

University of Cambridge

Intellectual Property Rights

(Applicant: Professor D. Fray)

Decision of the Technology Appeal Tribunal

UNIVERSITY OF CAMBRIDGE
TECHNOLOGY APPEAL TRIBUNAL

COMPLAINT BY PROFESSOR DEREK FRAY

DECISION

1. This is the Decision of the Technology Appeal Tribunal (the Tribunal) on the appeal by Professor Derek Fray from the Adjudication by the University Technology Referee (the Referee) dated 7 September 2006. By said Adjudication it was determined that Cambridge Enterprise Ltd (CE) had not acted in breach of the Intellectual Property Regulations, Grace 1 of 5 October 2005 (the Regulations). This appeal is brought pursuant to Regulation 34.
2. The parties appeared before the Tribunal for an oral hearing on the afternoon of May 1, 2007. Professor Fray represented himself assisted by Mr Ian Craig, Solicitor, of Field Fisher Waterhouse LLP. CE was represented by Mr Martin Howe QC and Ms Julie Taylor of the Legal Services Office, University of Cambridge.
3. For the reasons set out below, the Tribunal has come to the conclusion that this appeal should be allowed.

Introduction

4. This appeal raises issues which are specific to the dispute between Professor Fray and CE. It also raises issues relating to the scope of the Regulations and the conduct of appeals under Regulation 34. Mr Howe suggested, and we agree, that the latter matters are of general significance to the University and its staff and for that reason ought to be addressed in a part of this Decision which is not confidential. Those issues and our conclusions in relation to them are set out below. The issues which are specific to Professor Fray are set out in confidential Annex A to this Decision.

The scope of Regulation 24:

5. Regulation 24 commences as follows:-

“During the period following receipt of notification of the research results from a University staff member, Cambridge Enterprise shall consider with her or him how commercial exploitation of the results shall or may be pursued, having regard to all reasonable proposals for that exploitation made by the staff member. Cambridge Enterprise and the University staff member shall keep each other informed and shall co-operate fully in order to achieve an agreed outcome.”

6. In his written submissions to the Tribunal, Professor Fray said “there has to be an agreed outcome and co-operation between the University staff member and CE and

this has to be based upon the wishes of the creator of the intellectual property”. This was developed during the course of oral submissions before us. It was argued that if there was no agreement on a particular issue there was no “agreed outcome” as referred to by Regulation 24. In the absence of agreement, the matter had to go to the Referee for determination. We do not accept this argument except in as much as there should normally be reasonable opportunity for the Referee to become involved if appropriate. In our view, when the Regulations refer to CE and the staff member co-operating “in order to achieve an agreed outcome” it means that those parties must co-operate with the objective of achieving an agreed outcome. It is not dependent upon an agreement being achieved and it does not bestow on the staff member a veto. The Regulations mandate a process, not an outcome. Furthermore, where CE and the relevant staff member have agreed a particular outcome, for example an agreement for exploitation between CE and a third party, Regulation 24 does not give the staff member a right to be consulted on, or a veto over, every commercial decision to be made within the scope of that agreement. Were it otherwise it would become difficult to run any normal commercial arrangement with third parties. Indeed we think that were staff members to have such wide-ranging powers, it could be a significant disincentive to third parties who might otherwise be tempted to invest in the results of Cambridge research. We do not believe the Regulations should be read that way. That would be to the long term disadvantage of both the University and its staff.

