



23 February 2011

PATENTS ACT 1977

BETWEEN

Pilot Drilling Control Limited

Claimant

and

Smith International Inc

Defendant

PROCEEDINGS

Reference under section 37 of the Patents Act 1977 in
respect of patent number GB 2410760

HEARING OFFICER

A C Howard

PRELIMINARY DECISION

Introduction

1. These proceedings relate to a reference by Pilot Drilling Control Limited (“the claimants”) under s.37 of the Patents Act 1977 (“the Act”) seeking determination of questions of inventorship and ownership in respect of UK patent No. GB 2410760 (“the patent”). The patent was granted to Smith International Inc. (“the defendants”) on 18 June 2008. It is not necessary for the purposes of this decision to go into the substance of the claim or the technical details of the patent.
2. The proceedings were launched on 17 June 2010 with the filing of Patents Form 2 and the claimants’ statement. This was followed on 30 June 2010 by a request for confidentiality in respect of the statement, all its annexes (except the copy of the patent itself), and all further documents filed at the Intellectual Property Office in respect of these proceedings. It is this request for confidentiality which is addressed in the present decision.
3. The reference was entered in the Register and advertised in the Official Journal

dated 28 July 2010.

4. The proceedings went ahead generally very slowly for reasons largely unrelated to the question immediately at hand. On 7 October, the Office wrote to the parties indicating that I was minded to refuse the request for confidentiality as being too broad, and inviting submissions from both parties on the question. At that time, the defendants had not yet filed their counterstatement, this eventually being done on 10 February 2011.
5. The defendants initially took the position that the request for confidentiality should be refused, and a preliminary hearing was accordingly appointed to determine this question. However in an email dated 13 December 2010 they withdrew their opposition to the request.
6. An official letter dated 14 December 2010 indicated that it would still be necessary in the public interest to make a determination of the request for confidentiality, and asked the parties if, in the circumstances, they wished to make oral representations, or if they were content for me to make a decision on the papers. Should they be content with the latter approach, they were invited to make written submissions if they so desired.
7. I subsequently received written submissions from the claimants but nothing further from the defendants, save confirmation that they are happy for me to decide on the basis of the papers. That is what I shall now proceed to do.
8. In these proceedings, the claimants are represented by Messrs Farrer & Co LLP, and the defendants by W P Thompson & Co.

The law

9. Section 118(1) of the Act deals with the right of the public to inspect documents subject to prescribed restrictions and reads as follows:

118.-(1) After publication of an application for a patent in accordance with section 16 above the comptroller shall on a request being made to him in the prescribed manner and on payment of the prescribed fee (if any) give the person making the request such information, and permit him to inspect such documents, relating to the application or to any patent granted in pursuance of the application as may be specified in the request, subject, however, to any prescribed restrictions.
10. The possibility to keep certain documents confidential is set out in Rule 53 of the Patents Rules 2007, which I set out in full below:

Confidential documents

53. (1) Where a person files a document at the Patent Office or sends it to an examiner or the comptroller, any person may request that the document be treated as a confidential document.
- (2) The comptroller must refuse any request where it relates to—
 - (a) a Patents Form; or

- (b) any document filed in connection with a request under section 74A.
- (3) A request to treat a document as confidential must—
 - (a) be made before the end of the period of 14 days beginning with the date on which the document was—
 - (i) filed at the Patent Office, or
 - (ii) received by the comptroller, an examiner or the Patent Office; and
 - (b) include reasons for the request.
- (4) Where a request has been made under paragraph (1), the document must be treated as confidential until the comptroller refuses that request or gives a direction under paragraph (5).
- (5) If it appears to the comptroller that there is good reason for the document to remain confidential, he may direct that the document shall be treated as a confidential document; otherwise he must refuse the request made under paragraph (1).
- (6) But where the comptroller believes there is no longer a good reason for the direction under paragraph (5) to continue in force, he must revoke it.
- (7) In this rule references to a document include part of a document.

