

PATENTS ACT 1977

IN THE MATTER OF a reference
under Section 8 by Cerise Innovation
Technology Limited in respect of four
UK Patent Applications in the name of
Melih Abdulhayoglu

SECOND PRELIMINARY DECISION

1. Cerise Innovation Technology Limited (“Cerise” or “the referrer”) has referred to the Comptroller under section 8(1)(a) of the Patents Act 1977 the question of entitlement to the grant of patents in respect of inventions made by Melih Abdulhayoglu (“the inventor”), which were the subject of four UK patent applications - 9801764.3, 9801765.0, 9801767.6 and 9801768.4 - filed in 1998.
2. Following a statement by the referrer, the inventor has filed a counterstatement, and the referrer has filed its evidence in chief. The period laid down for filing the evidence of the inventor expires on 9 June 1999. The inventor has requested an extension to this period of two months, in order for the necessary evidence to be gathered. He has further requested that the Comptroller make an order for discovery - or disclosure, as it should now be called - of certain specified documents, and that the deadline for filing his evidence should be stayed pending such disclosure.
3. The referrer has indicated that it will be happy to furnish additional evidence under the direction of the Comptroller, but only once the preliminary evidence of both parties has been considered. I interpret that as an objection to the present request for disclosure. It therefore falls to me to decide whether an order for disclosure is appropriate before the inventor has filed his evidence, and whether to extend the time limit for the latter. Both parties have agreed that I should decide the matter on the basis of the papers before me, without an oral hearing. I shall

deal with the question of disclosure before turning to the timetable for the inventor's evidence, but first I must briefly outline the background to the case.

Background

4. The referrer acknowledges that Mr Abdulhayoglu is the inventor of inventions in the field of data transfer and encryption/decryption methods and related apparatus. However, it submits that at the time that the inventions were made, the inventor was employed by them and that under the provisions of Section 39 of the Patents Act 1977 relating to employee's inventions, the referrer is entitled to be granted patents arising therefrom. It also submits that the inventor was appointed as their Technical Director, and provides evidence purporting to show that various sums were paid to him as salary and that he was provided with a company car.

5. The referrer further states that the inventor is a Turkish citizen and is only able to work in the United Kingdom under a specific work permit issued by the Overseas Labour Service, part of the Department for Education and Employment. What purports to be a copy of a certificate from the Overseas Labour Service, naming the inventor and stating that he has been issued with a work permit, is included in the referrer's evidence. This certificate names the referrer as employer.

6. The inventor, in his counterstatement, has denied that he was ever in the employment of the referrer. He asserts that:

- a. the referrer is and was at all material times a company which has never traded;
- b. there was never any contract of employment between him and the referrer;
- c. he was never paid a salary by the referrer;
- d. the referrer never paid any PAYE or NI contributions on his behalf;

- e. whilst he admits that a sum in the amount of £8,932.64 was transferred to the solicitors of Bradford University on his behalf, and that a company car was provided in about September 1997 for the use of his fiancée, he denies that the same were paid and provided by the referrer.

He also makes no admissions as to his ability to work in the United Kingdom, or as to the authenticity of the Overseas Labour Service certificate.

7. It is therefore clear that the central issue in this case is whether the inventor was employed by the referrer, at least at the relevant time.

Disclosure: the principles to be applied

8. Whilst disclosure has not been not common in proceedings before the Comptroller, requests for disclosure have certainly been granted on a number of occasions. The principles the Comptroller has applied in deciding whether to order disclosure have mirrored the principles followed by the High Court under Order 24 of the old Rules of the Supreme Court, and this approach was endorsed by Aldous J in *Merrell Dow Pharmaceuticals Inc's (Terfenadine) Patent [1991] RPC 221*. Thus the questions the Comptroller has asked himself are whether the documents concerned relate to the matters in question in the proceedings and whether their disclosure is necessary to dispose fairly of the proceedings or to reduce costs. As in the courts, even if these tests were satisfied there was always discretion to refuse to order specific disclosure, for example if the value of the material to the applicant was outweighed by the burden it would impose on the opponent, as discussed in *Molyncke AB v Proctor and Gamble Ltd (No 3) [1990] RPC 498*, or if the categories of document were in such general terms as to amount to a “fishing discovery”, as discussed in *British Leyland Motor Corporation v Wyatt Interpart Co Ltd [1979] FSR 39*.