7. In our view, Regulation 24 requires CE and the staff member to enter into bona fide discussions with the aim of achieving an agreed outcome. The views of the originator of the research are to be given great weight. The Regulation requires the member of staff and CE to keep each other informed and to co-operate fully. The word “fully” clearly governs the obligation on the parties to co-operate. Whilst, as a matter of grammar, it may not also govern their obligation to keep each other informed, in our view full co-operation involves not just bona fide discussion but also an obligation to keep each other fully informed of any significant factor which can be or is likely to be taken into account in determining how the research is to be exploited. Full co-operation involves the parties being on as near an equal footing as possible as far as knowledge of relevant facts is concerned. Furthermore such disclosure must be done at a time which gives the disclosee a reasonable opportunity to make a proper assessment, to respond and, where suitable, to make counter-proposals. Save in cases of necessary urgency, the disclosee must also be informed sufficiently in advance to enable him or her to properly consider the implications of what is being proposed by CE, to formulate and properly present a response. We emphasise that the obligation of disclosure only applies to significant factors. It does not mean that the parties are obliged to disclose trivial matters to each other.
8. We accept that situations may arise where full disclosure may not be possible. For example it may not always be possible where defence related research is involved. Similarly, occasions may arise where disclosure of some information may put the discloser at significant risk of being in breach of a legal obligation to some third party. In such cases, the discloser must indicate to the other party the nature of the restraint. Once again this must be done in sufficient time to allow the disclosee to express informed views on the claimed restriction and to suggest ways in which it can be avoided or its effect minimised. For example, if commercially sensitive information is involved, the disclosee may be able to suggest a reasonable compromise whereby the information is disclosed to an independent third party acting on her or his behalf who can express views to the disclosee without the need to disclose the confidential information to her or him.

9. In addition to this, we believe that Regulation 24 obliges both CE and members of staff to avoid, wherever possible, entering into arrangements which would hinder their ability to comply with their duty to make full disclosure of relevant information. A party should take reasonable steps to ensure that third parties do not impose restraints on the disclosure of relevant information or, where such restraints are unavoidable, that they are no more extensive than necessary.
10. In any case where there is a reference to the Referee under the Regulations and it appears that significant relevant information has been withheld from one of the parties by the other, the onus is on the withholding party to demonstrate that the information was not significant, that there was a binding obligation not to disclose it or that no reasonable alternative mechanism could have been put in place which would have allowed the disclosee or someone acting on her or his behalf to have access to all or some of the information.

The Nature of the Appeal under Regulation 34

11. The Regulations say very little about the nature of or the procedure to be followed on an appeal. Indeed the Regulations say very little about the way in which the proceedings before the Referee must be conducted. Although the parties were represented or assisted before us by legal representatives, and we are grateful for their contribution, there is no requirement that there will be legal representation either before the Referee or the Tribunal. Whether such representation is present or not, we think that the procedure should be as informal as possible, consistent with conducting a fair investigation of the issues raised by the parties. In this case the Interim Chairman of the Panel of Referees gave the following directions as to the conduct of the oral proceedings before him:
 - 1) “At his or her discretion the University Technology Referee (the Referee) may hold a hearing.
 - 2) The hearing shall be held in private, unless the Referee directs otherwise.
 - 3) All parties to the dispute are normally entitled to be present and to be represented.
 - 4) The Referee will, so far as it appears to be appropriate, seek to avoid formality and is not bound by any enactment or rule of law relating to the admissibility of evidence in proceedings before the courts of law.
 - 5) The Referee will make such inquiries of persons appearing before him or her and witnesses as he or she considers appropriate, and shall otherwise conduct the hearing in such manner as he or she considers most appropriate for the clarification of the issues and generally to the just handling of the proceedings. The Referee may request evidence to be given in writing, or at the oral hearing, by any other member of the University staff, College Teaching Officer, College Research Fellow, or student, as the Referee sees fit.
 - 6) Subject to para (5), at the hearing a party shall be entitled to give evidence, to call witnesses, to question any witnesses, and to address the Referee.