As regards the hearing itself, Rule 84 states:

Hearings in public

- (1) Subject to paragraphs (3) and (4), any hearing before the comptroller in proceedings relating to an application for a patent, or a patent, shall be held in public.
- (2) Any party to the proceedings may apply to the comptroller for a hearing to be held in private.
- (3) The comptroller may grant an application under paragraph (2) where—
 - (a) he considers there is good reason for the hearing to be held in private; and
 - (b) all the parties to the proceedings have had an opportunity to be heard on the matter,and where the application is granted the hearing must be held in private.
- (4) Any hearing—
 - (a) of an application under paragraph (2); or
 - (b) relating to an application for a patent which has not been published,shall be held in private
- (5) For the purposes of this rule a reference to a hearing includes any part of a hearing.

- 11. The IPO Hearings Manual at paragraph 3.37 sets out the principles to be applied when considering departure from the normal rule of publicity. The parties were informed in an email dated 11 January 2011 that I was minded to apply these

principles in the present case and their comments were invited. To quote:

“As explained by the Court of Appeal in *Lilly Icos Ltd v Pfizer Ltd (No2)* [2002] EWCA Civ 2, [2002] 1 WLR 2253, the starting point should be that very good reasons are required for departing from the normal rule of publicity, and a simple assertion of confidentiality, even if supported by both parties, will not suffice. Factors to be taken into account include the effect of any confidentiality order on third parties and the likely role of the evidence in the proceedings: thus in *Lilly Icos* the very limited role played by the document in question enabled the court to take a more relaxed view than might otherwise have been appropriate. Further explanation of the circumstances in which confidentiality may be directed can be found in MoPP 118.13.”

The cited passage in the Manual of Patent Practice states:

“Since the public are generally entitled to inspect documents relating to a patent or, after publication of an application, to the application, a request for confidentiality should not be granted unless it is considered justified for the reasons given. It is a matter of judging whether a party's reasons for desiring confidentiality outweigh the generally overriding public interest for disclosure in each case. Observations by an applicant in rebuttal to an official objection, for example one of lack of novelty or inventive step, communications concerning disclosure of matter obtained unlawfully or in breach of confidence (see 2.39), and observations which are to be taken into consideration under s.21 (see 21.05) should not be treated as confidential. Subject to the above comments correspondence which relates to procedural matters, for example to reasons in support of a request for exercise of the Comptroller's discretion, may be treated as confidential. It is likely to be appropriate for information concerning individuals' health or personal circumstances to be treated as confidential. In inter partes proceedings, evidence filed by one party, for example details of licence agreements, may be treated as confidential if its disclosure risks being harmful (eg commercially) to the party or the party's associates to an extent which overrides the requirement for public access. Regard should be had in particular to the interests of a third party who has not consented to a private agreement being open to public inspection. Following the judgment of the Patents Court in *Diamond Shamrock Technologies S.A.'s Patent* [1987] RPC 91 the criteria to be applied in considering requests for confidentiality were summarised as follows:-

(a) The fact that a document is said to contain "sensitive commercial information" does not necessarily mean that this material, which would otherwise become public property, is to be excluded from public inspection; apart from generalities there must be some real indication as to why disclosure would be harmful.

(b) Those requesting confidentiality should put in evidence, although this is not necessarily required before the comptroller.

(c) Material which is going to form no part of the decision can remain

confidential.

(d) Material supplied by a third party on the basis of confidence, which involves minimal excisions from a decision, should be maintained as confidential unless there is some overwhelming public interest, which makes it desirable that the public should have sight of it.

(e) The appropriate procedure is for the matter to be dealt with prior to a substantive hearing so that if ruled against, the person proffering the document can make up his mind whether he will go forward publicly, or have the material withdrawn.”

