

19/11/84

PATENTS ACT 1977

IN THE MATTER OF applications by
Electrocraft Consultants Ltd for
Compulsory Licences under Patents
No. 1286052 and 1506836 assigned
to Ultimatte Corporation.

PRELIMINARY DECISION

The proprietors of patents 1286052 and 1506836 allege that it is as the result of an error on the part of the Office that they failed to enter oppositions to the applications for compulsory licences within the time allowed and that accordingly under Rule 100 the Comptroller should permit oppositions to be filed out of time. The applicants contest this.

At a hearing before me on 17 October Mr M Ford appeared as agent for the proprietors and Mr J Drysdale appeared as counsel for the applicants.

The statements and evidence filed prior to 23 September 1982 in support of the applications made no reference to the terms of the compulsory licences sought. On 23 September 1982 an Official Letter was sent to the agents for the proprietors referring to Rule 70(3), enclosing copies of the applications and supporting documents and making clear that the applications would be published in the Journal on 13 October 1982. A copy of an Official letter of even date sent to the applicants' agents was also enclosed. This stated that prima facie cases had been admitted by the Comptroller.

On 11 January 1983 the agents for the proprietors filed a letter requesting an extension of two months for filing a counter-statement and evidence. The Office telephoned them to point out that no opposition had been entered and was informed that the patentees would not oppose. By their agents' letter of 12 May 1983 the applicants suggested a royalty of 3% for a non-exclusive licence. On 22 June 1983 an Official letter to the applicants, copied to the proprietors' agents, indicated that the Comptroller was prepared to order the grant of non-exclusive licences, that draft licences should be filed and that the Office could "at present see no good reason for the royalty to be set at such a low level". Draft licences referring to a royalty of 5% were filed by the applicants on 4 July 1983 and copied to the proprietors' agents.

The proprietors' agents then filed letters dated 4 and 5 July 1983 setting out their views on the terms of the licences and submitted in the later letter that the Office should set a timetable for filing evidence to be followed by a hearing. The applicants by their agents' letter of 13 July 1983 promptly made clear their view that the patentees had no right to be heard and that the Comptroller should not have to take account of the patentees' submissions.

After further letters from the two sides, the Office decided to resolve the position and issued its decision in form of an Official letter dated 18 August 1983. The main paragraph of this Official letter is as follows:-

"In accordance with Rule 71(1), the patentees had 3 months from 13 October 1982 in which to file an opposition under Section 52(1), a period which in view of Rule 110(1) and (2) the Comptroller has no discretion to extend. The patentees have accordingly lost their chance to oppose the applications for compulsory licences. The patentees now wish to enter the proceedings to contest the terms on which licences are to be granted. The terms of a licence and the grant of a licence are part and parcel of the same matter. What the patentees are now seeking to do is in effect to oppose the grant of a licence unless the terms are to their satisfaction. This they are not in a position to do, for in as far as they did not enter an opposition by 13 January 1983, they are not party to these proceedings. The right to be heard on matters of discretion arises from Section 101 and relates only to any party to a proceeding. Since the Comptroller has no discretion to extend the period for opposition and since the patentees are not party to the proceedings, the decision of the Comptroller is that the patentees should not be heard in respect of either their right to be heard or the terms in which a licence is to be granted. By not entering an opposition, the patentees have left it to the Comptroller to decide how he exercises his obligation to secure that "the inventor or other person beneficially entitled to a patent shall receive reasonable remuneration having regard to the nature of the invention"."

The proprietors have entered an appeal against this decision and in their notice of appeal at para 4 they set out a ground that did not arise from the above decision namely that their failure to oppose arose from an error by the Patent Office such that the Comptroller should invoke Rule 100 and allow them to enter an opposition. This being a new point that had not been put to the Office, the proprietors requested a decision on the matter from the Office before an appeal

was heard. This then is the matter that I must now deal with.

The proprietors say that the Office should not have accepted as adequate statements and evidence from the applicants that failed to make clear the terms of the licence that would be acceptable to the applicants. In support of this they refer to para 37, 58 of the Manual of Office Practice which reads:-

"The applicant for a licence should include, in his evidence, the precise terms of the licence he is seeking".

While they concede that the Manual is directed to the Patents Act 1949 they submit that the practice is equally applicable to the new Act and that there are no changes in the Act that should lead to a change of practice.