- 7) If a party fails to attend or to be represented at the hearing, the Referee may, if that party is the complainant, dismissed the complaint, or, in any other case, dispose of the complaint in the absence of that party, or may adjourned the hearing to a later date; provided that before dismissing the complaint, the Referee shall consider the complainant's written notice, the comments of any other party and any other written evidence.
 - 8) Gowns need not be worn."
12. We think that those guidelines are sensible and, absent a special direction from the Tribunal, should apply, mutatis mutandis, to the hearing of any appeal. This is subject to a number of qualifications or refinements set out below.
 13. First we think that fairness to the parties requires that each should disclose to the other all major arguments, evidence and all documents to be relied on well in advance of the hearing, whether that be before the Referee or the Tribunal. Although the Referee and Tribunal must have a discretion to allow additional arguments, evidence and documents to be produced during the hearing, the approach to be adopted should be that each party must be made aware of all the issues to be raised by the other at the hearing so as to avoid being taken by surprise. In the case of an appeal, the respondent party must provide its written response to the appellant's case well in advance of the hearing. That was not done in this case with the result that the appellant was left to choose between asking for an adjournment of the hearing or agreeing to continue but with little time to absorb and analyse the respondent's arguments. In this case the appellant chose not to ask for an adjournment and, we believe, he was not appreciably disadvantaged by the late submission of the respondent's response. Nevertheless the late submission of the latter document should have been avoided.
 14. A further issue raised was the nature of the appeal itself. Mr Howe QC drew our attention to a number of court decisions all of which were used in support of a submission that the Tribunal could not overturn or should be very wary of overturning the decision of the Referee. We do not regard those cases as particularly useful. As we have said already, this appeal should be conducted with as much informality as possible. There are no strict rules excluding the deployment of new evidence, documents or arguments on the appeal although, as mentioned above, if new material is to be relied on, adequate advance notice should be given. Consistent with this, our view is that an appeal is to be regarded as a rehearing but the decision of the Referee shall be treated with considerable respect. The Tribunal is free to disagree with the Referee on any issue of fact but it should not do so unless confident that the Referee has erred.

Professor Sir Hugh Laddie

Professor David Feldman FBA

Mr James Matheson

Date: 22 June 2007

ANNEX A

1. At paragraphs 8 to 23 of his Adjudication the Referee sets out the facts relating to the FFC Cambridge Process (the Process) which had been invented by Professor Fray, Dr Farthing and Dr Cheng. The Process can be used for the electro-deoxidation of titanium and other metals. Save in relation to one issue, considered below, it was not suggested that the Referee's account was inaccurate. We set out below the facts which we consider most relevant to the issues before us. Almost in their entirety they are derived from the Referee's Adjudication.

The facts

2. BTi, a company of which Professor Fray has been a director since 1998, was granted an exclusive worldwide sublicense for the production of titanium and titanium alloys using the Process. The head licence was owned by QuinetiQ Ltd (QQ).
3. BTi, with the active participation of Professor Fray, raised considerable sums to finance and develop the Process as applied to titanium extraction. This involved, amongst other things, obtaining substantial grants from US Defence Agencies and entering into detailed discussions with Norsk Hydro.
4. A second company, now called Metalysis, was created by Professor Fray to develop and exploit the non-titanium applications of the Process. Professor Fray was on the board of Metalysis until 2005.
5. In 2004, Metalysis proposed to CE that it should acquire the QQ head licence.
6. This proposal was discussed with Professor Fray in early 2005. He gave his consent. The Head Licence was transferred to Metalysis by an agreement dated 8 March 2005. Clause 5 provided that Metalysis "will act fairly and in good faith" and also that it "will not exercise its rights in any manner which would adversely affect the rights of BTi in their capacity of sub-licensee without the prior written consent of CUTS, such consent not to be unreasonably withheld."
7. Professor Fray agreed to this as a result of an assurance given by Dr David Secher, then Director of the Research Services Division and of CUTS, that the terms of QQ's licence and any sub-licences would remain unchanged.
8. On or about 18 July 2005, Metalysis sent a letter to CE. Apparently, among other things, it stated that Metalysis wanted to terminate the QQ Head Licence and to terminate BTi's exclusive licence and to replace it with a non-exclusive one on different terms. It requested consent to this pursuant to Clause 5 of the March Agreement (see paragraph 6 above). It should be noted that neither Professor Fray nor any member of his team, the Referee or the Tribunal has seen that letter. It is said that the reason for this is the alleged commercial sensitivity of some of the information in it. Metalysis also asked that their request for consent under Clause 5 should not be disclosed to BTi.
9. Professor Leslie, the Pro-Vice Chancellor for Research, became involved in this matter in October 2005. He decided that BTi and Professor Fray should be told of Metalysis' proposal. This was done at a meeting with Professor Fray on 9 November. Professor Fray objected strongly to the proposal.

