PATENTS ACT 1977

BLO/022/88

IN THE MATTER OF a reference under Section 37 by Havronics Telecommunications (International) Ltd in respect of Patent GB 2123193 in the name of James Ernest Gleave

DECISION

Havronics Telecommunications (International) Ltd, hereafter "Havronics", acknowledge that James Ernest Gleave was the inventor of the invention which is the subject of Patent 2123193 but claim that the invention belongs to them by virtue of Section 39(1)(b) and Mr Gleave's special responsibility to further their interests and have asked the Comptroller to determine whether the patent should be transferred to them. Mr Gleave denies that he was employed by Havronics or had any special responsibility to further their interests at the time the invention was made.

The matter came before me at a hearing on 21 October 1987 at which Mr Leslie Rundle appeared as Agent for the Referor (Havronics) and Mr Guy Burkill appeared a^ Counsel for the Patentee (Mr Gleave).

As a preliminary issue I considered the admission of additional evidence. The patentee alleged that certain of the referors' second round evidence was not strictly in reply and lodged a second statutory declaration by Mr Gleave which it was said concerned matters that he should have had the opportunity to deal with in his evidence in chief. In response the referors themselves produced further evidence in the form of a third statutory declaration by Mr Bone which exhibits a photocopy of a document alleged to be a Joint Venture Agreement for the setting up of Havronics. Unfortunately this copy is defective in certain respects and the original could not be produced at the hearing. No objection was raised to the patentee's additional evidence but Mr Burkill objected to the introduction of the exhibit to the referors' further evidence on the grounds that Mr Gleave did not recollect signing such an agreement and the copy produced was unsatisfactory

and incomplete. I accept that this document has to be treated with a certain degree of caution but since it is the only contemporary documentary evidence as to the legal relationship between Mr Gleave and Havronics I came to the conclusion that it was of great relevance to the questions I had to consider. I therefore admitted the additional evidence lodged by both parties.

Application 8316762 was filed by Mr Gleave on 20 June 1983 claiming priority from his earlier application 8217819 filed 19 June 1982. The application was published under the number GBA 2123193 on 25 January 1984 and the patent was granted and published on 11 December 1985.

The invention is concerned with a public address system in which loudspeaker stations connected to a common digital and audio highway are selectively controlled by digital signals transmitted from a central station. Each loudspeaker station is provided with its own digital processing circuitry which responds to commands addressed to it to switch its loudspeaker on and off. The volume of the loudspeaker when switched on is determined by a locally stored value which itself can be varied by appropriate digital commands. A loudspeaker station may include a microphone the output of which can be used to provide a digital response signal for transmission to the central station so that proper operation of the loudspeaker can be monitored.

The evidence shows that, following discussions between Messrs Derek Leonard Bassett, James Earnest Gleave and David Bone, Havronics was incorporated on 8 August 1978 the shares of the company being divided in the proportion 51:25:24 between the respective families with the Gleave and Bassett shares held in trust by Mr Bone. The solicitors who dealt with the setting up of the company initially acted as directors but resigned in favour of Mr Bone and Mr Peter Stewart Richardson on 19 September 1978. Mr Trevor Alan Nicholls replaced Mr Richardson as director on 3 April 1979, Mr R Llewellyn replaced Mr Nicholls on 13 March 1982 and Mr Gleave became a director on 25 November 1982 or in April 1983, there being some dispute on this point. At the time Havronics was incorporated Mr Gleave was employed in Norway by a third party and it was not

until about November 1979 that he was able to spend more of his time on Havronics' business, having by then left his previous employment, but before considering the relationship between Mr Gleave and Havronics, it is necessary to try to establish when in time the invention was made.

Mr Burkill said that Mr Gleave's evidence showed that the invention had already been made before the date on which Havronics had been incorporated and so could not belong to the company. Mr Gleave states that in February 1978 when the formation of Havronics was under consideration Mr Bone and Mr Bassett both knew he had invented a new concept relating to public address systems which might be patentable. Mr Bone denies that he was aware of this. Mr Rundle drew my attention to an undated description of the invention written by Mr Gleave which referred to the invention having been made in late 1979. Mr Burkill's explanation of this date was that it had been deliberately selected to indicate a date after Mr Gleave had left his previous employment. In my view late 1979 cannot be the date of making the invention since a full specification of the system was sent by Telecommunications Services, the style used by Mr Gleave for providing consulting services at that time, to Havronics with a covering letter dated 10 June 1979. In fact the earliest documentary evidence concerning the invention shows that detailed consideration of the manner of its implementation had occurred before 9 February 1979 and from this I am satisfied that the invention had been made by late 1978 or early 1979, but I am unable to determine whether it was made before or after the incorporation of Havronics on 8 August 1978.

