



BL O/185/05

1 July 2005

PATENTS ACT 1977

BETWEEN

Michael Wayne Crabtree

Claimant

and

Ralph Barclay Ross

Defendant

PROCEEDINGS

Reference and application under sections 8, 10, 12, 13 and 37 of the Patents Act 1977 in respect of patent application numbers GB 9901474.8 & PCT/GB 00/00176, UK patent GB 2363373 B and other corresponding foreign applications

HEARING OFFICER

R C Kennell

DECISION

Introduction

- 1 The patents and applications in suit relate to apparatus for handling elongate objects, especially drill pipe and downhole tubulars for drilling boreholes at an offshore location, which uses “packing members” in the form of spacers mounted in a frame to sandwich and constrain the pipes against movement. The packing members each comprise elastomer bonded to a rigid interior element that resists deflection or bending parallel to cargo pipe length, the elastomer exterior surface profile enabling the surface to locally deform at points of contact with cargo pipe so that a range of cargo pipe diameters can be handled.
- 2 In my decision BL O/188/04 of 2 July 2004 I found that Michael Wayne Crabtree and Ralph Barclay Ross were joint inventors of the invention in the patents and applications in suit insofar as it related to non-uniform surface profiles. However, I made no finding in respect of uniform profiles - on which I had not had the benefit of full argument and which I suspected were unlikely to be of particular interest in view of the way that the invention had developed. (It was common ground that Mr Crabtree had come to Mr Ross with the idea of a combination of frame and elastomer-coated packing members, with the elastomer jackets being of uniform square or circular cross-section.) I gave the parties an opportunity to make submissions on the

form of order that I should make, and upon costs.

- 3 The patent position is complex. As regards the patents and applications in suit in the proceedings (the “joint family”), UK patent application no GB 9901474.8 served as a priority application for international application no PCT/GB 00/00176 (published as WO 00/43295); this entered the national phase in the UK and the USA where it was granted respectively as GB 2363373 B on 5 November 2003 and (after the substantive hearing) as US 6799926 B1 on 5 October 2004. Although the priority application and the international application started out by naming Mr Ross and Mr Crabtree as joint inventors and joint applicants, the international application was corrected in the international phase at the instigation of Mr Ross to name Mr Crabtree as the sole applicant for the US only and Mr Ross as sole applicant for all other states, apparently to reflect what he understood to be their joint intentions although Mr Crabtree disputes this; although the correction was accepted by the UK Office when the PCT application entered the national phase, the granted UK patent is now in joint name according to the register. However the US patent appears to have been granted, for reasons which are unclear, in the name of Mr Ross as sole applicant *and sole inventor*.
- 4 The position is complicated by the existence of a separate family of patent applications in the name of Mr Crabtree as sole inventor and applicant (the “Crabtree family”). These cover very similar ground to the above, although claimed in different terms. This family derives from a US application granted on 9 April 2003 as US 6182837 B1, which, together with the above-mentioned application GB 9901474.8, served as a priority application for international application no PCT/US00/00887 (published as WO 00/43235). This appears to have entered the national phase only in Singapore and the UK, and was granted in the UK as GB 2361909 B on 9 April 2003.
- 5 Unfortunately the proceedings reached the substantive hearing with the defendant Mr Ross asking for relief in respect of the Crabtree family without the question having been settled, or even raised, as to whether these patents and applications were part of the proceedings, a question on which the parties differed. At the hearing I did not consider the Crabtree family to be within the proceedings, but observed that the dispute could not be sensibly concluded without taking them into account. The parties thought that a finding on inventorship might enable them to come to some agreement about disposal of the two patent families.
- 6 Although the period for the parties to make submissions was extended a number of times because the parties appeared to be making progress to settlement of their dispute, in the end the negotiations broke down. The parties accordingly each made submissions through their patent agents on 23 November 2004 and were content that I should decide the matter on the papers. In reaching my decision below I have considered these submissions and the further correspondence to which they gave rise. However as will appear I think the order can only be a provisional one at this stage, and I will need to give the parties a brief period for further comment.

