



BL O/206/04

8 July 2004

PATENTS ACT 1977

BETWEEN

(1) Hydra-Ject Services UK Limited
(2) Robert Peter Enston

Claimants

and

Eric James Enston

Defendant

PROCEEDINGS

References under sections 8, 12 and 13 of the Patents Act 1977
in respect of patent application numbers GB 0005558.2,
GB 0105887.4 and EP 01302193.6

HEARING OFFICER P Hayward

DECISION

Introduction

- 1 Patent application number GB 0005558.2 (“the priority application”) was filed on 9 March 2000 and terminated before publication in March 2001. Patent applications GB 0105887.4 (“the GB application”) and EP 01302193.6 (“the EP application”) were both filed on 9 March 2001 claiming priority from GB 0005558.2 and were subsequently published as GB 2361288 and EP 1132153. Neither has been granted. All three patent applications were made by Eric James Enston (“Eric”), who was named as sole inventor in each case.
- 2 These references under sections 8, 12 and 13 were made on 14 October 2002 by Hydra-Ject Services UK Limited and Robert Peter Enston (“HSL” and “Peter”). Peter is Eric’s brother. A counter-statement was filed by the defendant on 9 January 2003. Evidence was filed on behalf of the claimants in the form of four witness statements by Peter Enston dated 12 April 2003, 3 June 2003, 19 August 2003 and 22 August 2003; and on behalf of the defendant in the form of a witness statement by Eric Enston dated 23 June 2003.

3 The defendant submitted an additional witness statement on 17 February 2004 just one week before the date scheduled for the substantive hearing. The claimants objected and in a preliminary decision dated 19 February 2004 I declined to admit this additional evidence, primarily because I found the explanation given by the defendant for submitting it at such a late date to be inadequate.

4 The substantive matter came before me at a hearing on 24 February 2004. The claimants were represented by Mr Jeremy Reed (who had been brought in at the last minute when the claimants' original counsel fell ill), instructed by patent agents Geoffery Owen & Company. The defendant was represented by Mr Neil Berragan, instructed by patent agents Roystons.

Background

5 The patent is concerned with treating valves by applying vibration. The technique is used to free valves which have become seized up. The sort of valves for which the technique is particularly appropriate are the very large valves used in the water industry which are only operated very infrequently and are thus prone to seizing up.

6 The historical background to the present proceedings does not appear to be in dispute. Peter has many years experience in the oil, gas, geothermal and water industries, working for multi national companies including Shell and Schlumberger. Latterly he set up his own companies (Philippine Energy Services Inc and HydraLube Services Philippines Inc) which from time to time between 1994 and 1998 were contracted to the Metropolitan Manila Water & Sewerage Systems, a Philippine Government Agency. In 1997 the Philippine Government privatised the water industry, a consortium called Manila Water Inc ("Manila Water") taking over. Manila Water was jointly owned by a number of companies, including a British company, North West Water ("NWW").

7 Towards the end of 1996 Peter was approached by Manila Water who were interested in the success he was having in freeing stuck valves, and NWW asked him to come to the UK to trial the technology. Contract negotiations commenced which eventually led to NWW paying for Peter and his equipment to come to the UK in January 1999.

8 At the time that negotiations began, Peter had no base in the UK and so in early 1997 he contacted his brother Eric to see if he would be interested in becoming involved with the NWW trial. He agreed. In August 1998 NWW requested detailed written procedures and Peter instructed Eric to arrange a non-disclosure agreement with NWW. An agreement was signed on 11 September 1998, with Eric signing on behalf of Water Services International (a division of HydraLube Services Philippines Inc).

9 Before signing a contract for the trial, Vertex plc, the purchasing arm of NWW, required that a company registered in the UK be set up. Thus in accordance with instructions from Peter on 18 September 1998, a company called Hydrascope UK Ltd was incorporated with Eric as a director. On 5 November 1998 Peter gave instructions for the company name to be changed to Hydra-Ject Services UK Limited (the first claimant in the present case) to avoid confusion with a Canadian company called Hydrascope.

- 10 In January 1999, Peter came to live in the UK and in February 1999 the NWW trial commenced. The process used in the trial comprised drilling a hole in a stuck valve and injecting a lubricant in order to free the valve. Peter holds a patent, number GB 2350413 (“the lubrication patent”), for this method which is not in suit in these proceedings. Both brothers worked on the trial, but their relationship soured and Eric eventually resigned. Although the effective date of his resignation is in dispute, it had certainly taken place by 24 January 2000.
- 11 Subsequently on 24 February 2000 a company called Cutlass Technologies Limited was incorporated with Eric named as a director. The priority application was filed by Eric a couple of weeks later. Cutlass is currently in the business of freeing valves by applying vibration to a component of the valve. This, of course, is this technique which is the subject of the patent applications in suit.

The law

- 12 These references are made under sections 8, 12 and 13 of the Act, the relevant parts of which read as follows:

Section 8(1)

At any time before a patent has been granted for an invention (whether or not an application has been made for it) -

- (a) *any person may refer to the comptroller the question whether he is entitled to be granted (alone or with any other persons) a patent for that invention or has or would have any right in or under any patent so granted or any application for such a patent;*

Section 12(1)

At any time before a patent is granted for an invention in pursuance of an application made under the law of any country other than the United Kingdom or under any treaty or international convention (whether or not that application has been made) -

- (a) *any person may refer to the comptroller the question whether he is entitled to be granted (alone or with any other persons) any such patent for that invention or has or would have any right in or under any such patent or an application for such a patent; or*

- (b) ...

and the comptroller shall determine the question so far as he is able to and may make such order as he thinks fit to give effect to the determination.

Section 13(1)

The inventor or joint inventors of an invention shall have a right to be mentioned as such in any patent granted for the invention and shall also have a right to be so mentioned if possible in any published application for a patent for the invention and, if not so mentioned, a right to be so mentioned in accordance with rules in a prescribed document.

13 Also relevant are the following provisions of sections 7 and 39 of the Act:

Section 7(2)

A patent for an invention may be granted -

- (a) primarily to the inventor or joint inventors;*
- (b) In preference to the foregoing, to any person or persons who, by virtue of any enactment or rule of law, or any foreign law or treaty or international convention, or by virtue of an enforceable term of any agreement entered into with the inventor before the making of the invention, was or were at the time of the making of the invention entitled to the whole of the property in it (other than equitable interests) in the United Kingdom;*
- (c) ...*

Section 39(1)

Notwithstanding anything in any rule of law, an invention made by an employee shall, as between him and his employer, be taken to belong to his employer for the purposes of this Act and all other purposes if -

- (a) it was made in the course of the normal duties of the employee or in the course of duties falling outside his normal duties, but specifically assigned to him, and the circumstances in either case were such that an invention might reasonably be expected to result from the carrying out of his duties; or*
- (b) the invention was made in the course of the duties of the employee and, at the time of making the invention, because of the nature of his duties and the particular responsibilities arising from the nature of his duties he had a special obligation to further the interests of the employer's undertaking.*

The claim: preliminary ruling

- 14 The claimants' case as set out in their statement was that
- C At the time at which the subject matter of the patent applications was devised, Eric Enston was an employee and director of HSL and in accordance with section 39 the invention which forms the subject matter of the patent applications belongs to HSL.
 - C Alternatively or in addition, Eric is not the inventor, or at least not the sole inventor, that Peter is the sole inventor or joint inventor with Eric, and in consequence the invention belongs solely to Peter or jointly to him and to HSL.
 - C The invention was communicated to Eric in his capacity as a director of HSL by Peter under the terms of a confidentiality agreement between Peter and HSL and Eric is not the inventor, or at least not the sole inventor.