10. Professor Leslie decided that an independent opinion should be sought about the state of exploitation of the technology within Metalysis and BTi. It was decided to appoint John Lee, through his company Odyssey Ventures Ltd, to give that opinion. He was given 5 days to complete his review. According to Professor Leslie's statement (Paragraph 8) it was intended that the opinion would be confidential. Professor Fray was not consulted on the identity of the person who would carry out the review. He claims that Mr Lee was neither adequately qualified nor sufficiently independent.
11. Professor Fray, the Referee and the Tribunal have not seen Mr Lee's report. This is stated to be because the report contains confidential information relating to Metalysis which the latter company was not willing to disclose to Professor Fray who is a director of BTi. Mr Lee declined to consent to the report being produced by CE to the Referee and he declined to consent to the report being produced to the Tribunal.
12. CE's proposed action on the basis of the report was not discussed with Professor Fray.
13. In a letter of 6 December 2005 consent under Clause 5 of the March Agreement was given. It was, apparently, subject to various conditions including (i) that Metalysis grant BTi a non-exclusive sub-licence containing terms imposing performance criteria on BTi and its sublicensees, and (ii) Metalysis would provide reasonable support to BTi in order to enable BTi to conclude its proposed joint venture with Norsk. It is not suggested that these terms were discussed with or agreed to by Professor Fray.
14. By e-mail dated 9 December 2005, Professor Leslie informed Professor Fray that consent had been given for the licence to be transferred from QQ to Metalysis.
15. By letter dated 12 December 2005 Metalysis gave notice terminating the QQ Head Licence. QQ then terminated the exclusive BTi sub-licence. BTi was not willing to enter into negotiations for a non-exclusive licence, which was all that was on offer to it. It was advised that the removal of the exclusive rights and replacement by non-exclusive ones would reduce the company's value by 90-95%. BTi started legal proceedings in the High Court against QQ and Metalysis. Among other things it alleged breach of contract and conspiracy. Those proceedings have never reached a determination because BTi has gone into administration.
16. The Referee ended his recital of the facts with two paragraphs which we think are worth setting out in their entirety:
 - '22. It is not disputed that the purported termination of the BTi exclusive sub-licence has had disastrous effects for that company which without a licence cannot raise funds. A number of investors have written to the Vice-Chancellor expressing their dismay that the University consented to the termination of BTi's sub-licence, which has caused them substantial losses. Moreover the letter from the US Naval Research Laboratory to the Vice-Chancellor expresses disappointment at the actions of CE, given the very considerable investment in BTi and the University of Cambridge by the US Government, and states that this "devastating detour" for the FFC Cambridge Process can only benefit the competition from competing forces to develop both conventional and rival processes. Professor Fray stated that as a result of the withdrawal of the licence, NASA has put contracts with BTi "into abeyance". The general tenor of all the comments from third parties is that the actions of CE have caused substantial damage to the reputation of the University of

Cambridge because of the loss of confidence in its stewardship of this technology.