Submissions on the order to be made

- 7 Unfortunately, as is very clear from their submissions, there is little common ground between the

parties and the relationship between them remains poor. Mr Ross has also pursued a parallel track by filing with his agent's letter dated 2 August 2004 a new reference in respect of the Crabtree family based on the counter-statement filed in the earlier proceedings. The Patent Office did not however consider this to be a satisfactory statement, and these new proceedings have been stayed to await the outcome of the earlier proceedings.

- 8 Mr Ross' submission was to the effect that, given the differing views of the parties as to exploitation and the value (not further elaborated) of the invention, all the patents and applications should remain in their current ownership for convenience; each party should have the right to work the joint patents (including the right to sub-license) with no obligation to account to the other party; Mr Crabtree should grant a free licence to Mr Ross under all Mr Crabtree's applications and patents including the right to sub-license and to assign; and Mr Ross should grant a free license to Mr Crabtree under all Mr Ross' patents, also with the right to sub-license and to assign. With a view to avoiding the need to consider what profiles other than those devised by Mr Ross might fall within the scope of the Crabtree claims, Mr Ross suggested that the order could restrict the license to Mr Ross to apparatus for packaging elongate elements incorporating members with non-uniform surface profiles.
- 9 Perhaps unsurprisingly Mr Crabtree sought to exclude the Crabtree family from any order that I might make, believing that his US patent was granted before any reference to its entitlement was filed by either him or Mr Ross (and therefore outside of the ambit of section 12 of the Act), and that it was for Mr Ross to make out his case as to entitlement to the Singapore and UK applications resulting from the Crabtree PCT application - which he said the new reference filed by Mr Ross failed to do. Mr Crabtree's agents said that they were unaware of the current status of the Singapore application. As to the joint family, Mr Crabtree thought that I need make no order in respect of the UK patent since it was now in joint names, and that as regards the US patent (which he accepted was within the proceedings) I should make an order that under UK law Mr Crabtree would be the sole inventor of certain claims "following the finding that I had already made in relation to the corresponding PCT claims". (I observe that I did not actually link my findings to particular claims.)
- 10 As to the commercial terms which I should apply, Mr Crabtree put forward a number of reasons to suggest that he had made the larger and more significant contribution, but that Mr Ross by reason of his established manufacturing capacity (and possession of prototypes and manufacturing equipment for which Mr Crabtree had paid half the development cost) was in a better position to exploit the invention. Mr Crabtree would need to license the invention but the patent situation was proving a hindrance, and he felt that this inequality should be accommodated by a cross-royalty arrangement as proposed in *Elliott and BSP International Foundations Ltd v Expotech Ltd* BL O/189/04 where the hearing officer (see page 9 lines 17-23) considered that to be a pointer towards getting a fair balance between the parties. Accordingly he suggested that either party should be required to pay the other a rate of 2.5% of the sales price in respect of any sale in the UK of apparatus within the scope of the claims of the joint UK patent (based on half the "going rate" of 5% for "simple mechanical inventions"), with freedom to licence or hire without the consent of the other provided it paid the other 50% of the resulting benefit. Mr Crabtree would then be prepared to license the Crabtree UK patent to Mr Ross or his assignees or licensees without requiring further payment, except for an

additional 2.5% in respect of embodiments disclosed only by Mr Crabtree in his sole patent and not disclosed in the joint patent.

11 Neither side were exactly overjoyed with the other's proposals, and this resulted in a further exchange of correspondence. Mr Ross urged me to discount what he saw as a hard luck story from Mr Crabtree and felt that there was no inherent unfairness in the situation, and that if Mr Ross was making money it was because he was working the invention whereas Mr Crabtree was not. He suggested that Mr Crabtree was trying to get away with forcing him to account for exploitation on his home territory (the UK) without any corresponding provision for Mr Crabtree to account to Mr Ross for exploitation in the US, where I could not make a corresponding order, since both the Ross and Crabtree US patents had now been granted. (Mr Crabtree thought that this should not prevent me from applying my findings on the inventorship as regards the joint PCT application to its US national phase, since the proceedings under section 12 were initiated before the patent was granted).