Accordingly the claimants sought, *inter alia*, an order that the invention belongs to HSL and/or to Peter Enston.

- 15 The claim is set out in somewhat modified terms in Mr Reed's skeleton argument and as he presented it at the hearing. It can be summarised as follows:
- C The claimants' primary case is that the sole inventor is Peter, and the only reason that Eric found out about the invention was because Peter disclosed it to him in confidence.
 - C The claimants' subsidiary case is that if Eric is the inventor, then HSL is the owner because of Eric's position within the company at the relevant time. The claimants argue this on two grounds. Firstly, if Eric is held to have been managing director and employee of HSL at the relevant time, then section 39(1)(b) bites. Secondly and in the alternative, if he is held not to have been an employee at the relevant time, then the invention belongs to the company by way of constructive trust arising out of a fiduciary duty owed by Eric to the company as a director, irrespective of the provisions of section 39.
- 16 Mr Reed confirmed at the hearing that the breach of confidentiality ground in the original statement was not being pursued.
- 17 At the hearing Mr Berragan objected that the fiduciary duty argument constituted a new ground not pleaded in the claimants' statement. He felt that it was being introduced because the claimants would not be able to make good their allegation that Eric was an employee of HSL at the relevant time, and argued that if it were allowed to stand the defendant would need time to consider whether further evidence and further submissions were required. In particular, further evidence might be needed, he said, on the relation between Eric as director and the company HSL, and whether the company was effectively dormant at the relevant time.
- 18 Mr Reed accepted that the expression "fiduciary duty" had not been used before, but argued that the issues were the same as those that would have to be explored when considering the case under section 39(1)(b), and that in consequence there would be no

need for any new evidence. Mr Berragan disagreed, saying that the issue of fiduciary duty was a complex one in the circumstances, and that in respect of section 39(1)(b) the defendant had focussed primarily on the narrower question of whether or not Eric was an employee.

- 19 In response to a proposal from Mr Reed for a short adjournment to enable the point to be addressed, Mr Berragan pointed out the practical constraints he was under which would not be solved by such an adjournment. He had come down from Manchester with Eric from Cheshire, and to save costs they did not have Eric's patent agent present. Mr Berragan also drew a comparison with the defendant's late submission of an additional witness statement which, as noted above, I had declined to admit. In reply to this, Mr Reed pointed out that this hearing had already been adjourned at the defendant's request, and whilst he accepted that delay was never a good thing, he submitted that in the present circumstances there was no need for a rapid decision when set against allowing a potentially important point into the proceedings. He submitted that if necessary a longer adjournment might be appropriate, with any injustice consequent on the delay reflected in an order for costs.
- 20 As an alternative course of action Mr Reed suggested that the hearing proceed but with the issue of fiduciary duty stayed. He argued that if the claimants were successful in their primary case, the point would become irrelevant. If however they were not and had to fall back on the fiduciary duty point, then it would be possible to return to it. Mr Reed also pointed out that if I ruled against him and he successfully appealed against the ruling, there would be a re-hearing in any case. He concluded that the minor injustice of a stay was insufficient to counteract the injustice of ruling out the claimants' new point.
- 21 Mr Reed rightly submitted that in exercising my discretion on the matter, I had to balance all of the factors involved. Taking account of all the submissions from both sides, I ruled against the claimants at the hearing and declined to allow what would effectively have been an amendment of the statement of case to include the fiduciary duty ground.
- 22 As I explained at the hearing, in making that ruling I was satisfied that the amendment was a significant one and not just another facet of section 39(1)(b). The latter ground did not require any examination of fiduciary duty if, as in the present case, the defendant felt he could defeat the ground solely by showing that he was not an employee, as this is an essential requirement for section 39 to bite. In consequence, if I had allowed the pleadings to be amended, it would have been unreasonable to expect the defendant to respond within a few hours, particularly given that Mr Berragan had no supporting team with him. It would therefore have been against the interests of justice to allow a short adjournment - any adjournment would have to be for a matter of weeks. That would have significant consequences. For example, the witnesses would have wasted their journey to London. Moreover, as Mr Berragan pointed out, these proceedings were initiated as long ago as October 2002 and further delay would potentially have an adverse impact on Eric's business, which is founded on these patent applications.
- 23 The question of fiduciary duty was a completely new point. Not only was it not in the

pleadings, it did not appear until the claimants' skeleton argument was submitted on the day before this hearing. No justification had been put forward as to why it did not come in at an earlier juncture, and I could not ignore the fact that the absence of such justification had been a key factor in my decision a few days previously declining to admit extra evidence from the defendant. To find in the claimants' favour, the fact that this wholly new ground had been put forward literally on the day before the hearing, that it was unsupported by reasons for the delay, and that admitting it would necessitate a material delay in these proceedings, either through a substantial adjournment or through a partial stay, would have to be significantly outweighed by the effect that its omission would have on the claimants' case. Remembering too that the point did not go to the claimants' primary case - that Peter Enston was the inventor - I was satisfied that the disadvantage to the defendant if I were to have admitted the new ground would outweigh the disadvantage to the claimants if I were to refuse it.

Assessment of witnesses

- 24 At the hearing both Peter and Eric were cross examined on their evidence. I have to say that as witnesses I was left with complete confidence in neither. Peter seemed to remember quite a lot of detail, but his overwhelming anger with his brother was manifest throughout cross-examination and his absolute determination to make his case seemed to me at times to override his ability to answer questions objectively and accurately. Eric I found to be more considered under cross-examination but he too became less than credible on occasion, in particular when dealing with the dates of certain critical events. Thus I came to the conclusion I could not accept the evidence of either brother as completely reliable. I shall return to this below.