12. Finally, I would quote Buxton LJ at paragraph 25 (v) of *Lilly Icos*:

“It is highly desirable, both in the general public interest and for simple convenience, to avoid the holding of trials in private, or partially in private.”

and at paragraph 25 (vi):

“Patent cases are subject to the same general rules as any other cases, but they do present some particular problems and are subject to some particular considerations. As this court pointed out in *SmithKline Beecham Biologicals SA v Connaught Laboratories Inc* [1999] 4 All ER 498, patent litigation is of peculiar public importance, as the present case itself shows. That means that the public must be properly informed; but it means at the same time that the issues must be properly explored, in the sense that parties should not feel constrained to hold back from relevant or potentially relevant issues because of (legitimate) fears of the effect of publicity.”

13. Thus, simple assertions of confidentiality, even if supported by both parties, do not in themselves suffice for material to be kept confidential. It is necessary to demonstrate a real risk of harm from disclosure. This harm may take the form of direct commercial damage but may also involve the indirect effect of inhibiting a party from putting forward their best case.
14. It is worth remarking here that the above discussion is largely concerned with the confidentiality of particular documents or classes of documents, or even parts of documents. My attention has not been drawn to any precedent cases in which the confidentiality of the entire proceedings has been at issue as it is here, and it seems to me that for such a measure to be justified in a case of this kind would be exceptional in the extreme.

The claimants’ submissions

15. The claimants set out their position in their letter to the Office dated 13 January 2011, the relevant parts of which read as follows:

“1. Our request for the proceedings to remain confidential was intended to restrict the papers and the details of these proceedings from entering the public domain but the documents and the facts contained therein will, of course, be known, made available to and understood between the parties. Our client has no issue with Smith International, Inc and its legal

representatives having sight of the papers in these proceedings.

"2. Our client, the Referrer, is owned by a much larger company operating in the same industry sector.

"3. Since the commencement of these proceedings in summer 2010, the Defendant has been purchased by a much larger company operating in the same industry sector, Schlumberger Limited.

"4. The two "parent" companies referred to in paragraphs 2 and 3 above operate in the oilfield services sector worldwide and wish to maintain good relations with each other. They themselves did not initiate these proceedings and have little desire for them to continue. The relevant contacts within these two companies now dealing with these proceedings are keen to resolve this matter without it entering the public domain.

"5. The parties, through these new contacts, are in an advanced stage of settlement negotiations in an attempt to settle these proceedings amicably. We are instructed that the settlement negotiations are progressing very well and a compromise agreement is a matter of days away from completion.

"6. Both companies have reputations in their industry for vigorous enforcement of all aspects of their intellectual property. Any public knowledge of these entitlement proceedings and the documents referred to therein, particularly amongst their immediate competitors, could be perceived as damaging to these reputations.

"7. The entire correspondence, documentation and evidence supporting this entitlement action is covered by confidentiality agreements which were signed between the Referrer and the Defendant at a very early stage in their relationship, and it was on the basis that confidentiality would be maintained throughout that the relationship was able to proceed at all. None of this correspondence, documentation or the existence of that relationship has ever been made public by either party and both companies wish it and have always sought to ensure that it remains confidential.

"8. In the Court of Appeal decision in Lilly Icos Ltd v Pfizer Ltd (No 2), a single document containing highly commercially sensitive information, the subject of a confidentiality agreement between the parties for the proceedings in question, had been unnecessarily referred to in the trial and bore no real relevance to that trial. We submit that, unlike in Lilly Icos, the documents the subject of this application for confidentiality are core and inseparable from the main arguments in the case. Accordingly, we submit that the circumstances of this case go much further than those of Lilly Icos.

"9. Various of the Defendant's employees and one of the Referrer's employees named in these proceedings as being key to the issues in dispute have long since moved on to other places of employ. We would submit that it will not be beneficial for them to be named and associated with these proceedings, which might be seen by some as bringing into

question their integrity and potential misappropriation of others' work. We would submit that consideration should be held for those individual's personal circumstances as they may not have consented to such matters being open to public inspection. Indeed, as it has not been possible to establish the whereabouts of some of the Defendant's witnesses, these proceedings becoming public may be quite a shock and detrimental to them.