12 There was also disagreement about the extent to which I could override the statutory provisions of sections 36(2) and (3) of the Act on co-ownership, which read:

“(2) - Where two or more persons are proprietors of a patent, then, subject to the provisions of this section and subject to any agreement to the contrary -

(a) each of them shall be entitled, by himself or his agents, to do in respect of the invention concerned, for his own benefit and without the consent of or the need to account to the other or others, any act which would apart from this subsection and section 55 below, amount to an infringement of the patent concerned; and

(b) any such act shall not amount to an infringement of the patent concerned.

(3) - Subject to the provisions of sections 8 and 12 above and section 37 below and to any agreement for the time being in force, where two or more persons are proprietors of a patent one of them shall not without the consent of the other or others grant a licence under the patent or assign or mortgage a share in the patent or in Scotland cause or permit security to be granted over it.”

13 It will be seen that section 36(3) preventing the grant of a licence by one co-proprietor without the consent of the other is expressly subject to the provisions of sections 8, 12 and 37, whereas section 36(2) conferring a right on a co-proprietor to work the invention without the consent of the other is not. Mr Ross thought I had no power to override section 36(2), and considered that Mr Crabtree was wrong to refer to the *Elliott* decision as supporting a contrary view; but Mr Crabtree thought that, if Mr Ross was saying that no determination could be made once joint ownership was established, that was unsustainable as a general proposition in view of the wide powers granted to the comptroller under section 37. I note that in *Elliott* the hearing officer said that:

“BSP on the other hand wanted to go for joint ownership of the patent They proposed relying on the co-ownership provisions of section 36 to settle what each side could do I will say a brief word about the law. I need to say very little because I think both sides agreed this morning that under section 37(1) I have a wide discretion to do what best gives effect to my findings. Both sides were also agreed that if I were to order joint ownership I would still have flexibility to impose conditions and constraints notwithstanding what is in section 36.”

and was willing to impose extra conditions in order to minimise the problems that co-ownership might otherwise cause.

- 14 However, on reconsideration, Mr Ross thought that as regards ownership it might not be helpful to maintain the current status of the various patents in view of the relationship between the parties. He now suggested that I should consolidate the present proceedings with the later proceedings, currently stayed, in respect of the Crabtree patents so that I could make an order that they were joint inventors and owners of the joint priority document, the joint PCT application and the joint GB patent and of the Crabtree PCT application and Crabtree GB patent. Each party should then be able to grant a licence under either of the GB patents without the consent of the other and without obligation to account to the other.
- 15 In the absence of any real meeting of minds I suspect that any order that I make will leave one or other party, if not both, dissatisfied. There are in any case a number of areas on which I will in my view need further input from the parties if I am to preserve a fair balance between them. I will therefore now explain the principles upon which I have approached the matter. I regret that it has taken me some time since the parties made their submissions to deal with the matter, and in the meantime there have been a number of developments in case law which I should mention. However, it seems to me that as regards the present case they do not point me in any new direction and simply reinforce the line that I would have taken anyway. Nevertheless, as I explain below, I will allow the parties an opportunity for comment on this aspect.

The basis for the order

Whether particular claims should be considered

- 16 At the substantive hearing, Mr Crabtree’s representative urged on me an approach which involved breaking down the claims of the various applications and patents into a number of inventive concepts, based to some extent on the judgment of HH Judge Fysh QC (sitting as a High Court judge) in *Markem Corporation v Zipher Ltd (No 1)* [2004] RPC 10. In my decision I did not travel down that road, confining myself to a broad finding on inventorship in respect of the non-uniform surface profiles, and I think that is right in view of the subsequent judgment of the Court of Appeal in *Markem* on 22 March 2005 ([2005] EWCA Civ 267) at paragraphs 91 - 104 where Judge Fysh’s approach was rejected. Thus at paragraph 92, Jacob LJ said, in relation to entitlement proceedings under sections 8 and 37:

“ ... we think the claim-by-claim approach is fallacious and not what is called for by

the Act.”;

and at paragraph 100, recognising that even in the granted patent the form and content of the claims would depend on a number of individual factors (emphasis added),:

“ ... *And applications themselves are not required to have claims. The question of entitlement can therefore arise before any claims exist - and in principle must remain the same whatever claims later emerge.*”

17 This judgment approved the decision of Christopher Floyd QC (sitting as a Deputy Judge) in *Stanelco Fibre Optics Ltd's Applications* [2004] EWHC 2263, [2005] RPC 15, in which it was stated (paragraph 15A in the RPC) that a mechanistic element by element approach to inventorship would not produce a fair result. *Stanelco* was actually drawn to my attention by Mr Crabtree in his agent's letter of 18 January 2005, but only in respect of the form of the final order at [2004] EWHC 2627 (Pat), to which I refer below.