23. Professor Fray alleges, and I accept, that these events have also had a substantial adverse impact on his professional reputation and his position as a University staff member. As the principal inventor of the FFC Cambridge Process he has the most to gain professionally from its success. His research group is roughly equally divided between those working on BTi-related projects and those on Metalysis-related projects. He has had to split the research group and cancel all seminars to prevent the sharing of information, so causing a great deal of disquiet among researchers. In his letter dated the 30 June 2006, Dr Schwandt confirms that it was the combined efforts of the Department of Material Sciences, BTi and other industrial partners that secured the leading position in the highly competitive field of extractive metallurgy using molten salt methods. He states that “through the termination of the exclusive [BTi] licence, and the possible decline of [BTi], the co-operation between these entities will cease and this will cause an immeasurable loss of expertise and waste of resources.” Professor Fray’s professional reputation and credibility have also been affected by the fact that, in reliance on the assurance given by Dr Secher in 2005, he continued to give presentations about the FFC Cambridge Process to prospective investors in BTi and Metalysis, and now finds himself blamed by some BTi investors for their losses.’
17. This was the only passage in the Referee’s recital of facts which was sought to be qualified in any way. Before us, Professor Leslie asserted that there was likely to be damage to reputations whichever course was taken. By this we take him to mean that continuing with the status quo ante would also have caused some damage to reputation. We do not think that he was suggesting that this damage would have been to Professor Fray. We assume that he was tying this statement into the belief that, were the status quo to continue, there was a considerable risk that the Process would not be exploited properly and this would be damaging to the University’s reputation. This issue was not developed before us, nor was Professor Leslie’s statement challenged. We proceed on the basis that there were reasonable grounds to fear that some damage might be caused to the University if the status quo had been allowed to continue.

The issues

18. In his written Appeal dated 6 October 2006, Professor Fray sets out a considerable number of criticisms of the Referee’s Adjudication. We set out below a précis of what we consider to be the more important allegations and issues:
- (i) The Referee was in error in holding that the obligations owed to him are subject to the University’s legal obligations to third parties. It is for the University to avoid putting itself into a position where its contractual duties to third parties conflict with duties to members of staff. [Paragraph 8]
 - (ii) Professor Fray should have been told of Metalysis’ plans in July 2005, not 4 months later. [Paragraph 10]

- (iii) There was no co-operation of any sort between Professor Fray and CE in relation to the change of the fundamental basis upon which he had always envisaged the commercialisation of the titanium aspect of the Process would be carried out. [Paragraph 19]
- (iv) If Metalysis and CE were planning to terminate BTi's licence come what may, then this was a conspiracy. CE did not act in good faith. [Paragraphs 19, 57 to 82]
- (v) CE had considerable discussions with Metalysis in relation to the exploitation of the production of Titanium using the Process. Professor Fray was not party to, or kept informed about, any of these negotiations nor did CE at any time seek his co-operation in relation to achieving what had previously been agreed as the way forward for the development of this technology. [Paragraph 21]
- (vi) Professor Fray was not told the reasons for the appointment of Mr Lee, nor was he consulted as to who should be appointed as a consultant, nor that the future of the BTi exclusive licence was dependent on it. [Paragraphs 26, 35, 38 and 41]
- (vii) CE was under a continuing duty to keep Professor Fray informed. He does not recall CE having any communication with him relating to the Process between March 2005, the transfer of the QQ Head Licence to Metalysis, and November 2005, a period of 8 months during which fundamental decisions on the technology were taken in secret. [Paragraphs 28 and 30]
- (viii) The Referee was wrong to conclude that CE acted in good faith in acting on Mr Lee's report. He should not have speculated upon what may or may not be in the report. He should not have concluded that Mr Lee's report was a satisfactory risk analysis since he did not see the report himself. [Paragraphs 40 and 58]
- (ix) Professor Fray would have been willing to discuss alternative ways forward but there was no co-operation. [Paragraphs 48 and 49]
- (x) The Referee was in error in saying that CE's room for manoeuvre was constrained by time. The full extent of what was being proposed by Metalysis had been known by CE since at least 18 July 2005 if not before. One thing that CE should have done but did not was to discuss the proposals with him. [Paragraph 54]

Conclusions

19. We think it appropriate to start by considering an argument which was prominent during the hearing before us, namely that CE did not act in good faith in its dealings with Professor Fray. Consistent with the written case, Mr Craig said that the arrangement with Metalysis and the way Professor Fray was treated was evidence of a "carve up" designed to get rid of BTi.
20. An allegation of lack of good faith is a strong one to make. It must be supported by commensurately strong evidence. We have seen no such strong evidence here. Professor Fray's strong objection to what has happened to the exploitation of the

Process has led him to string together a number of facts from which we were asked to infer that CE's objective was to ignore his views and to terminate BTi's exclusive licence. That would have been consistent with Metalysis' approach which, it should be remembered, was to suggest that Professor Fray should not be told of what was planned. However we do not think that it would be right to infer bad faith on the part of CE. One of the features of this dispute is the lack of contemporaneous correspondence between CE and Metalysis. This inevitably makes it very difficult to assess what the motivation of the parties was at the time. However it would not be right to fill the lacunae by assuming that CE acted with improper motives.