"10. Our client submits that before the events of paragraphs 2 and 3 above, the only way the Referrer could generate sufficient leverage to negotiate a licence to use the technology it asserts it invented was to commence these proceedings. The Referrer would much rather have kept all information and documentation relating to these proceedings and their subject matter out of the public domain entirely and not been forced to issue proceedings at all."

16. The claimants also request, in the event that I decide not to maintain the confidentiality of these proceedings, that I should allow them as much advance notice as possible "so that the ensuing damage can be minimised". They also ask in the alternative an order that the relevant documents can be redacted or blanked out to remove the most sensitive and confidential portions.
17. This last point prompted a request from the Office to identify the most sensitive material that the claimants would like redacted in the event I decline to order the whole of the proceedings to be confidential. In response, I was provided with a three page schedule of redactions which, in the words of the claimants' representatives, are intended to "prevent third parties from identifying the subject matter and patent in dispute, the parties involved and any and all proprietary or confidential information included in these documents".

Discussion

18. Firstly, it is clear from the wording of Rule 53(2)(a), when read in conjunction with Rule 53(7), that confidentiality cannot be afforded to a Patents Form or part thereof. Since the Patents Form 2 filed with this claim (which was in any event not covered by the original request for confidentiality) includes information identifying the patent, the parties, and the section of the Act under which the proceedings are brought, and moreover this basic information about the proceedings has already been published in the Official Journal, it follows that it is meaningless to speak about the possibility of avoiding at least this information becoming public.
19. Having established that much, I still need to consider whether it is appropriate for the substance of the proceedings, which would of necessity include the hearing itself, to remain confidential.
20. The essence of the claimants' argument is that the parent companies of both the parties would suffer reputational damage if the proceedings were to become public. In this regard, allusion is made to their respective reputations for vigorous enforcement of their intellectual property rights, although the precise nature of the damage that could be caused is not specified. While I have no reason to doubt the claimants' assertion that the parties' reputations would be affected by

knowledge of the proceedings getting into the public domain, if there had been a risk of particularly serious harm I would have expected the defendants to do rather more than simply say that they were withdrawing their opposition to the confidentiality request. Moreover, no argument has been put to me that refusing to grant the request might cause one or other party to feel constrained to hold back from relevant or potentially relevant issues; on the contrary the claimant appears prepared to go ahead even if I decide that the whole of the proceedings should be made public.

21. I accept that engagement in litigation can be embarrassing and even cause reputational damage. However it can also be a fact of commercial life. By the claimants' own admission they themselves undertake "vigorous enforcement" of their rights which presumably can involve litigation. I have seen nothing to convince me that the parties (and especially the claimants, since, to repeat myself, the defendants have not themselves argued this) would suffer sufficient damage to warrant taking the exceptional step of declaring the whole of the proceedings confidential.
22. A further argument advanced by the claimants relates to the potential effects on some of the individuals named in the proceedings should their identities become public. However the nature of the harm that could be caused is identified in only a very general and speculative way. Moreover the comptroller's tribunal regularly hears disputes involving inventorship and proprietorship in which are considered issues of the type raised in the present proceedings, and I am not persuaded that the circumstances of this case significantly distinguish it from the great majority which are heard fully openly.
23. Having come to the conclusion that there is no justification for a total blanket of confidentiality over the whole proceedings, I have to turn to the claimants' alternative request that I order the redaction of certain documents.
24. The first point to make is that the majority of the redactions requested are aimed at preventing public identification of the parties as well as the patent in dispute. I have already explained above why this information is already in the public domain.
25. The claimants have also requested the redaction of what is effectively the whole of the substance of their statement of case. If the request were to be allowed, all that would remain would be a broad description of the invention and a "sweep-up" passage at the end referring in non-specific terms to relief which may be awarded. In my view, this request is tantamount to requesting the confidentiality of the entire proceedings. Should it be allowed, it would imply that the vast bulk of the subsequent papers likely to be filed, as well as the substantive hearing itself, would also need to be confidential. The reasoning set out above in relation to the claimants' main request applies equally here, and there is no reason why I should come to a different conclusion.
26. The only other material in respect of which the claimants have requested redaction relates to:

- Annexures 2 and 4 to the statement, which are confidentiality agreements between the parties;
- Annexure 3 to the statement, this being a technical report which, in the claimant's submission, summarises work done in connection with the invention; and
- Correspondence dated 30 June and 13 July 2010. Apart from information identifying the parties and the patent, the request is for redaction of text setting out the grounds for requesting confidentiality, as well as certain attachments containing technical information and a purchase order and related information.

27. I shall consider these requests in turn.

28. Turning first to the confidentiality agreements, these have been drawn up in standard terms and I have difficulty seeing how any part of their contents could be commercially sensitive. Given my view that the statement of claim should not be kept confidential, I see no justification for keeping the confidentiality agreements themselves off the public record.

29. Having regard to Annexure 3 to the statement, it appears to me that since this is alleged to arise from work done by the claimants and relating to the subject-matter of the patent, it is likely to be a document of relevance to the question at issue. As such I would need strong reasons for ordering the redaction of its whole contents. While it is true in general terms that technical documents adduced as evidence in proceedings before the comptroller may contain commercially sensitive details not otherwise in the public domain, and it is possible that such information could be redacted, the claimants have made no attempt to point me to any specific passages falling into this category. The conclusion I draw from this is that their motivation is to avoid the publication of information in general about the proceedings, rather than the commercial sensitivity of particular details. In these circumstances I see no justification for allowing the request.

30. The letter of 30 June 2010 from the claimants' representatives to the Office sets out the grounds on which confidentiality has been requested. I have seen no arguments beyond those set out above in respect of the proceedings as a whole which seek to address the question of why publication of this information in general would damage the parties. However sub-paragraphs (iv) and (vii) incorporate certain specific information which is identified in the letter itself as being business confidential. This information is in my view unlikely to be of relevance to the substantive matter at issue in these proceedings, and I am therefore prepared to allow redaction of these sub-paragraphs. Corresponding redactions will also need to be made in the attachments to the claimants' letter of 13 January 2011.

31. Finally, with regard to the attachments to the correspondence of 13 July 2010, apart from the coversheets (which identify the patent, the parties, and certain individuals) these comprise

- an email from the claimants to the defendants about tests the claimants had

allegedly carried out on a prototype piece of equipment; and

- a purchase order raised by the defendants and addressed to the claimants, together with an email response.

32. These documents do contain some technical information and some commercial information (for example a unit price is quoted on the purchase order). However they also contain information which by no stretch of the imagination could be said to be commercially sensitive (for example a whole page of standard terms and conditions). As above, the conclusion I draw about the claimants' motivation is that they are less concerned about the sensitivity of particular details than they are to keep information about the proceedings in general from being made public. I accordingly find no justification for ordering any redaction of this material.

Decision and order

33. For the reasons set out above I refuse the request for confidentiality of the documents set out in the claimants' letter dated 30 June 2010, and also the alternative request for redaction of documents as listed in the attachment to the letter dated 27 January 2011, save for that part of the request which relates to paragraphs (iv) and (vii) of the letter of 30 June 2010, which I allow.

34. I order that the documents which have been maintained as confidential pending this decision be laid open to public inspection in accordance with the provisions of s. 118(1) of the Act, save that paragraphs (iv) and (vii) of the letter from Farrer & Co dated 30 June 2010 should remain confidential and accordingly be redacted from the public version of this document. I further direct that this order be stayed until the expiry of the period for appeal against this decision.

Costs

35. I have received no submissions as to costs in this preliminary matter. I shall therefore defer consideration of this question.

Appeal

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

A C HOWARD

Divisional Director acting for the Comptroller