Relief in respect of the Crabtree patents

18 I must also tackle the thorny question of whether I can make an order which encompasses the Crabtree patents as well as the joint patents. In my earlier decision I took the view that the Crabtree family was not formally within the proceedings, but left open the question of whether I could make any order in respect of them to await the parties' submissions if they could not agree.

19 In respect of entitlement questions, sections 8(1), 12(1) and 37(1) give me a wide power to “give effect” to any determination that I make in respect of the question referred to me. Although the original reference was made out in respect only of the joint family of applications and patents, and the status of the Crabtree family in relation to the proceedings was left uncertain, I am satisfied for the reasons I explain below that if I am to give practical effect to my finding that the invention insofar as it relates to non-uniform surface profiles was made jointly by Mr Ross and Mr Crabtree, then I should extend that finding to the Crabtree family.

20 Thus, the approach of the Court of Appeal in *Markem* requires me to look not at the precise wording of the claims but at the “heart” of the invention. In this case it seems to me that both families are directed to the provision of a resilient external portion on a packing member for use in apparatus for handling elongate objects which is capable of deforming to restrain the movement of the objects. The claims differ considerably between the two families, but from the argument before me at the hearing I do not think there can be any real doubt that the parties have essentially been pursuing the same invention however their respective patent agents have chosen to word the claims.

21 As I have mentioned, there are now separate proceedings in being in respect of the Crabtree family, which have barely got off the launch pad. I think that in theory Mr Crabtree is right to say that it is for Mr Ross to make out his case in respect of these patents and applications, and that the Patent Office was right to resist the use of the counter-statement in the earlier proceedings to launch the new proceedings without tailoring it to the case in hand. However

I do not think it would sit well with the over-riding objective of the Office to deal with cases justly - in particular expeditiously - to go ahead with a second set of proceedings which are going to cover exactly the same ground as the earlier proceedings as regards the factual background, including the circumstances in which the separate families of patent applications arose, if that can be avoided. I certainly do not detect any great enthusiasm in the parties for going down this road, and it would appear from Mr Ross' agent's letter of 2 August 2004 that the new proceedings have been launched only to bring the Crabtree family into consideration.

22 However before I do bring in the Crabtree family, I should ensure that they have been adequately considered as part of the earlier proceedings. Although the Crabtree US application did not claim priority from the originating GB priority application 9901474.8, the Crabtree PCT claims priority from both these applications. Further, I can see no construction in any of the Crabtree patents and applications which was not disclosed in the GB priority application or differs therefrom other than in minor details, or which was not in consideration at the hearing as part of the parties' explanations of how the invention developed. Having found that Mr Ross and Mr Crabtree are the joint inventors of the invention in the joint family by virtue of Mr Ross' contribution of a non-uniform profiled surface on the resilient portion, I find it difficult to see any realistic basis on which I could reach a different finding on the Crabtree family.

23 Irrespective of whether or not it might be regarded as arising from formal consolidation of the two proceedings, I therefore propose to make an order embracing the Crabtree family.

Getting a fair balance between the parties

24 Irrespective of whether or not the facts in *Elliott* are similar to the present case, it seems to me that *Elliott* provides useful guidance as to the way in which the comptroller should proceed in cases of joint inventorship. It refers to a number of earlier cases which show that a wide variety of approaches are open to the comptroller, depending on the particular circumstances. I take particular note that in *Elliott* the hearing officer took as a starting point the questions of what would give the fairest balance in all the circumstances, and what was needed to minimise future problems given the poor relations between the parties, taking account of the relative contributions of the parties and the relative abilities of the parties to exploit. This is significant because, although the factual situation in *Elliott* is not identical, the same points arise for consideration, bearing in mind that Mr Ross is able to exploit by manufacture whereas Mr Crabtree as an individual appears able to exploit only by licensing.