The claimants' primary case

- 25 Mr Reed summarised the claimant's primary case as being: Peter devised the inventive concept and communicated it to Eric, and all Eric did was to use basic engineering to come up with a machine to put that concept into practice. Before looking at the detail of the primary case I note that even if it were established that Peter had passed on the idea of vibration to Eric, Peter has filed no evidence at all that he devised any of the embodiments in the applications in suit, and is therefore not in a position to claim sole entitlement on the primary ground. Mr Reed agreed at the hearing that this was the case and submitted that if the claimants succeeded in their primary case the patent would have to be carved up. Mr Reed also agreed that HSL had in fact no claim on this primary ground, since what Peter allegedly devised preceded the formation of HSL.
- 26 In his first witness statement Peter describes telling his brother of vibration techniques that did not require the use of a lubricant. He refers to a technique he calls 'shocking' the valve, to a set of tools he had had manufactured in the Philippines for doing this, and to other techniques ranging from hitting the valve with a hammer to the use of ultrasonics.
- 27 Documentary support for Peter's case rests primarily on a fax he allegedly sent to Eric (exhibit RPE4) and an order that he placed for some valve tools (exhibit RPE13). The fax was allegedly sent on 18 August 1998, and Peter exhibits an extract from a

telephone log purporting to verify that the fax was sent. The fax refers to “the vibration technique”. Evidence of the order for valve tools only came in with Peter’s third witness statement. It consists of a letter, signed by Peter, dated 15 July 1998 and addressed to LEC Machine Works, a company based in the Philippines, accompanied by four sheets of drawings. The letter is supported by a quotation from the company for this work dated 10 July 1998 and an invoice dated 20 July 1998.

Evidence and argument: the fax

- 28 The fax is directed to the non-disclosure agreement with NWW signed on 11 September 1998. In the fax Peter asks Eric to make the non-disclosure agreement as broad as possible since, he says:

“As I mentioned the other week, I’m working on two other methods: the vibration technique and a tool that would be better for smaller valves”.

The fax goes on to say that Peter would call Eric later to see if the fax had got through. The telephone log offered in support, from Peter’s apartment in the Philippines, indicates that a call of 1 minute 40 seconds was made on 18 August 1998 at 1.33am Philippines’ time followed by a second call at 2.57 am Philippines time, both to Eric’s number. Peter states that the first call was when the fax was transmitted and the second was when he rang his brother as promised in the fax. By way of additional support, Peter stated under cross-examination that he had mentioned vibration techniques to his brother before coming over to the UK because he was aware of the problem in the UK of using lubricant in contact with drinking water.

- 29 Eric maintained that he had never seen the fax and suggested it was a forgery. He asserted that his brother’s faxes always came from a PO Box number and were always typed, whereas the fax at RPE4 bears a private address and is handwritten, and that Peter did not ring to check that faxes had arrived even for much more important faxes. In support of these contentions, Eric exhibited other faxes which were headed with a PO Box number and were typewritten. Mr Berragan argued that there was no evidence that the fax was actually sent, and that the extract from the telephone log confirmed nothing more than the fact that telephone calls had taken place.
- 30 In response to these points, Peter asserted that he used either address according to circumstances, and that he had sent many handwritten faxes to his brother. He also provided a certificate from the relevant postmaster in Manila confirming that the PO Box number on the faxes exhibited by Eric was, at the time in question, registered under the address on the fax exhibited by Peter. All of the faxes bear the same company name, “Hydralube Services (Philippines) Corporation”.

Evidence and argument: the valve tools

- 31 Under cross-examination, Peter stated that he had first thought of the vibration method for freeing seized valves around the mid to third quarter of 1998 and had used it when working on a job at the San Juan reservoir in Manila in the same year. He agreed that he had not mentioned that job as such in his evidence, but pointed out that the equipment that he had used there was shown in the drawings in RPE13. These four

sheets of drawings are labelled “torque coupling extension”, “torque coupling”, “spindle impact vibrator” and “valve spindle adaptor”. He went on to describe how that equipment was assembled, with pins on the spindle impact vibrator engaging slots in the valve spindle adaptor, and explained that when an operator moved the vibrator back and forth, torsional compliance in the valve spindle was taken up and an acoustic wave sent down the spindle. He agreed that there was no description of how the equipment worked in any of his witness statements, but argued that it would be obvious to an engineer from the drawings.

- 32 Mr Berragan put it to Peter that the documents relating to the spindle impact equipment had been manufactured for the purposes of litigation, and Eric under cross-examination also suggested that these documents were forgeries. Peter refuted this accusation in the strongest terms.
- 33 Peter admitted that in 1998 he had only used this spindle impact equipment on one job, that at the San Juan reservoir. When Mr Berragan contrasted this with paragraph 57 of Peter’s first witness statement in which refers to a high success rate with the equipment, Peter firstly responded that this was a reference to the ‘shocking’ technique which from about 1994 to 1996 he had used in conjunction with the lubrication method to help free problematical geothermal valves, and to which he refers in paragraph 56 of his first witness statement. This technique he described as involving hitting the valve with a piece of equipment which fitted on to the valve. However Peter went on to concede that paragraph 57 of his first witness statement did indeed relate to the spindle impact equipment, although he denied trying to mislead anybody.
- 34 Peter confirmed that when he brought over his tools from the Philippines to the UK in 1999 he had not included the spindle impact equipment and explained that this was because of the extra weight involved. Mr Berragen argued this was inconsistent with the statement in paragraph 18 of Peter’s first witness statement that he had brought *all* of his equipment over, and submitted that if he had the spindle impact equipment manufactured but had not shipped it over he would have said so in that paragraph. Peter responded that it was the lubrication method that was to be used in the NWW trial, and also that the spindle impact equipment was designed for the specific spindle diameter at the San Juan reservoir. Mr Reed supplemented this by suggesting that in addition, in the UK the valves are generally buried in the ground and it would have been difficult to gain access to use the equipment.
- 35 Eric conceded the point on the nature of the trials but countered the other two reasons. He stated that most of the five hundred valves he had freed in the UK had been above ground, and that adapting for different spindle sizes would not have been difficult. On this latter point, Mr Berragen also drew attention to paragraph 39 of Peter’s third witness statement where he states that he had to bring over to the UK a complete range of tools in order to be able to deal with different valve spindle diameter sizes.
- 36 Mr Berragan also submitted that the use of the word “vibration” (or “vibrator”) in the fax and on the drawings is inconsistent with what the drawings actually show. He argued that “vibration” in the terms that an engineer would understand it means something rather more sophisticated than applying force to or ‘shocking’ a valve, and is likely to be provided by mechanical means. Mr Reed disagreed, arguing that there

are different ways of vibrating something - including applying a vibration and inducing a vibration - and that, irrespective of whether Peter was a good engineer or a poor one, he had used the wording appropriate to his understanding of how the equipment worked.

- 37 Mr Reed pointed out that a total of eight pages of evidence concerning the fax and the manufacture of the spindle impact equipment were now being challenged as forgeries, but on extremely thin evidence. Mr Reed accepted that the evidence of the drawings had come in reply, but suggested that was because the credibility of the fax was being challenged and argued that Peter had not been asked for corroborating evidence. He went on to say that if the claimant had been aware that the serious attack of forgery was being made then additional evidence could have been filed. Countering this, Mr Berragan pointed to paragraph 13 of Eric's witness statement in which he says that he had never seen the fax and in which he raises the question of the different addresses and the fact that it was handwritten. Thus the claimants had indeed been given warning and had the opportunity to file corroborating evidence, eg other examples of faxes. Since they had not done so, it was legitimate to infer that there were none.

