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PATENTS ACT 1977

IN THE MATTER OF an application  
by British Aerospace Plc for the  
restoration of European Patent (UK) 0266073

**DECISION**

1. The renewal fee in respect of the ninth year of the patent fell due on 2 October 1995. The fee was not paid by the due date or during the further six months allowed under section 25(4) upon payment of the prescribed additional fee. The patent therefore lapsed on 2 October 1995. The application for restoration of the patent was filed on 10 April 1996 within the 19 months prescribed under rule 41(1)(a) for applying for restoration. After considering the evidence filed in support of the application for restoration an official letter issued on 3 September 1996 informing the proprietor that the Office was not satisfied that the requirement for restoration laid down in section 28(3)(a) had been met. The matter came before me at a hearing held on 29 November 1996. The applicant for restoration, British Aerospace Plc, was represented by Mr John Eastmond, the Intellectual Property Manager in the company's Intellectual Property Department, with special responsibility for the company's Military Aircraft Division. Mr Ian Sim attended on behalf of the Patent Office.

2. The evidence filed in support of the application for restoration consists of two statutory declarations by Mr Eastmond; one statutory declaration by Mr Raymond Hicks, the Patent Liaison Officer in the Advanced Studies Department of the Military Aircraft Division; one statutory declaration by Mr M J Sanders, the Resources and Facilities Manager in the Materials Engineering Department of the Military Aircraft Division; and one statutory declaration by Pamela Guess, the Intellectual Property Operations Manager in the Intellectual Property Department.

3. In 1993 the Military Aircraft Division introduced a system whereby individual departments within that Division would take "ownership" of their own portfolio of patents and patent applications. This did not mean that they owned the rights, as those rights were held centrally by British Aerospace Plc, but they were given full independent responsibility and budgets to prosecute the patent applications and to decide whether or not to maintain the patents in their own

individual portfolios.

4. "Ownership" of the subject patent was allocated to the Materials Engineering Department of the Military Aircraft Division at Warton. The decision to allocate "ownership" of the patent to that department was taken by the Military Aircraft Division's Intellectual Property Forum. The Forum is comprised of technical, commercial, legal, and intellectual property personnel from within the Military Aircraft Division who decide strategy with respect to patents and their exploitation.

5. The renewal system in place at the time the ninth year renewal fee fell due operates as follows. Mr Eastmond would send a "renewal inquiry form" to Mr Hicks. The form would contain a list of patents relating to a particular invention, i.e. the UK patent and any corresponding foreign patents. Mr Hicks would in turn consult the appropriate person in the department that had been assigned "ownership" of the patent to ascertain whether or not the renewal fee should be paid. He would then enter their decision on the renewal inquiry form which would then be returned to Mr Eastmond. Mr Eastmond would then instruct Pamela Guess who would then issue instructions to the annuity paying agency Dennemeyer & Co.

6. In the case of the ninth year renewal fee due on the subject patent, Mr Sanders issued Mr Hicks with instructions on 1 December 1994 *not* to pay the fee. Mr Hicks duly conveyed this instruction on 13 July 1995 to Mr Eastmond who in turn instructed Pamela Guess to inform Dennemeyer & Co not to pay the fee. Mr Eastmond explained to me that the instruction was not prompted by the issue of the standard renewal inquiry form but followed a review, undertaken within the Materials Engineering Department, of all the patents in their portfolio. The final decision to abandon the patent was made by the Head of that department based on a recommendation by Mr Sanders. The subject patent was one of a number of patents that the department decided to abandon and which was included on a list of patents deemed to be of no further commercial benefit.

7. After Dennemeyer & Co had been instructed to abandon the patent Mr Eastmond said that during a presentation he gave to staff in the Military Aircraft Division on 28 March 1996 he was

approached by Mr S H Johnston, the Chief of Manufacturing Technology in the Material Development Department at Samlesbury. I note that this department is referred to in Mr Eastmond's first statutory declaration as the Material and Manufacturing Section and in Mr Hicks' statutory declaration as the Manufacturing Technology department. However, for the purposes of this decision I shall refer to it as the Material Development Department as that was the name given to it by Mr Eastmond at the hearing. Having noticed that the patent was not listed in the Military Aircraft Division's Patents Portfolio brochure published in February 1996, Mr Johnston told Mr Eastmond that his department had been endeavouring to licence the patent. Mr Eastmond said that Mr Johnston had not alerted him sooner as he probably did not realise that a renewal fee was imminent. At that time the renewal fee could still have been paid with additional fees up to 2 April 1996, i.e. when the six month period allowed under section 25(4) expired. In his first statutory declaration Mr Eastmond said it was as a result of a consequential enquiry that it came to light that Mr Hicks had approached the Materials Engineering Department for instructions on maintenance of the patent and was unaware of the licensing attempts by the Material Development Department. At the hearing Mr Eastmond said that whilst they were able to pay the fees on the corresponding foreign patents, presumably because those fees fall due at the end of the month, they missed paying the renewal fee on the UK patent by a couple of days. Although Mr Eastmond said that the Easter period intervened it should be noted that the six month period expired before the Easter weekend.

8. In deciding whether or not the patent should be renewed the Materials Engineering Department did not consult other departments within the Military Aircraft Division and so was unaware of the licensing negotiations being pursued by the Material Development Department. Had they been aware of those negotiations there is little doubt that they would have realised that the patent was still of commercial value and would not have issued the instructions for it to be abandoned.