25 As explained above, royalty-bearing cross-licenses were mooted in *Elliott* as a way of compensating for the differing abilities of the parties to exploit, and I have considered whether I should follow this approach in respect of the submission made by Mr Crabtree. At first sight, Mr Crabtree's contention that he is in a weak financial position and will be competing against an established and larger competitor whose development costs he has half-funded is an attractive one. However I am far from certain that this is necessarily the case, since Mr Crabtree rather contrarily suggests in his submission (at the foot of page 6 of the letter of 23 November 2004) that the invention has not been a big commercial success for Mr Ross and that there is no great disparity between the parties in their success to date in exploiting the invention which should affect the commercial terms.

- 26 There is also the difficulty that I have nothing before me on which I could begin to arrive at a suitable royalty rate for cross licenses. Mr Ross resists any royalty, and the figure of 2.5% suggested by Mr Crabtree appears to have been plucked out of thin air on the basis of some supposed “going rate”. No attempt at all is made to relate it to likely sales or profits, or to what the parties might have negotiated. I would note that in the final decision in *Elliott* (BL O/132/05, 12 May 2005), notwithstanding that the parties had provided much more detailed information about an appropriate royalty, the hearing officer decided to set a zero royalty rate.
- 27 Neither can I see anything in the relative contributions of the parties which would suggest anything other than rough equality. True, Mr Ross’ contribution would not have occurred but for the fact that Mr Crabtree had devised the basic frame construction with packing members coated with elastomer having a square or circular cross-section, but Mr Ross’ contribution of the non-uniform profile appears to be the foundation of any likely commercial success in offshore applications - and was indeed the focus of the arguments at the hearing.
- 28 Although it was not fully argued before me, I am not convinced that there is now anything very much at least in the joint and Crabtree UK patents that equates to Mr Crabtree’s particular contribution alone, and that could not be said to be part of the joint invention. Indeed the claims of the Crabtree patent GB 2361909 B are restricted to non-uniform surfaces, and those of the joint patent GB 2363373 B to jackets defining “vertical profiles on either side of the centre section shaped to facilitate elastomer displacement with increasing vertical compression”. It may (I put it no higher) be open to question whether this phrase embraces Mr Crabtree’s square or circular profiles, but there is no indication in the specification of the patent that these are in contemplation. I am therefore not convinced that there is any need to make any special provision in my order for particular embodiments. Consequently there would seem to be no need for a proviso of the type in *Stanelco* distinguishing claims which were jointly owned from claims which were the sole property of one of the parties.

The terms of the order

- 29 Having come to the conclusion that I can make an order in respect of the Crabtree family, I should consider whether it would necessarily follow that I should order joint ownership and not simply leave any Crabtree patents in the sole ownership of Mr Crabtree, but tied up with sufficient conditions to produce a fair result for both parties. However I have some trepidation about leaving one family in joint ownership and the other in sole ownership in the event of, say, a validity challenge, and I think it would be preferable to equalise the situation between the parties as far as possible, in the absence of any compelling reason to favour Mr Crabtree.
- 30 In the light of all the above considerations, I propose to make an order along the lines suggested by Mr Ross in his agent’s letter of 15 December 2004, so that the parties can work the invention independently of each other in accordance with section 36(2) and section 36(3) notwithstanding. However, I do not think this is necessarily going to be enough to hold the ring between two parties who remain at loggerheads, and there are a number of areas, not dealt with in the submissions or only briefly touched upon, where I think I will need more help from the

parties. One such area is the maintenance of the patents. Absent any other suggestions, I am inclined to think that having regard to the present addresses for service it will cause the least bother if Mr Ross is responsible for the payment of renewal fees on the joint GB patent and for Mr Crabtree to remain responsible for the payments on the Crabtree patent. Having parties each responsible for a share of the renewal fees was proved to be an unworkable situation in *Webb v McGriskin* BL O/410/00.