Other evidence

- 38 In addition to the fax, the drawings and their supporting documents, both sides also relied on other evidence to support their positions. Eric exhibited an extract from the company website setting out a history of its valve freeing technology, pointing out that there was no mention under the entry for 1998 of the San Juan reservoir job. Peter agreed, but pointed out that this was a one-off job and that the technology used on it was in an embryonic stage. Indeed Peter accepted that prior to 2002 none of the companies with which he was associated had produced any literature which made any reference to a vibration method, but explained that this was in order not to jeopardise any patent application for that technique.
- 39 Challenged by Mr Berragan as to why the confidentiality agreement with NWW was restricted to unsticking valves using injected chemical, Peter responded that he had not asked Eric to go back to NWW and cover the vibration technique as well (as he had requested in the fax of 18 August 1998) because he did not wish to embarrass him, though it had meant that a further agreement would be necessary. Mr Reed referred Eric to a later confidentiality agreement between HJS and NWW and pointed out that it relates to "A methodology, material, and process to un-stick valves .." and is not therefore restricted to the lubrication method. Mr Reed also referred Eric to a third confidentiality agreement, not exhibited, which Eric agreed was not limited to a particular method, but which he said related to a chemical technique.
- 40 Turning to the NWW trial which started in February 1999, Peter insisted that he had mentioned both vibration and ultrasonics to Eric during the course of the trial. In particular, Peter described using direct force to "move/shake/vibrate" the valve stem during part of the NWW trial on gas valves at Burnley waste water treatment plant - in some cases using pipe wrenches and a hammer to apply force direct. Eric agreed that Peter had told him that drilling could not be used because of the risk of explosion, but denied that the vibration technique had been used. Eric described the valve being freed by firstly yanking the valve hand wheel, then hitting it with a copper hammer, and if

that did not work using a pipe wrench or steel tube to apply more power.

- 41 As to the report of the trial produced by NWW in May 1999, Peter explained that it did not mention vibration because the trial was restricted to the lubrication method, and that he had not disclosed to NWW the possibility of using those methods.

Evidence and argument: ultrasonics

- 42 So far, the evidence I have been discussing has mainly been concerned with allegedly vibrating a valve by ‘shocking’ it, or hitting it with a hammer or the like. However, there is another theme - using ultrasonics to induce vibrations. Peter said under cross-examination that he had *originally* thought of using ultrasonics, and described experimenting on scrap valves with ultrasonics. However he went on to concede that these experiments in fact took place around the first quarter of 2000 ie *after* he had developed the spindle impact equipment and after HSL had been set up (and indeed, around the time the priority application was filed). He also agreed that these experiments did not figure in his evidence.
- 43 Peter’s lubrication patent application which was filed on 22 May 2000 includes references to vibration and to ultrasonics, but its priority application, which was filed on 22 May 1999, does not. Peter explained that he had not mentioned those techniques to his patent agent at the time the lubrication priority application was being drafted since he was still developing his ideas. He said that he had filed a separate patent application between May 1999 and May 2000 which he withdrew on cost grounds, and on advice from his patent agent he had added the subject matter in question to the 22 May 2000 application.
- 44 Mr Reed submitted that Peter knew that Eric was going out into business on his own, suspected that he would not be using the lubrication technique on which Peter had a patent application, thought that it might be the vibration technique and in consequence decided to include a reference to that in his patent application of 22 May 2000. Mr Reed argued that this was entirely consistent with Peter’s having come up with the concept and passing it on to Eric. Mr Reed also submitted that the lubrication patent is not in fact limited to ultrasonics; it refers to vibration in general and to ultrasonics in particular; and he drew attention in particular to claim 13 of the patent which refers to “inducing vibration” without specifying any particular technique - ultrasonic vibration being specified in claim 14 which is appendant to claim 13 - and to corresponding passages in the statement of invention on page 3.

The inventive concept

- 45 In order to assess all this evidence and argument, I must first determine what constitutes the inventive concept. Both sides accepted that the inventive concept should be determined from the application as a whole, including the description and claims, in accordance with the principles laid down in *Markem Corporation v Zipher Ltd* [2004] RPC 203.
- 46 Mr Berragan drew particular attention to certain passages in *Markem*. I will quote from the relevant parts of the headnote:

Section 7(3) .. provided that the inventor was the actual “devisor” of the invention. The word “devise” had a slightly broader signification than “make” or “implement” ... However, there was a limit and an invention could not be devised merely by the statement of an inchoate desideratum or goal.

The decision as to entitlement would be taken on the basis that the applications and patents in issue were valid and account would not be taken whether any of the inventions involved either a significant or a trivial advance in the art ...

As far as granted patents were concerned, the wording of the claims could safely be regarded as being an accurate statement by the inventor/proprietor of the essence of his invention

In the case of a patent application, the “invention” could first be identified by an objective consideration of the inventive concept as understood from a reading of the application as a whole. This might already have been done by the draftsman having been enshrined accurately in the claims submitted with the application. Whilst that might be the usual position, it was not necessarily always the case because in practice over-broad claims were sometimes submitted as a means of enlarging the prior art search.

- 47 With these principles in mind, it is appropriate to start with the claims. In the GB application, excepting the omnibus claims, there are twenty four claims of which two, claims 1 and 13, are independent. Claims 1 to 12 are directed to a “method of valve cleaning”, claims 2 to 12 being appendant to claim 1 which reads:

A method of valve cleaning comprising applying vibration to a valve component.

Claims 13 to 24 are directed to a “apparatus for valve treatment”, claims 14 to 24 being appendant to claim 13 which reads:

Apparatus for valve treatment comprising a source of vibration and means for attaching said source to a valve component.

The EP application has the same claims as the GB application. The priority application has no formal claims but has a statement of invention which uses the same wording as the above quoted claims and, for present purposes, is tantamount to a claim.

- 48 As for the description, the priority application describes a single embodiment comprising a frame which carries an air powered vibrator and clamping jaws. In use the jaws are clamped to a valve spindle (or other valve component) so that when the vibrator is energised vibration is applied to the spindle or other component. The GB and EP applications include this embodiment together with a second embodiment. In the second embodiment, a ring-shaped base is arranged to encircle the valve spindle. The base carries a main vibrator to apply vibration to the spindle to free the valve, and two mini-vibrators to produce one-shot vibration for use in moving the spindle clockwise or anti-clockwise from one sticking point to the next.

