner has not provided a sound basis for his evidence of the profits attributable to the products using the invention. In the words of Mr Mellor, the profit figures for ISL "have been simply invented by Mr Milner" and he has rejected out of hand the figures extracted from the properly audited accounts by Dr Southern. Such extracts, therefore, are the only evidence that has been made available and on which I may draw conclusions. I have noted that Sealmaster's level of profitability as a percentage of turnover over the period 1988-97 was better than that of ISL, viz. [\*] % and [\*] %, when comparing profits earned respectively from products not using the patent and products using the patent. In reaching my decision I have applied the test from **Memco-Med Ltd [1992] RPC 413** outlined at lines 18-24. Furthermore, the interchangeability of the various intumescent materials used in fire seals, both before and after the invention, seeks only to confirm my opinion that the patent *per se* was of less than outstanding benefit to Dixon.

43. Consequently, I find that Mr Milner's application under section 40 fails since I have not been convinced on the evidence that the patent *per se* has been of any outstanding benefit to the proprietor of the patent, Dixon International Group Ltd, or to any of its companies.

### **Costs**

44. The issue of costs was raised at the substantive hearing and it was agreed that when settling the costs of the section 40 proceedings, I should include any element of costs involved in the initially 'misdirected' application under section 40 against Dixon. I therefore order that the applicant Mr Bruce Alan Milner should pay the sum of £850 (eight hundred and fifty pounds) to the proprietors Dixon International Group Ltd as a contribution to their costs.

### **Subsequent proceedings**

45. It was agreed at the hearing that I should invite submissions as to the positions of the parties concerning the section 13 proceedings which were stayed pending resolution of the section 40 proceedings. I therefore set a period of two months for the receipt of such submissions by the Patent Office, the period starting at the end of the appeal period from this decision.

46. Finally, the period within which any appeal to the Patents Court from this decision must be lodged is 6 weeks from the date of this decision.

Dated this 29<sup>th</sup> day of July 1998

**G M BRIDGES**

Superintending Examiner, acting for the Comptroller

**THE PATENT OFFICE**