21. We also wish to dispose at an early stage of a wide ranging argument advanced by CE. It was said that the Regulations "cannot override contractual or other duties owed by the University, CE or CUTS to third parties" (Skeleton Argument paragraph 33). We think this statement goes too far. We can illustrate this with an extreme example. Assume that a third party enters into an agreement with the University under which the latter agrees, for a fee, not to honour its obligations to a member of staff under the Regulations. Any such contract could not override the Regulation 24 obligation. It may well be that contractual obligations owed to the third party will be a factor which will need to be taken into account in determining how the University exploits the technology but it cannot alter its duty to keep the member of staff informed and to co-operate fully with a view to achieving an agreed outcome. If the University enters into an agreement which, if complied with, obliges it not to honour its obligations under Regulation 24, it will have to decide which of the incompatible obligations - to the third party or the member of staff - it will comply with. Either way will result in it being in breach to one or other party. That would be a dilemma of its own creation. We refer back to paragraph 9 of the open part of this Decision which sets out our view that parties should avoid, wherever possible, entering into agreements which would hinder their ability to comply with their duty to make full disclosure of relevant information.
22. The above paragraphs set the background against which Professor Fray's case should be assessed. We think that a useful way of gauging whether what happened in this case was a proper compliance with the University's obligations under Regulation 24 would be to consider what, absent any complicating factors, would have been expected of the University had Metalysis simply asked for permission to terminate BTi's exclusive licence and replace it by a non-exclusive one.
23. First we must categorise the significance of the proposed change in the licence. We refer to paragraphs 16 and 17 above. Professor Fray's assessment referred to there is fair. We have heard nothing to challenge it. What was being proposed would take away from BTi the exclusive right to exploit the Process in the titanium field and to share it with Metalysis, a company which was not only a competitor but with which BTi had a strained relationship. It must have been apparent, at the very least, that this could have had a drastic adverse affect on BTi's ability to exploit the technology and Professor Fray's ability or willingness to cooperate fully in developing the Process. This was not a minor commercial adjustment but one which went to the very heart of the way in which the Process was to be exploited. It falls squarely within the sort of matter covered by Regulation 24.
24. Since this is so, what could Professor Fray expect? Regulation 24 promises that the University will keep the staff member informed and shall co-operate fully in order to achieve an agreed outcome. We have stated what we believe this obligation means in the open part of this Decision, particularly at paragraph 7. We have come to the

conclusion that at an early stage Professor Fray should have been told of all the major factors which were likely to be taken into account in deciding whether permission to change the exclusive licence into a non-exclusive licence was to be given. This would have given Professor Fray sufficient time to respond and, if necessary, to put forward alternative proposals. Professor Fray's views would then have been considered and an attempt made to arrive at an outcome with which Professor Fray could agree.