9. Of course we now have the new Civil Procedure Rules. If the present proceedings were in the High Court, this request for specific disclosure would probably be considered under the new Rules as it was not formally lodged until after 26 April 1999, when they came into force.

Thus I need to consider what impact the introduction of these new Rules should have on the principles the Comptroller should apply to requests for disclosure in proceedings before her.

10. The biggest changes in relation to disclosure in the new Civil Procedure Rules concern general disclosure, which is not applicable in Office proceedings. However, there are also changes which affect the court practice on “specific disclosure”. In particular, the tests quoted above have gone. For example, unlike the old Rule 24(8), part 31 of the new Rules does not spell out the requirement that disclosure should be refused “if it is not necessary either for disposing fairly of the cause or matter or for saving costs”. Instead, the associated Practice Direction says of specific disclosure in paragraph 5.4 that:

“the court will take into account all the circumstances of the case”.

It goes on, though:

“and, in particular, the overriding objective described in Part 1”.

That overriding objective is to deal with cases justly which “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) [not relevant]”

11. I believe it is right that the Comptroller should continue to mirror the courts in deciding whether to grant specific disclosure and thus should follow the principles outlined in the new

Civil Procedure Rules. However, I do not believe the changes introduced by these Rules are broadening the scope of specific discovery. If anything, they are tightening up by putting greater emphasis on the principle of proportionality and on the need to ensure proceedings are dealt with expeditiously. Further, I do not feel they mean the old tests should be thrown away, because those tests are still a sensible part of considering “all the circumstances of the case”. On this basis, I will turn to the specific request made by the inventor. There are two categories of document whose disclosure is requested.

Disclosure of bank statements

12. The first category is copies of all bank statements of Cerise Innovation Technology since its formation. The reason the inventor gives for requesting these documents is that he wishes to cross-check certain alleged payments and receipts mentioned by the referrer in its case and that “the only way to do this thoroughly is by access to the Referrer’s bank account statements”. The only specific examples given are references in the Statutory Declaration of Kate Jane Lees to PAYE and National Insurance contributions, to “amounts identified in the Referrer’s Statement of Case”, to projected expenditure in business plans, and to the receipt of payment for grants and alleged expenditure as a result.

13. I must say straight away that the reasons given cannot justify ordering disclosure of all the referrer’s bank statements since its formation. To check certain specified payments and receipts might require access to some specific bank statements, or perhaps to statements covering a particular period, but it cannot require inspection of every statement since the company began. Thus on the basis of the reasons given, I cannot see how disclosure of all statements can be necessary to dispose fairly of the proceedings or to reduce costs. In my view, in this respect the request is too general and smacks of a fishing discovery.

14. Further, I have some doubts about the value of bank statements for making the sort of cross-check that the inventor says he wishes to make. We already have two bank statements in the referrer’s evidence, one in exhibit C.I.T. V relating to the referrer’s account at the NatWest Bank and the other in exhibit BB-V to exhibit C.I.T. IX relating to an account at TSB Bank

apparently in the name of De Rici Developments Ltd. Like most bank statements, the information given in these statements identifying to what each debit or credit relates is pretty meaningless on its own. Payments made by cheque, for example, are simply identified by the cheque number, giving no clue as to who the cheque was payable to or what it was for. Thus these statements will at best only provide a very limited cross-check. They might confirm that a debit or credit of a particular, distinctive amount (eg "£8932.60") went through the bank and they will show whether there were any debits or credits at all in a given period, but they will not in general allow the inventor to check whether credits or debits of unspecified or non-distinctive amounts (eg "£100"), or those to be made in imprecise stages over time, were actually made.