- 49 Thus save for the fact that the priority application does not describe the second embodiment, all three applications present the invention in a similar way. However, all three do so both in terms of methods and in terms of apparatus. The method claims are directed to “cleaning” valves and the title of each of the applications refers to “cleaning”, however the apparatus claims use the more general term “treating”. I note that there is a passage in the description (bridging pages 1 and 2 in the GB application) which reads “Vibratory treatment on a valve component is aimed at disturbing sediment and the like that prevents the valve operating properly, so that it can be flushed away; or simply breaking bonds formed between valve parts to release them”. This it seems to me accurately encompasses the aim of this invention, and I interpret both “cleaning” and “treating” to be directed to what is set out in that passage. That is to say I attach no significance to this difference in wording, and it is my understanding that neither counsel did.
- 50 There is however a more significant difference between the method and the apparatus claims. The apparatus of the invention in its broadest aspect requires, as essential features, a source of vibration and means for attaching the source to a valve component. The method of the invention in its broadest aspect does not require those features, it requires only the application of vibration to a valve component. This broad method is consistent with the embodiments described, but in those embodiments the only way described of “applying vibration to a valve component” is through the agency of a source of vibration and means for attaching said source to a valve component. What therefore is the invention?
- 51 Mr Reed argued that the method as defined by claim 1, in its widest possible interpretation, includes within its scope ‘shocking’ a valve - eg by turning the operating spindle sharply or by hitting it with a hammer - because this inevitably introduces vibrations, albeit transient ones that decay quite quickly. Whether or not the claim so interpreted would be novel, and a patent including such a claim would be valid, is not a factor to be taken into account when considering the issue of entitlement, as is confirmed in *Markem*.
- 52 In my view this argument is missing the point. The question is not ‘what do the claims embrace’ but ‘what is the invention that was devised’. In *Markem* a distinction is made between claims in granted patents, which H H Judge Fysh concluded can safely be regarded as being an accurate statement of the invention, and claims in applications for patents, where Judge Fysh observed that for various reasons over-broad claims are sometimes submitted. Bearing this in mind in the context of the method claims, I note that none of the techniques described in the applications relates to a simple ‘shocking’ technique, that on the contrary the techniques described in the applications all require the agency of a source of vibration and means for attaching the source to a valve component. These techniques differ significantly in their effect from that of ‘shocking’ a valve in that they produce a sustained vibration rather than one that decays. Moreover, the claims to the apparatus all require as essential elements a source of vibration and means for attaching the source to a valve component. For these reasons it seems to me that claim 1 is, in the expression used in *Markem*, over-broad and cannot safely be regarded as accurately enshrining the invention. I cannot believe that the skilled reader, interpreting the specification as a whole, would

conclude that jerking the operating wheel of a valve or hitting a valve with a hammer were embraced by the invention. Rather, the reader would conclude that the invention that was devised is the idea of attaching a vibratory source to the valve, as epitomized in the main apparatus claim, to create sustained vibrations. It is on this basis that I will now assess the primary case.

Assessment of the primary case

- 53 It is to the spindle impact equipment and the ultrasonic technique that Peter primarily looks to make his case. It is convenient to deal with the latter first, and for these purposes I am prepared to assume that use of ultrasonics can be regarded as “attaching a vibratory source to the valve”.

The ultrasonics case

- 54 For the claimants to succeed on this point, they must show that Peter thought of the idea of using ultrasonics and communicated that idea to Eric before Eric had devised the invention. The only relevant document is Peter’s lubrication patent which has claims and includes embodiments directed to the technique (and indeed to vibration more generally). However the references to the technique present in the lubrication patent application filed by Peter on 22 May 2000 are absent from its priority document which was filed on 22 May 1999, so all the lubrication patent tells us is that Peter had thought of the idea by 22 May 2000. This is after the date on which the present priority application was filed, and therefore does not establish that Peter thought of the idea first.
- 55 Otherwise, all I have to go on are assertions by Peter that he thought of the idea earlier. I do not find these assertions compelling, given my assessment of Peter’s reliability as a witness, especially as Peter shifted his ground on this point during cross-examination by retracting his initial statement that he had originally considered that ultrasonics might be the best way of inducing vibration. Peter referred under cross-examination to a withdrawn application directed to the technique, but he has filed absolutely no evidence in support. Accordingly I find that the claimants have failed to establish that Peter did think of ultrasonics before the priority application was filed..
- 56 Mr Berragan also argued that even if I did find Peter had thought of ultrasonics earlier, that would be insufficient because it would merely have been stating, in the words of the *Markham* decision quoted above, “an inchoate desideratum or goal”. I think there may be some force in that argument, but I do not need to consider it further in view of the finding I have just made.
- 57 In addition Peter has filed no evidence to support his contention that he communicated the technique to Eric. All we have are Peter’s assertions, and again I do not find these compelling. On this particular issue, Peter pointed out the similarity between Figure 1 of the GB application and Figure 2 of the lubrication patent, implying that Eric must have got this from Peter. It seems to me that there can be no doubt that the two figures are derived from the same original, and indeed Eric acknowledged that the figure in the GB application had come from HSL’s papers. However, he pointed out that the figure is just a picture of a standard gate valve used for illustrative purposes and shows

nothing of Peter's equipment. I agree, and accordingly I do not think the similarity between these drawings adds anything to the case either way. Indeed, at the hearing Mr Reed conceded this.

58 In conclusion I find no support for the claimant's primary case so far as it relates to the ultrasonic technique. I now turn to the evidence of the fax and the spindle impact equipment.

The 'spindle impact equipment' case

59 The claimants' primary case concerning the spindle impact equipment was challenged by Mr Berragan on two distinct grounds, namely (a) that even if Peter's evidence is taken at face value, it does not establish that Peter devised the invention, and (b) that the evidence is in any case not genuine. I will deal with (a) first.

60 Whilst Peter had referred in his evidence to using vibration, what emerged very clearly during cross examination was that, in his eyes, hitting the valve with a hammer or jerking its operating wheel are vibration techniques. It is on that basis that he considered the spindle impact equipment used at San Juan to 'shock' the valve was a vibration technique, as was hitting a valve with hammer. Indeed, I think Mr Berragan was right when he said, after the cross examination, that - apart from the ultrasonics question - Peter was no longer clearly asserting that he had at any stage prior to the filing of the priority application thought of the idea of attaching a vibratory source to a valve. This is fatal to this aspect of the claimants' case, because it is that idea that I have identified as being the invention.

61 The fax RPE4, of course, does not mention the spindle impact equipment but simply refers to "the vibration technique". However, given Peter's interpretation of "vibration technique", on the claimants' own argument this clearly does not go far enough to constitute evidence that by that stage Peter had thought of what I have identified as the invention. Thus I agree with Mr Berragan that Peter's evidence, taken at face value, does not in fact establish that Peter devised the invention.

62 However, in case I am later held to be wrong in my interpretation of what constitutes the invention, I will go on to consider point (b). If a valid distinction can indeed be drawn between the broader method claim and the narrower apparatus claim, then the above conclusion - to the effect that the inventive concept of the *apparatus* claim is not disclosed in either the fax or the drawings - would in my view still stand. In respect of the method claim however, it seems to me that the wider construction would potentially mean that the fax RPE4 and drawings RPE13 provide evidence that Peter had indeed thought of the invention by 1998. They would only do so, though, if I am satisfied that these two documents, and the ones that support them, are authentic. Given my concerns about Peter's reliability as a witness, this is not something that can simply be taken for granted.