They concede that the case for the grant of a licence is strong and say that this they recognised early in the proceedings. Mr Ford said that the agent dealing with the case for the proprietors took the view that oppositions only related to the grant of a licence and that the proprietors had a right to file evidence and to be heard in respect of the terms of the licence even though they had filed no opposition. These last matters have been decided adversely to the proprietors in the above mentioned decision and so do not fall for decision now. Mr Ford submitted that had the Office followed the practice laid down in the Manual and obliged the applicants to include in their evidence and statement the terms they were seeking for the licence, the proprietor would have been alerted to the unacceptable nature of the terms offered and the proprietors' agents would have entered an opposition.

Mr Drysdale took the point that there was no evidence to establish the thinking of the proprietors or their agents at the time when an opposition could have been entered. This is a valid point but for the purpose of this decision I will assume the best case for the proprietors, that is, that had the statement or evidence set out ~~in~~ the terms sought, their agents would have realised the need to enter an opposition within the time limit imposed.

In my view the practice set out in the Manual is a good practice in that, if followed, it facilitates the progress of the application. Plainly it is advantageous to the applicants if the evidence filed deals with such matters as royalty because it facilitates the early grant of a licence and this, one must assume, is to the applicants' advantage. At the same time it is advantageous to the proprietors to know at the earliest point in the proceedings where the

... .. whether there is any point in opposing.

The Manual sets out the Office view of what practice is or ought to be. It does not have the force of law and the Comptroller has no sanction against any who fail to comply with the practice set out in the Manual except in so far as the sanction is prescribed by the Act or Rules.

Rule 68 reads:-

"An application under Section 48(1) shall be made on Patents Form 33/77 and should be accompanied by a statement of the facts upon which the applicant relies and evidence verifying the statement".

The forms, statements and evidence filed in respect of the two applications were formally in order.

The statements are similar. They state that each invention is a product and demand in the United Kingdom is being met by importation, and that each invention is capable of being commercially worked in the United Kingdom and is being prevented or hindered from being so worked by importation. They also make clear that the applicants wish to manufacture and have been notified of the existence of the patents.

In my view this constitutes a statement of the facts on which the applicant relies. In addition the applicants have filed statutory declarations and exhibits to the effect that the UK market for the inventions is being met by importation.

In my view it is plain that they have met in both applications the requirements of Rule 68 for I do not consider that Rule 68 can be interpreted as requiring the applicants to specify the terms of the licence they seek.

Rule 70(3) reads:-

"If upon the consideration of the evidence the Comptroller is satisfied that a prima facie case has been made out for the making of an order or entry, ..., he shall direct that the application shall be advertised in the Journal and shall send a copy of the applications, the statement and the evidence filed in support thereof to the proprietor of the patent ...".

In the present applications, an officer acting for the Comptroller looked at the evidence and the statements and concluded that a prima facie case had been made

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out on each application. Accordingly steps were taken to send the necessary information to the proprietors and to advertise. Rule 70(3) is to my mind a clear direction as to what the Comptroller must do once he is satisfied that a prima facie case exists and it does not leave him discretion to do anything else.

Rule 71(1) sets the time within which notice of opposition may be given as 3 months after the advertisement in accordance with Rule 70 and Rule 110(1) and (2) specifies that this period of 3 months is inextensible.

Mr Ford referred me to the case of Extrude Hone Corporations Patent No. 1106780 where he said the Office had dealt with the application for a compulsory licence properly and in a different manner from the present application. In that case he said that when the form, the statement and evidence had been filed, the Office looked at them and wrote to the applicants and amongst other things asked that the statement should refer to the nature of the order sought. He submitted that this procedure was in accordance with the Manual and should have been followed by the Office in the present applications.

In the Extrude Hone case the documents originally filed by the applicants were not formally in order. Signatures and an address had been omitted from Form 33/77 and the statement was unsigned so the Office had no alternative but to write to the applicants to get matters put right. At the same time the Office requested that the statement should specify the nature of the order sought and the applicants responded by indicating in the statement the royalty they were prepared to pay. That they did so facilitated the progress of the case but the Act or Rules did not require them to do so and did not oblige the Office to require them to do so. For this reason I do not think this last requirement would have been put to the applicants if the documents filed had been formally in order. In general the Office is averse to getting deeply involved in an ex parte proceeding where a prima facie case has been made out and there is a likelihood that proceedings will go on to be inter partes. As I see it then, the Extrude Hone case has no bearing on the present matter.