- 31 Both the Crabtree and Ross US patents 6182837 and 6799926 have now been granted, but I do not think that on the information available to me I can go any further than making a declaration in respect of the originating GB and PCT patent applications. If I am to make any more extensive order relating to their ownership and exploitation (and it was common ground that at least the Crabtree patent was not within the proceedings), I would need something from the parties on which I could base it. The parties are at liberty to come back to me on this if they wish (see below).
- 32 Accordingly I am going to propose a “core” declaration and order along the following lines, which I hope even now might focus the minds of the parties on settlement:

Declaration:

that Mr Crabtree and Mr Ross are the joint inventors of the invention in each of UK patent application GB 9901474.8, international applications WO 00/43235 A1 and WO 00/43295 A1 and patents GB 2363373 B and GB 2361909 B, insofar as that invention relates to non-uniform surface profiles; and

that Mr Crabtree and Mr Ross are prima facie entitled to be regarded as the joint owners of the above patent applications and any patents resulting therefrom, subject to the appropriate national or regional law.

Order:

that patent GB 2363373 B should remain in, and patent GB 2361909 B should be transferred into, the joint ownership of Mr Crabtree and Mr Ross, and for the latter an entry to that effect should be made in the register;

that an addendum be prepared in respect of GB 2361909 to reflect the addition of Mr Ross as a joint inventor;

that in respect of non-uniform surface profiles either Mr Crabtree or Mr Ross may grant a licence under either of the above patents (with the freedom to sub-license) without the consent of the other and without any obligation to account to the other;

that Mr Crabtree and Mr Ross should respectively bear the costs of maintaining GB 2361909 and GB 2363373, and should copy to the other any receipts from the Patent Office for the payment of renewal fees;

that each of them should be free to assign or otherwise dispose of his share in either patent with the permission of the other;

that the separate entitlement proceedings initiated by Mr Ross and currently stayed should be withdrawn; and

that the parties may apply to the comptroller to vary the terms of the order if there is any material change in circumstances after it comes into effect.

33 However, before the order comes into effect, the parties should come back to me, within the period for appeal specified below, in respect of any matters not covered by this and which they consider necessary to make the order effective and give reasons. I am particularly looking for input on:

what happens if one party does not want to renew, or wishes to surrender, a patent?

what provisions are necessary in respect of challenges to validity?

is a license restricted to non-uniform surface profiles sufficient?

ought any restrictions to be placed on the parties' freedom to dispose of their share of the invention?

is anything further necessary in respect of foreign patents?

34 As I mentioned above I have taken account of recent case law on which the parties have not had an opportunity to address me, although I do not think it has caused me to change tack as regards the form of the order. However I will give the parties an opportunity to say (again within the period for appeal below), if they think so, why my order should not stand in the light of that case law.

35 I must stress that this is not an opportunity for the parties to re-open arguments already considered, because on reflection they wish they had put forward something more. I would also say that I would expect the parties through their patent agents to do what they can to come up with an agreed form of order, or at least to minimise any areas of disagreement. Failing agreement I will issue a declaration and order on the basis of the above "core" and any further submissions that are made.

Costs

36 In my earlier decision I asked the parties for any submissions that they wished to make before I made an award of costs. Predictably these pulled in opposite directions. Mr Crabtree accepted that he could not resist a token award of costs, but pointed to numerous areas where he thought he could be said to have won the argument or where Mr Ross had created difficulties, and to his weak financial position (which I do not think is a factor for consideration). Mr Ross, by dint of adding costs for revised statements, by suggesting the maximum amounts

where the usual scale of costs gives some leeway, and by claiming hearing expenses in respect of people other than the party or a witness, managed to come up with a figure of £7000. He also said that his actual costs to date were around £40,000. I observe that costs before the comptroller are only intended as a contribution to expenses.

37 Neither of these approaches are realistic. Mr Crabtree is doing his best to ignore the fact he lost the case, and Mr Ross seems to be trying to throw in everything except the kitchen sink. In relation to his point that the case was a long and costly one with a two-day hearing, and that Mr Crabtree's evidence was voluminous and largely irrelevant, I am not convinced that they are so out of the ordinary in proceedings before the comptroller as to justify an award anything like the amount proposed.

38 I therefore propose to order costs in accordance with the usual scale, and I direct that Mr Crabtree should pay to Mr Ross the sum of £2500 within 7 days of the expiry of the appeal period below. Payment will be suspended in the event of an appeal.

39 I will make no award of costs in respect of the later proceedings initiated by Mr Ross if these are withdrawn in accordance with my order above.

Appeal

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

R C KENNELL

Deputy Director acting for the Comptroller