63 The authenticity of the fax was directly challenged by Eric, who stated that he had never seen the fax, and that the faxes he had received from Peter were always typewritten and sent from a different address. He back this up by exhibiting examples of such faxes. Peter countered this by filing the postmaster's confirmation that the box

number of the faxes exhibited by Eric was registered under the address on the fax exhibited by Peter, but he did not put into evidence any examples of handwritten faxes.

64 As for the drawings, Peter's evidence has been less than transparent. It is surprising that they were not exhibited earlier if they are a key part of his case. Further, he did not mention when exhibiting the drawings that they were manufactured for a particular job, namely at San Juan; this only emerged during cross-examination. Moreover under cross-examination he confirmed that this was the only job on which he had used the equipment, and when pressed conceded that the statement in paragraph 57 of his first witness statement that he had "achieved a high success rate" with the equipment was not consistent with that.

65 The authenticity of both the fax and the drawings was also challenged on the grounds that the use there of the word "vibration" or "vibrator" is inconsistent with what the drawings actually show. Whilst Mr Reed argued that Peter had simply used the word that reflected his understanding of how the equipment worked, I have to say that 'vibration' does indeed seem a rather odd description of what the San Juan tool actually does.

66 I also need to consider the circumstantial evidence that, the defendant argues, casts further doubt on Peter's claim to have come up with the vibration concept in 1988, namely, the absence of the spindle impact vibrator equipment from the tools shipped over to the UK, and the absence of any reference to vibration in company literature, the NWW non disclosure agreements, the NWW report or the priority application for the lubrication patent.

67 I am prepared to give some credence to one of the reasons Peter gave for not including the spindle impact equipment amongst the tools that he shipped over from the Philippines, namely that it was heavy. However, I find his other reasons less believable. That it wasn't designed for the spindle diameters and buried locations of UK valves is discredited by Eric's testimony, which on this point seems entirely plausible. That it was not required for the NWW trial seems at odds with Peter's wish regarding the wording of the NWW non-disclosure agreement and is inconsistent with Peter's statement that he had shipped over all of his tools.

68 That there is no mention of a vibration technique in any document (or website) produced by any of Peter's companies was accepted by Peter and is I think adequately dealt with by his explanation that the technique was in an embryonic stage and that he did not wish to jeopardise any future patent application to protect it. I therefore attach no weight to this point. That the vibration technique also received no mention in the NWW trial report of May 1999 could be due to the trial's being limited to the lubrication technique and to Peter's not having mentioned this technique to NWW, but this seems to me to be slightly at odds with Peter's stated wish that the NWW non-disclosure agreement should specifically cover the vibration technique. As to the various non-disclosure agreements referred to, I accept that some are wide enough to embrace the vibration technique, but that is not sufficient. More significant is the fact that none specifically refers to it.

69 Finally there is absolutely no mention in the priority application for the lubrication

patent to vibration, although Peter explained that he had filed a separate application which was subsequently withdrawn.

70 Peter referred to photographs of the equipment used at San Juan, to numerous occasions when he had sent his brother handwritten faxes, and to the withdrawn patent application, that he could have produced in support of his case. The fact is however that for whatever reason he did not put any of it into evidence. The onus is on him to make his case and to produce the evidence necessary to do that.

71 I draw the following conclusions:

C Peter's evidence is largely unsupported in areas where it would have been easy, as indicated by Peter himself, to have provided such support and where moreover, given the challenge to the authenticity of the fax, it seems to me that there is necessarily a strong presumption that it would have been supported if the evidence existed. Such corroborative evidence might have included photographs of the spindle impact equipment, testimony from the tool manufacturer in the Philippines, examples of faxes with handwritten text, and testimony from Peter's patent agent regarding the withdrawn application.

C Peter's testimony was inconsistent in places - in particular he shifted his ground on two significant points during cross-examination.

C There is no corroborative support for Peter's case in any of his publicity material, in the tools shipped over, in any of the NWW non-disclosure agreements, or in the NWW report; and as I have concluded above, if anything this particular evidence goes against his case.

72 Mr Reed submitted that if Peter was going to fabricate evidence, why should he choose to direct it to, in Mr Reed's words, "obscure vibration equipment"? I have some sympathy with this point. Nevertheless, there are too many question marks about Peter's evidence for me to feel comfortable about accepting it. There is no dispute that the onus lies with Peter to make his case. On balance and taking all of the evidence and argument into account, even if I am wrong in my assessment of what constitutes the "invention", I am not persuaded that he has discharged that onus.

Conclusions on the primary case

73 I have found that the fax and the drawings do not disclose the invention as I have identified it. I have also found that there is sufficient doubt cast over their authenticity, particularly given the dearth of corroborative evidence, that they cannot safely be relied upon even if the invention is broader than I have concluded. I have also found that there is no evidence that Peter devised the ultrasonic technique before the priority application in suit was filed, nor that there is any evidence that if Peter did devise the technique at a sufficiently early date that he communicated it to Eric.

74 I conclude therefore that the claimant has failed in its primary case under sections 7(2) and 13(1).

The claimant's subsidiary case

75 The claimant's subsidiary case is that if Eric is the inventor, then under section 39(1)(b) HSL is the owner because Eric was managing director and an employee of HSL at the time that he devised the invention. Mr Reed agreed that under the subsidiary case, Peter has no claim to the invention.

76 In dispute is when Eric resigned as a director of HSL, whether or not he was ever an employee of HSL and, if he devised the invention, when he devised it.

Evidence and argument: Eric's resignation as a director

77 There is no dispute that Eric became a director of HSL on 18 September 1998. However regarding his resignation, he states that he had no involvement with the company from September 1999 and wished to resign then. He goes on to say that Companies House informed him that he would need to find a replacement director in order for the company to have sufficient directors to trade and that he would also need the signature of the company secretary (Peter's wife, Victoria Garcia). His resignation was formally accepted by Companies House on 24 January 2000 without a replacement director, but he argues that effectively his resignation took place earlier.

78 Mr Reed put it to Eric that he was still carrying out business as managing director of HSL in September and October 1999 because he had signed a letter to NWW in September and dealt with enquiries from NWW in October. However, Mr Reed had no documentary evidence to support this and Eric said that he recalled neither event. Mr Reed also queried whether Eric had taken any steps in October to stop his business telephone and business fax or to stop his address being used by the company, but Eric did not reply. Mr Reed did, though, refer to evidence of notes made by Peter's solicitor, Susan Hall, of telephone conversations she held with Peter in October 1999 and which refer to a meeting between the brothers scheduled for 28 October 1999, arguing that this contradicted Eric's assertion that he (Eric) had no involvement with HSL from September 1999.