9. In his first statutory declaration Mr Eastmond said that the principal reason for the unintentional abandonment of the patent was the split of relevant information between sections on two separate sites, notably Warton and Samlesbury. During the hearing he also referred to the difficulties in inter-site communication. I am not particularly impressed by these points given the

type of advanced communication now available to companies particularly of the size and sophistication of British Aerospace Plc. Furthermore, if there were problems in consultation between the different sites it was incumbent on the company to resolve such difficulties and ensure that they did not jeopardise the maintenance of commercially viable patents.

10. At the hearing Mr Eastmond indicated that the failure to pay the renewal fee stemmed from the decision by the Intellectual Property Forum to allocated "ownership" of the patent to the Materials Engineering Department when it should have been allocated to the Material Development Department. However, he did admit that the Forum's decision was not arbitrary and guessed that they may have thought that the "stop-off" material, which is the subject of the patent, was associated with "super plastic forming diffusion bonding" which was an area of technology being developed by the Material Engineering Department. Thus it would appear that both departments could have had an interest in the patent and that the Intellectual Property Forum were not necessarily at fault in allocating "ownership" to the Materials Engineering Department. In fact, taking an hypothetical situation, Mr Eastmond admitted at the hearing that had responsibility for deciding whether or not to pay the renewal fee been allocated to the Material Development Department it is possible that that department could have decided to abandoned the patent if it had not been involved in licensing negotiations whereas the Materials Engineering Department may have wanted to maintain it had that department considered it applicable to exploitation work they might have been involved in at the time.

11. The fundamental problem, therefore, was not that responsibility for deciding whether or not to pay the renewal fee was allocated to the wrong department but that the system established by the proprietor did not allow for the fact that more than one department may have had an interest in the patent at the time it was due for renewal and should have been involved in the decision making process. Mr Eastmond acknowledged that this is a fault in the system which British Aerospace Plc intend to address by requiring Mr Hicks to carry out a wider second search, for possible interests within the Military Aircraft Division, following the receipt of each Patent Office rule 39(4) reminder letter.

12. There are two key facts that emerge from the evidence. Firstly, responsibility for deciding

whether or not to pay the ninth year renewal fee fell to the Materials Engineering Department and in particular the head of that department. Secondly, the Materials Engineering Department took a deliberate decision not to pay the ninth year renewal fee.

13. That then is the background. What I now have to decide is whether or not the proprietor has met the requirements for restoration as set out in Section 28(3) which provides:

"(3) If the comptroller is satisfied that -

(a) the proprietor of the patent took reasonable care to see that any renewal fee was paid within the prescribed period or that that fee and any prescribed additional fee were paid within the six months immediately following the end of that period,...

(b) ...

the comptroller shall by order restore the patent on payment of any unpaid renewal fee and any prescribed additional fee"

14. To demonstrate that reasonable care was taken to see that a renewal fee was paid an applicant for restoration should at least show that they had established an effective system to ensure the fee was paid in time. It is my opinion that the applicant failed to take reasonable care in this regard as the system they set up did not take into account the fact that in addition to the Material Engineering Department other departments, notably the Material Development Department, might have a commercial interest in maintaining the patent in force and hence should have been involved in deciding whether or not the renewal fee should be paid.

15. I think it is also appropriate, given the circumstances of this case, to consider the following comments on the proper construction of section 28(3) that were made by Morritt L J in expressing the Court of Appeal's decision in the reported case of Atlas Powder Co's Patent [1995] RPC 666 (pages 672 and 673):

"In my view it is necessarily implicit in the words "to see that" that the patentee should

intend or have taken some steps to ensure that the fee is paid, for otherwise there is no subject matter for the further enquiry whether or not sufficient was done to satisfy the test of reasonable care. A deliberate decision not to pay is inconsistent with that requirement and therefore precludes the enquiry which the sub-section enjoins".

"It cannot have been the intention of parliament that decisions not to renew should be capable of reconsideration on the grounds of mistake inducing that decision when the obligation is to use reasonable care to see that the fee is paid rather than to decide whether or not it should be paid."

"The result is that once a decision is reached by the patentee or his duly authorised agent not to pay the renewal fee for the patent in question the sub-section ceases to be applicable. Thus when the prescribed period has expired without any reconsideration of that decision there is no jurisdiction to order the restoration of the patent."

16. A petition to the House of Lords for leave to appeal against the Court of Appeal's decision on the Atlas Powder Co's case was recently rejected. Therefore the above comments provide an authoritative guide on the construction of the section 28(3). In fact the comments are particularly relevant to the present case as it is abundantly clear to me that the department within British Aerospace Plc with authority to decide whether or not to renew the patent took a deliberate decision not to pay the ninth year renewal fee albeit upon a lack of knowledge of the licensing negotiations being pursued by the Material Development Department.

17. I have also taken account of the fact that at the time Mr Eastmond was alerted to the licensing negotiations a few days remained in which to pay the renewal fee with additional fees. This offered the proprietor an opportunity to reconsider the abandonment decision and take steps to see that the patent was maintained. However, there is no evidence before me to suggest that prompt and effective action was taken to reverse the earlier decision and to ensure that the renewal fee was paid before it was too late.

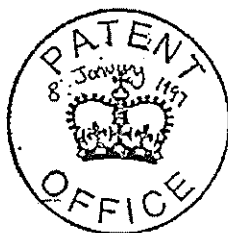
18. In conclusion, I am not convinced that the proprietor took reasonable care to see that the

renewal fee was paid and therefore I am not satisfied that the requirements of section 28(3) have been met. Accordingly I must refuse the application. Any appeal against this decision must be lodged within six weeks of the date of this decision.

Dated this 8<sup>th</sup> day of January 1997

M C WRIGHT

Grade 7, acting for the Comptroller



THE PATENT OFFICE