25. It is apparent that almost none of this occurred. CE relies upon the fact that consent to the termination of BTi's licence could not be unreasonably refused. But this does not mean that CE was a mere rubber stamp. Metalysis did not have an entitlement to terminate BTi's exclusive rights. CE had real power to refuse the permission sought, the only restriction being that any such refusal had to be based on reasonable grounds. This view is consistent with that taken by Professor Leslie in his Statement where, at Paragraph 6, he says that he took the view that "we could withhold consent and that a case would have to be made that withholding consent was unreasonable." It must follow that it was entirely appropriate for CE to discuss the issue with Professor Fray to determine whether or not permission should be given.
26. There is no dispute that CE knew of Metalysis' intention many months before the matter was raised with Professor Fray. In Paragraph 4 of his Statement, Professor Leslie refers to Metalysis' request for consent to its proposed transaction and its request that the matter be kept confidential from BTi and Professor Fray. He says that he felt it was unreasonable to proceed without telling both of them. We believe that his assessment was correct. However there is no explanation whatsoever for the months of delay between the request and its disclosure to Professor Fray on 9 November. Perhaps had the whole timetable been relaxed, this delay would have been of little consequence. But that is not the case here. Months were allowed to pass before Professor Fray was notified of the request to terminate the exclusive licence but the period between such notification and permission being granted was very short. We do not consider this to be in accordance with what could reasonably be expected under the Regulations. There is a possibility that, had Professor Fray been told of all the factors being taken into consideration, he may have had enough time even in the few weeks after 9 November to put forward a fully reasoned and supported response and make alternative suggestions. However, as considered more fully below, he was not so told. The result was that his ability to respond to the disclosure of Metalysis' intention was significantly compromised.
27. This leads us to the issue of whether or not CE met the obligation to keep Professor Fray informed. There is no dispute that Professor Fray was not told what facts and arguments were advanced by Metalysis, was not told what the contents of Mr Lee's report were and therefore had very little information as to what were the factors which CE took into account in deciding to exercise its power to consent to the termination of BTi's exclusive licence. On its face, this does not appear to be compliance with the Regulation 24 obligation.
28. The Referee held that CE was in error in failing to consult Professor Fray on the selection and appointment of Mr Lee. We agree with that criticism, but we think that it is not the central issue. Professor Fray was informed that Professor Leslie was "in the process of appointing an external consultant to look into the performance of BTi, to help decide whether or not to go with Metalysis' proposal" in a brief email dated 15 November. The email also said that Professor Leslie had a deadline of 9 December by which to make a decision. In fact, Professor Leslie made his decision on 6 December. The latter was based, so we understand, at least in part on the recommendations in Mr

Lee's report which is dated 2 December. Although the email gave Professor Fray an opportunity to comment, it was woefully deficient in giving him information about the matters which might influence Professor Leslie's decision. It refers only to an inquiry into BTi's performance. But more than that, it effectively gave Professor Fray just a few days to muster his arguments and supporting material. This is to be compared with the months that Metalysis had already had to prepare its case.

29. It seems to us that in deciding whether to give consent, CE was entitled to take into account any relevant factors and that Professor Fray should have been put in a position to address them. Important factors were (i) what was likely to be best in the interests of commercial exploitation of the Process, (ii) what was likely to be in the interests of the long term reputation of the University and its key researchers and (iii) what, if any, alternative commercial arrangements could have been put in place which would secure better exploitation without, in effect, destroying one of the current licensees of the Process, namely BTi. Furthermore the first of these involves consideration not only of which licensee or licensees were best run commercially but also which were most technically competent and most likely to develop the Process satisfactorily. We do not think that the former can be decided without regard to the latter.
30. CE argues that, because of Metalysis' objections, it was not possible for Professor Fray to be told of any of the matters disclosed to it by the latter company. We draw attention to paragraphs 8 to 10 of the open part of this Decision. It is for CE to demonstrate that it took all reasonable steps to ensure that third parties do not impose restraints on the disclosure of relevant information or, where such restraints are unavoidable, that they are no more extensive than necessary. Furthermore, unless there are pressing reasons to the contrary, the member of staff must be allowed the option of putting forward alternative procedures which would allow him to make an effective response, for example by having allegedly sensitive material disclosed to an independent third party acting on his or her behalf. It is impossible to know whether CE attempted to challenge or restrict Metalysis' determination to keep Professor Fray in the dark. The only exception to this was CE's belated decision not to accede to Metalysis' desire not to tell Professor Fray about the proposed termination of the exclusive licence. Save in relation to this issue, Professor Fray, the Referee and the Tribunal have no idea what was or was not discussed with Metalysis and no idea whether any attempt was made to ensure that some or all of the relevant information was disclosed to Professor Fray. It follows that CE has not demonstrated that it was relevantly and necessarily prevented from keeping Professor Fray properly informed.
31. The Referee stated that he was satisfied that CE acted in good faith and with due care in taking into account the risk analysis that Mr Lee had undertaken (see paragraph 35 of the Adjudication). Professor Fray criticises this conclusion. He says that it was impossible for the Referee to be satisfied if he neither knew what material was considered by Mr Lee nor had seen the latter's report. As explained in paragraph 20 of this Annex, the Tribunal does not consider that there is sufficiently cogent evidence to justify a finding of bad faith on the part of CE. The question for us at this point is whether the steps taken by CE in relation to and as a result of Mr Lee's report met CE's obligations under Regulation 24 to inform and co-operate fully with Professor Fray. Up to and including the hearing before the Tribunal, Mr Lee has refused to disclose his report or the material on which it was based. We, the Referee and Professor Fray have no way of knowing whether it is thorough, reasonable or compelling. Indeed none of us knows what its detailed recommendation was. We do not know whether it considered alternative methods of exploitation. We do not know