79 On his unsuccessful attempt to resign, Eric explained that he had told Peter in September that he wished to resign, but was unable to obtain Victoria Garcia's signature because Peter had left for Manila and Eric had assumed that she had accompanied him. Mr Reed pointed out that Peter had in fact been in the UK in October and that this undermined Eric's argument. Eric agreed that on 12 January 2000 he had filed a form with Companies House stating that he no longer wished his address to be used by the company, and a second form on 24 January 2000 resigning as a director of HSL. Mr Reed pointed to the fact that the second form was signed only by Eric, and that nothing had changed between the September when he said he had decided to resign and the January when he actually did resign. Eric strongly refuted Mr Reed's suggestion that he was not telling the truth and had delayed his resignation in order to see whether or not HSL would get the NWW contract.

80 In support of Eric's version of events, Mr Berragan pointed to paragraphs 69 and 70 of Peter's first witness statement where, in discussing events in the autumn of 1999, Peter states "I did not want Eric to leave - and tried hard to persuade him not to do so". Mr

Berragan concluded that it was clear that between September and October Eric had taken the decision to leave HSL and that Peter had taken the decision to operate through a new company, Hydra-Ject Limited (“HJL”). He argued that it followed that the claimants’ suggestion that Eric remained a nominal director until January 2000 and therefore owed HSL some special duty was wholly misplaced given that the business had been transferred to HJL. Peter agreed that he had set up HJL with himself as sole shareholder and his wife and sister as directors, but explained that this was done with a view to raising finance, his understanding being that there might be a problem raising finance in the name of HSL given that its registered office was Eric’s home address and that there were credit problems associated with that address.

Evidence and argument: Eric’s status as an employee

- 81 Under examination by Mr Reed, Peter stated that at the beginning of the trial with NWW, the brothers agreed that they would take out of the company what it could afford on a 50/50 basis, as and when money became available, and that if a contract with NWW materialised then they would each draw £3000 per month. Peter also explained that it was agreed that after he (Peter) had provided initial training, Eric would run the company on a day-to-day basis as managing director.
- 82 When Mr Berragan put it to Peter that at the beginning of the NWW trial it was the *profits* that the brothers had agreed to share 50/50, Peter responded that whilst he (Peter) was getting back his investment in the company, Eric’s share was by way of salary. Peter agreed that it had been mooted that if the NWW contract had gone ahead then both brothers would be employees drawing £3000 per month, but stated that technically he was an advisor to HSL rather than an employee of the company.
- 83 Peter refuted a suggestion by Mr Berragan that if the NWW trial were successful, the intention was to establish a joint venture. He explained that a reference to a joint venture in a copy of an agreement concerning the constitution of HSL attached to a letter from Peter’s solicitor dated 30 April 1999 was simply a standard draft. He agreed however that he did not have a subsequent draft without such a reference.
- 84 Peter confirmed that the last income received by HSL was probably in June or July 1999 and the last payments made by the company were in August 1999. Indeed, this is consistent with HSL’s accounts for the periods ending 30 September 1999 and 30 September 2000: whereas HSL had a turnover of £39,650 for the period ending 30 September 1999, there was no turnover for the period ending 30 September 2000.
- 85 Under cross examination, Eric accepted that between 5 March 1999 and 6 August 1999 he was paid £13,200 excluding expenses, although initially he had thought the figure was only £8000 or £9000. Eric also accepted that the way payments were made was by him (Eric) writing cheques in favour of himself, or for Peter, or for expenses. Regarding his duties, Eric agreed that he liaised with NWW, wrote letters on behalf of HSL, dealt with the Inland Revenue and helped with the trials, and that there were no formal board meetings or strategy reviews. He strongly denied however that he was ever an employee of HSL.
- 86 Mr Berragan referred me to a number of decisions in support of the contention that,

because someone is a director or even a managing director, it does not necessarily follow that they are also an employee, and I understood Mr Reed not to dispute this. Indeed, both sides accepted that the judgment of the Court of Appeal in *Ultraframe (UK) Limited v Fielding* [2003] EWCA Civ 1805 provides guidance on the question of whether or not someone is an employee. In paragraph 21 of the judgment, Waller LJ in considering whether someone is employed under a contract of service cited with approval the three conditions laid down by MacKenna J in *Ready Mixed Concrete (South East) Ltd v Minister of Pensions and National Insurance* [1968] 2 QB 497, 515, namely that

- (i) *The servant agrees that, in consideration of a wage or other remuneration, he will provide his own work and skill in the performance of some service for his master.*
- (ii) *He agrees .. that in the performance of that service he will be subject to the other's control ..*
- (iii) *The other conditions of the contract are consistent with its being a contract of service.*

Waller LJ went on to quote the judgement in *Nethermere (St Neots) Ltd v Gardiner* [1984] ICR 612 where the court described the above three conditions as “ the irreducible minimum of obligation on each side” for a contract of service to exist.

87 Mr Berragan submitted that Eric could only be an employee if a contract existed, and although that might be an oral informal contract, it was necessary to be very careful about concluding that someone was an employee in the absence of a written contract. Mr Berragan pointed out that in his written evidence Peter provides no evidence of any agreement that Eric would be an employee or of any terms under which he was to be employed. The brothers agreed at the outset to share the income 50/50 after expenses, there was no further agreement as to Eric’s duties or remuneration for those duties, and Eric was neither bound to attend work or to do anything in relation to the company. Eric and Peter controlled their own roles, he argued.

88 Mr Berragan went on to note that, in any event, the last payment received by Eric was in August 1999, and since, if he were an employee, he would have been entitled for some form of payment in return for his work, his employment would have terminated at the latest in September 1999. In support of this point Mr Berragan referred to HSL’s accounts, noting that if Eric had been an employee and entitled to a salary he would have been listed as a creditor at 30 September 1999, and if he had been employed up to 24 January 2000 (the date when his resignation was filed at Companies House), he would also have been listed as a creditor at 30 September 2000. Mr Berragan noted that no provision was made in those accounts for salary arrears. Finally he argued that although Peter and Eric had differing roles within the company, as far as working for the company they were in a position of equality, and it followed, in his submission that if Eric was an employee then so was Peter. Peter, however, had insisted he was not an employee.

Evidence and argument: when did Eric devise the invention?

89 In his witness statement Eric states that he came up with the idea of using vibration to

free valves from his experience in fixing cars and from discussion with his father-in-law who runs a rivet manufacturing business. When rivets jam in the exit chute a mini-vibrator is used vibrate the chute and free the rivets. Initially Eric stated that in December 1999/ January 2000, he purchased some valves from scrapyards and bolted the mini-vibrator to the spindle of each one to try out the idea. Under cross-examination, Eric said since that he had since found the receipt for the scrap valves and that it was in fact the last day of January 2000 when he had made the purchase and that the discussion with his father-in-law had taken place perhaps a few days or even just one day before that. Mr Reed suggested that Eric had had the idea much earlier than that because Peter had mentioned it to him. This Eric denied, stating that all he had learned from Peter was his technique of using a hammer and pipe wrench. Mr Reed argued that it was incredible that Eric had resigned from HSL on 24 January 2000, then in the space of a few days had thought of the invention, experimented and come up with something workable, and suggested that the idea must have preceded the resignation.