15. With this in mind, I believe the correct approach for me to adopt is to look at each specific item the inventor wishes to cross-check and decide whether disclosure of the relevant bank statement or statements would be appropriate. First are the specific PAYE and National Insurance payments. The referrer has already filed a photocopy of a cheque purporting to make these payments, but it is drawn on the De Rici Developments Limited's TSB account and indeed, it shown on the copy of the De Rici bank statement exhibited. Clearly disclosure of the referrer's bank statements is not going to reveal payment of this cheque, so I decline to order disclosure in respect of this payment.

16. Next are the "amounts identified in the Referrer's statement of case". As far as I can see, this can only refer to the £8,932.64 paid in respect of the inventor's salary for the year 1997/98. As the bank statement showing this payment has already been exhibited, ordering disclosure in respect of this item will achieve nothing, so again I decline to do so. (The bank statement shows a slightly different amount of £8,932.60, but I doubt whether the difference is significant.)

17. Next is "the projected expenditure in business plans". I am at a loss to see how disclosure of bank statements can verify that certain expenditure was projected in a business plan. It might show how much money the company actually spent, but that would not help at all in cross checking what expenditure had been projected. Indeed, because the bank statements

would not, in general, identify what the company was spending its money on, it would not even be easy to cross check actual expenditure against the business plan. Although I have not studied the case in detail, as far as I can see these plans have been put in evidence to show that the inventor was involved in the making of them, and whether they actually came to fruition is probably irrelevant to the issue before me. If I am right in this, so far as the projected business plans are concerned the bank statements do not relate to a matter in question in the proceedings. Even if I am wrong, I do not believe that, again so far as the business plans are concerned, their disclosure is necessary to dispose fairly of the proceedings. I therefore decline to order discovery in this respect.

18. Finally there is the “receipt of payments for grants and alleged expenditure as a result”. Although I have not read every bit of the referrer’s evidence in detail, I have only been able to find reference to two grants. The first is in exhibit C.I.T. IV and concerns a grant which was approved in 1993. It relates to inventions made by Mr Abdulhayoglu, but they clearly cannot be the inventions that form the subject of this reference because the final payment under the grant was to be made no later than 31 December 1994. Although evidence of payments and expenditure in relation to this grant might help establish whether Mr Abdulhayoglu was employed by the referrer at that time, it is doubtful whether the bank statements will be detailed enough to provide such evidence, and in any case I am at a loss to see how such evidence could establish one way or the other whether he was employed by them at the time the present inventions were made. Taking both these factors into account, I am not satisfied that disclosure of the relevant bank statements is necessary to dispose fairly of the proceedings. The second reference to a grant is a statement that one of the business plans mentioned in the previous paragraph was put together for the purposes of a grant application, but there is no indication whether the grant was successful and whether there was any expenditure as a result. Like the business plans, the success of this grant application seems immaterial to the referrer’s case. I do not believe that the relevant bank statements relate to a matter in question or that their disclosure is necessary to dispose fairly of the proceedings.

19. The inventor implies that the various items I have considered are merely examples of the payments and receipts he wants to cross check. That, quite frankly, is not good enough. If

there are other specific items he wishes to cross check, he will need to come back to me with a fresh, specific request for disclosure, and he will need to make quite clear how seeing the bank statements will enable him to make the checks he desires to make. On the basis of the request before me, I decline to order disclosure of any of the referrer's bank statements.

Disclosure of correspondence

20. There is a second category of documents whose disclosure is requested and that is "copies of all correspondence with the Overseas Labour Service or members thereof in the power, custody or control of [the referrer] or any directors thereof in connection with the work permit of the inventor and/or in connection with his right to stay in the United Kingdom". The referrer's evidence includes letters to Mr Brogan of the referrer from Steve Lamb and Janet Llewellyn of the Overseas Labour Service. Both contain references to other correspondence. In order to place these letters in context, the inventor argues that all the correspondence is needed.