how firm or otherwise its recommendations were. In substance Professor Fray was excluded from considering and responding to the material put before Mr Lee and was excluded from considering and responding to Mr Lee's conclusions. Whatever CE's reasons for doing this, this falls short of compliance with Regulation 24.

32. What is clear is that Mr Lee was not asked to give a view as to whether refusal of consent to Metalysis' request would be reasonable. He was only asked to express a view as to the impact any such consent would have on the commercialisation of the Process (see Professor Leslie's Statement paragraph 10). Three points arise from this. First Professor Fray says that no proper evaluation of how best to exploit the Process could be made without an assessment of the technical competence of BTi and Metalysis. We suspect that this is correct. It is impossible to tell whether this is a matter which Mr Lee considered (although such material as is before us suggests it was not). This is a matter on which it would have been appropriate to seek Professor Fray's views. It does not appear that that was done.
33. Second, as mentioned above, one of the matters which CE could reasonably take into account was the likely impact of the cancellation of BTi's exclusive licence on the reputation both of the University and Professor Fray. If it was clear that such cancellation would have a significant adverse effect, we think that that could well have amounted to reasonable grounds for refusing consent. There is no material before us which indicates that CE considered this but, whether it did or not, it is clear that it was a matter on which Professor Fray had views. However, the course adopted by CE effectively denied him an opportunity to put forward his views on this subject.
34. Third, because of the course adopted, particularly the lack of substantial information given to Professor Fray and the timescale imposed on him, he was given no real opportunity to consider and put forward alternative commercial solutions. We believe that he should have been.
35. In summary, we have come to the conclusion that Professor Fray was not informed as early as he should have been of the proposal to change the way in which the Process was to be exploited, was not informed of the major factors which were to be taken into account in determining whether that change was to be sanctioned, and was not allowed any reasonable opportunity to put forward alternative possible methods of exploitation. The result of these failings is that it cannot be said that CE co-operated fully with Professor Fray as required by Regulation 24. CE has failed to discharge the onus on it to demonstrate that these failings were beyond its control. As a result we have come to the conclusion that this appeal should be allowed.
36. This brings us to the question of relief. In his Skeleton Argument Mr Howe says as follows:

“38. One important point is this: what relief does Prof Fray hope for from this appeal and what would be its practical value? Even if the Tribunal were to conclude that CE was in breach of its duties to Prof Fray under Regulation 24, it has no power to recall the letter of consent which was given by CUTS nor to revive the terminated licence agreement. The outcome of the appeal could only be, at best, moral satisfaction on the part of Prof Fray.”
37. Mr Craig does not dispute this, but moral satisfaction and vindication should not be dismissed as without value. Further, we take the view that this only serves to emphasise how unacceptable it was for CE to delay telling Professor Fray of

Metalysis' intention. It is that delay which, in large part, has prevented Professor Fray from using the procedures under the Regulation to achieve a more commercially significant outcome. It has helped deprive him of the practical value of his entitlement under Regulation 24.

Professor Sir Hugh Laddie

Professor David Feldman FBA

Mr James Matheson

Date: 22 June 2007