- 90 In his witness statement, Eric stated that he had approached his patents agents, Roystons, in January 2000. In cross examination, Eric agreed that he had had a meeting with them in January 2000, but was not sure whether or not he had discussed the vibration technique at that meeting. He thought he might have just asked Roystons about the costs of applying for a patent without mentioning his idea, and then after successfully experimenting with the valves in February had gone back to Roystons. Mr Reed submitted that this explanation was simply not credible. Indeed, even Mr Berragan was forced to suggest that Eric may have been mistaken about when he visited Roystons.

Assessment of the subsidiary case

- 91 I must now consider this evidence and these arguments, and I will start with the end date of Eric's tenure as a director of HSL. Mr Berragan submitted that it was clear that between September and October 1999 Eric had taken the decision to leave and Peter had taken the decision to operate through a new company. Mr Reed argued that the degree of falling out was disputed, submitted that Eric was untruthful in his explanation of why his resignation did not occur until 24 January 2000 and pointed out that nothing had changed come January 2000 when Eric's resignation was accepted.
- 92 Even without any evidence to corroborate the difficulties Eric says he had with Companies House, there is no doubt to my mind that the evidence strongly suggests Eric was trying to leave HSL in the autumn of 1999, because Peter himself talks of trying to persuade Eric to stay with the company. Nevertheless, Eric's resignation did not formally become effective until 24 January 2000. What his obligations were to the company during the period of three to four months when he wanted to extricate himself from HSL but had not formally done so is not a matter I can decide on the material at present available to me. For present purposes I will proceed on the assumption that he remained a director until 24 January.
- 93 The next question is, when did he make the invention? If Eric is able to establish that he devised the invention after he formally resigned as a director of HSL on 24 January 2000, that is the end of the matter and it is of no consequence whether or not he was

ever an employee of HSL; neither Peter nor HSL would have a claim. However, I find Eric's shifting position on the timetable of events far from convincing. Moreover, if he had indeed found a receipt which established that he had purchased the scrap valves on 31 January, thereby showing his earlier evidence on the timetable was wrong, why did he not put this crucial document in evidence? I also agree with Mr Reed that it is inherently implausible for Eric to have gone to a patent agent when he allegedly hadn't yet made an invention.

- 94 Accordingly I have sympathy with Mr Reed submission that it is difficult to view Eric's shifting position as other than being driven by a desire to establish that he devised the invention after the critical date of 24 January 2000. Given the time spans involved - in particular on Eric's own submission that he purchased the valves on 31 January *subsequent* to discussing the invention with his father-in-law - on the balance of probabilities it seems much more likely that Eric devised the invention prior to 24 January.
- 95 I must therefore go on to consider whether or not Eric was an employee of HSL, and I should say at the outset that Mr Reed frankly admitted at the hearing that he did not intend to press his case here "terribly forcefully". There are two limbs to Mr Berragan's argument - one, that Eric was never employed, and two, that even if he was employed, that employment ceased from September 1999.
- 96 Mr Reed accepted that Eric was not paid by HSL after August 1999 but argued that Eric was an employee at least until September 1999 and that the duties of employment he owed extended coterminous with his directorship, that is to say until 24 January 2000. Mr Reed submitted that after the NWW trials were completed the brothers were waiting for a contract, and that in those circumstances mutual obligations continued. Mr Reed accepted that this was not an orthodox employer/employee relationship but argued that the irreducible minimum was still there, and that the ceasing of payments alone was not fatal.
- 97 It seems to me that on the evidence and argument before me, the claimants have not made their case here. There is no evidence of what might reasonably be regarded as a contract of employment - written or oral - or of any terms of employment between Eric and HSL. Eric received money, but it has much more the flavour of expenses and profits sharing than a regular wage, and I am not convinced the requisite control was there. Thus I do not feel the claimants have established that Eric was ever an employee. However, even if I am wrong on this, Mr Reed's argument that the ceasing of payments was not fatal to his remaining employed is entirely irreconcilable with the first condition quoted above in *Ultraframe*. Whether or not a contract from NWW was in the offing, as suggested by Mr Reed, seems to me immaterial. The facts are that after August 1999 Eric received no payment from HSL and there was no provision in HSL's company accounts for any back pay. In short, if Eric had been an employee of HSL, I am satisfied that employment ceased at the end of August 1999.
- 98 The dispute over when Eric might have devised the invention has centred entirely on the month of December 1999 and later. The claimant has made no suggestion that Eric devised the invention before December 1999 or filed any evidence to establish that he did. It follows that even if Eric were an employee of HSL up to August 1999, as it has

not been suggested he devised the invention before then, HSL have no claim to it under the provisions of section 39(1)(b).

Conclusions on the subsidiary case

- 99 I have found that Eric made the invention before he formally resigned as a director of HSL on 24 January 2000. However, I have also found that he was probably never an employee of HSL but even if he was, that employment ceased from September 1999, and that the claimant has made no case that he devised the invention before then.
- 100 I conclude therefore that the claimant has failed in its subsidiary case under section 39(1)(b).

Summary of findings

- 101 I have found that the claimants have failed both in their primary case under sections 7 and 13 and in their subsidiary case under section 39, and accordingly I dismiss the claim.
- 102 I have to say that this is not the conclusion I expected to arrive at when I first glanced at the papers on this case. On the one hand, we had Peter who had been involved in freeing valves since 1993, and on the other Eric who had never been in this business until Peter's arriving in the UK in January 1999 and whose previous experience of valves had been limited to work on refurbishing white goods such as cookers and fridges. Against this background, it seemed implausible that this invention would have come from Eric rather than Peter. However, having heard all the evidence and argument, I am quite satisfied it did indeed come from Eric. There is little doubt that, without Peter, Eric would not have gone into the valve-unsticking business, and Eric might therefore owe a debt of gratitude to his brother for introducing him to the business. That does not, however, give Peter any claim to the vibration technique which is the subject of the patent applications in suit.

Costs

- 103 The defendant has won and so in principle is entitled to costs. Counsel made no submissions as to costs at the hearing and I see no reason in the circumstances to depart from the published Patent Office scale. Taking into all factors into account, including the fact that my preliminary decision of 19 February 2004 went against the defendant, I award the defendant the sum of £2000 to be paid by the claimants not later than 7 days after the expiry of the appeal period. If an appeal is lodged, payment will be automatically suspended pending the outcome of the appeal.

Appeal

- 104 Under the Practice Direction to Part 52 of the Civil Procedure Rules, any appeal must be lodged within 28 days.

P HAYWARD

Divisional Director, acting for the comptroller