21. In my judgement, here the inventor is on rather stronger ground. His alleged work permit is likely to be a significant factor in the proceedings because it names the referrer as his employer and it covers the period from August 1996 onwards. Thus I accept that all the relevant correspondence with the Overseas Labour Service relates to a matter in question, and I am satisfied that its disclosure is necessary to dispose fairly of the proceedings. The amount of material is likely to be small, so I do not believe its disclosure will impose any undue burden on the referrer. Taking all the circumstances into account, I will order disclosure of these documents. Two weeks seems quite long enough for this, since the documents should be easy to identify.

22. In this connection, the inventor has asked for documents "in the power, custody or control" of Cerise or any of its directors. The expression in quotations comes from the old Rules of the Supreme Court. I think it would be more appropriate to use the wording of the new Civil Procedure Rules and just refer to "control" as defined in those Rule 31.8(2) of those Rules, viz:

“For this purpose a party has or has had a document in his control if -

- (a) it is or was in his physical possession;
- (b) he has or has had a right to possession of it;
- (c) he has or has had a right to inspect or take copies of it.”

Further, I do not feel it is necessary to refer explicitly to the directors as well as Cerise, nor do I feel this would be wise given the dispute as to whether Mr Abdulhayoglu was or was not a director.

23. I have one slight hesitation in granting this disclosure. It is not immediately clear to me whether any of this correspondence is confidential in the sense that it ought not to be disclosed to Mr Abdulhayoglu personally. If this is the case, Cerise should comply with my disclosure order, within the time specified, by disclosure to Mr Abdulhayoglu’s professional representatives, but at the same time should seek an appropriate confidentiality order from me, giving their reasons. If they do seek such an order, Mr Abdulhayoglu’s professional representatives should not show the documents in question to Mr Abdulhayoglu until I have resolved the request for confidentiality one way or the other.

Timetable

24. I now turn to the timetable for filing the inventor’s evidence. The evidence is due by 9 June 1999, this being 2 months after the filing of evidence in chief by the referrer. In fact, the bulk of the referrer’s evidence in chief was presented on 4 March 1999, albeit in the form of a letter with enclosures rather than a sworn declaration. By and large, therefore, the inventor will on the due date have had three months to consider his case.

25. The inventor has requested an extension of two months, “to obtain expert testimony and to investigate certain matters raised in the evidence filed by the referrer”, and in parallel, in view

of the request for disclosure, a stay on the deadline pending such disclosure. I am not prepared to grant a two month extension on such vague and ill-defined grounds. However, I am prepared to grant some extension so that the inventor can take the disclosed documents into account. In the circumstances, given the time which has already passed, four weeks beyond the time allowed for disclosure should be enough.

Order

26. For the reasons given above, I order the referrer to disclose to the inventor, within two weeks of the date of this decision, all correspondence between it and the Overseas Labour Service which is or has been in its control, as defined in rule 31.8(2) of the Civil Procedure Rules, in connection with the work permit of Mr Abdulhayoglu and/or his right to remain in the United Kingdom. The referrer may comply with this order either by supplying copies of the relevant documents or by allowing the inventor to inspect them and take copies if he so wishes. I decline to order disclosure of any of the referrer's bank statements.

27. Further, I order the inventor to file his evidence within six weeks of the date of this decision.

28. For the avoidance of doubt, I should make clear that this order is without prejudice to the right of either party to seek further disclosure, but unless there are exceptional considerations, I am unlikely to entertain a further request from the inventor until he has filed his evidence. It is also open to either party to seek a further variation in the timetable for filing evidence, but I would be looking for some very convincing reasons before granting another extension to the time for filing the inventor's evidence.

Appeal

29. This being a procedural matter, under the relevant Practice Direction associated with part 49 of the Civil Procedure Rules any appeal from this decision should be lodged within 14 days.

Dated this 25th day of May 1999

P HAYWARD

Divisional Director, acting for the Comptroller

THE PATENT OFFICE