I am satisfied that in the present applications the Office acted in accordance with the Act and Rules and followed precisely the procedure set out in the Rules. The Manual of Practice related to the old Act and the old Rules. It set out what the Office regarded as proper practice at the time it was published. While I think there have been no changes of substance between the relevant Rules 112, 113 and 114 of the Patents Rules 1968 and the new Act Rules 68 and 70 it is arguable that the old Rule 114(1) which reads:

"If the Comptroller allows the application to proceed to advertisement, he shall direct the applicant to serve copies of the applications and of the evidence filed in support thereof upon the patentee ...",

might possibly be interpreted as leaving it to the Comptroller's discretion as to when advertisement should occur and so providing time which could be used to require a statement to be amplified to set out the nature of the licence sought. If this be so the Manual of Practice is not inconsistent with the old Rules although I am by no means clear what sanction could have been enforced if the applicant chose not to comply. The new Rules are more explicit in that Rule 70(3) requires the Comptroller to direct that the application be advertised if he is satisfied that a prima facie case has been made out. Practice has to be changed to take account of alterations to the Act or Rules and precedents laid down by higher authority. In the present case I am satisfied that if the Office had asked the applicants to specify in their statement the royalty they were prepared to pay and the applicants had not complied, there would have been no sanction that could have been enforced by the Office. Section 50(1)(b) of the Act says that in an applications for a compulsory licence the powers of the Comptroller shall be exercised to secure "that the inventor or other person beneficially entitled to a patent shall receive reasonable remuneration having regard to the nature of the invention". This lays an onus on the Comptroller to set a reasonable royalty, an onus that can not be shifted on to the parties concerned. In other words, whether or not the applicants file evidence or other information in respect of royalty, it is a matter that the Comptroller has to determine.

Rule 100 is as follows:-

"Any document filed in any proceedings before the Comptroller may, if he thinks fit, be amended, and any irregularity in procedure in or before the Patent Office may be rectified, on such terms as he may direct.

Provided that without prejudice to the Comptroller's powers to extend any times or periods under Rule 110 below and except where such irregularity is attributable wholly or in part to an error, default or omission on the part of the Patent Office the Comptroller shall not direct that any time or period specified in the Act or the 1949 Act or prescribed in these Rules or the Patents Rules 1968(a) as they continue to apply; ~~shall~~^{shall} be altered".

It is plain therefore since the period for filing an extension is inextensible in view of Rule 110 the failure of the proprietor to enter a notice of opposition in time can only be rectified if the failure can be attributed to an error, default or omission on the part of the Patent Office. For the reasons set out above I am satisfied that there has been no such error, default or omission in respect of these applications. I am fortified in this by precedent.

Mr Drysdale referred me to the judgement of the House of Lords in E's applications [1983] RPC 231. The judgement of Lord Diplock confirms the above interpretation of Rule 100 and states that "an irregularity in procedure is simply a failure to observe procedural rules". In my view the procedural rules are the Patents Rules and these have been complied with by the Office in this case. This judgement also made abundantly clear that the Office has no general discretion to rectify any injustice that arises from application of the Patents Rules or the Act. Even allowing for the fact that I have some sympathy for the proprietors in that they may have been misled by an inference drawn from the Manual of Practice, I have no discretion to extend the time for opposing except in the circumstances defined by Rule 100.

There is also a more recent judgement by the Patents Court in the matter of Application No. 80 04040 by Morgan-Ward Critchley and Co Ltd. Mr Justice Falconer rejected the applicants' submission in respect of Rule 100 in the following terms:-

"I do not accept this submission. The words of the proviso are "attributable wholly or in part to an error, default or omission on the part of the Office". There has been no error on the part of the Office; there has been no default by the Office in anything which the Office is required to do under the Statute or the Rules, nor has there been any omission to do anything that the Office is required to do under the Statute or the Rules".

I am satisfied that the above applies equally to the facts of the present applications.

Accordingly I decide that there has been no error, default or omission on the part of the Office such as could permit me to allow the proprietors to oppose the present applications out of time.

The above decision is in respect of a procedural matter and the period for appeal to the Patents Court is fourteen days from the date of this decision.

I award the applicants the sum of one hundred pounds as a contribution to their costs, this sum to be paid to them by the proprietors.

There is one other matter which for convenience I will now deal with. Mr Ford indicated that one of the proprietors' main concerns was that they be given an opportunity to comment on the draft licences. Mr Drysdale indicated that the applicants had no objection to the Comptroller taking account of any material filed by the proprietors providing the proprietors were not party to the proceedings. Since there is agreement on this and since in any case it is my view that in discharging the onus laid on me to ensure that the proprietors shall receive reasonable remuneration, it is open to me to consider any relevant information from any source, I allow the proprietors a period of six weeks to file such evidence or information relating to the terms of the licences as they wish, such evidence or information to be copied to the applicants who have six weeks from receipt in which to file their reply.

Thereafter I shall decide the terms of the licences on an ex parte basis giving the applicants the opportunity to be heard should they so request.

Dated this 19th day of January 1984

F J KEARLEY

Superintending Examiner
Acting for the Comptroller



PATENT OFFICE