Mr Gleave has given evidence as to the circumstances surrounding the making of the invention but the referors have produced no evidence concerning this matter. Since Section 7(4) states that unless the contrary is established a person making an application for a patent shall be taken to be the person entitled to the grant, the onus is on the referors to show that the invention was made after the incorporation of Havronics, and this they have failed to do. I therefore find that the referors have not made out their case, and that on the evidence before me there is a distinct possibility that the invention, which is of some technical

complexity, was made before the incorporation of Havronics and on that basis could not possibly belong to them solely by virtue of the provisions of Section 39.

Although this effectively determines the question put to the Comptroller the bulk of the evidence and argument at the hearing concerned the question of ownership had the invention been made after the incorporation of Havronics and I think it proper to indicate my views on this matter.

Mr Gleave did not formally become a director of Havronics until November 1982 at the earliest and before this date the relationship between the parties is in dispute. Mr Gleave says that he provided his services to Havronics on a consultancy basis initially under the style "Telecommunications Services" and later through "Crossflow Ltd" a Channel Islands company owned by him. Havronics say that these arrangements were merely designed to preserve Mr Gleave's anonymity and ameliorate his tax position, and that the true situation was that he was an employee of the company. There is very little evidence which goes towards establishing that Mr Gleave was an employee, and no evidence as to the existence of any contract of employment as seems to be required by the definition of "employee" in Section 130(1). What there is relates to dates subsequent to that by which the invention had been made. On the other hand there is clear evidence that Havronics were invoiced by Crossflow for the services of Mr Gleave and other consultants in March 1981.

Taking all of the evidence into account I have come to the conclusion that Mr Gleave was not employed by Havronics at the relevant time. This disposes of the argument that the invention belonged to Havronics by virtue of Section 39(1) since both subsections (a) and (b) relate solely to ownership of inventions made by employees.

A further consideration is that Section 43(2) limits the application of, inter alia, Section 39 to certain situations in which the employee is mainly employed in, or is attached to his employer's place of business in, the United Kingdom. I was not

addressed on this point but it seems from the evidence that during the period between the incorporation of Havronics, 8 August 1978, and the latest date by which the invention was made, 9 February 1979, Mr Gleave was living and working in Norway and on the face of it therefore it would seem that by virtue of Section 43(2) Section 39 is not applicable when determining the ownership of any invention made by Mr Gleave during this period even if he were employed by Havronics.

However it is still possible that Mr Gleave owed a fiduciary duty to Havronics, for example as a director of the company. As I mentioned above Mr Rundle accepted that Mr Gleave did not become a formal Director until September 1982 at the earliest. There is evidence to show that Mr Gleave identified himself to third parties variously as a director, the managing director, or the general manager of Havronics but in each case this was at least three years subsequent to the date of making the invention.

The evidence also shows that there were regular meetings between Messrs Bone, Bassett and Gleave at which company business was discussed. However as Mr Burkill pointed out these three were shareholders of the company and of the two directors required by the Joint Venture Agreement only one, Mr Bone, was present at these meetings which should therefore be considered to be meetings of the members of the company rather than of the board of directors. A further consideration is that all the meetings referred to in the evidence were held after September 1979. In this connection it should be noted that although in his evidence Mr Bone drew particular attention to the minutes of one meeting dated November 1978 it is clear from the contents of that document that this date is in error and should be November 1980. I have come to the conclusion that these meetings should not be considered to be board meetings and in any event they occurred after the making of the invention and so are not necessarily indicative of the situation at the relevant date.

I was referred to Halsbury's Laws of England Volume 7 paragraphs 475 to 477 which deal with the registration and identification of directors under the Companies Act 1948. It seems to me that under

most of these provisions Mr Gleave should not be considered to have been a director of Havronics at the relevant time. The only matter on which I think I should comment is that the Companies Act provides that for the purposes of the register a person in accordance with whose directions or instructions the directors of a company are accustomed to act is deemed to be a director and officer of the company but a person giving advice in a professional capacity on which the directors act is not deemed to be a director by reason only of that fact. Mr Gleave was a minority shareholder of the company and at the time the invention was made was living in Norway and was probably employed by a third party. There is no documentary evidence that at this time the directors of the company were accustomed to act in accordance with the directions or instructions of Mr Gleave and it seems unlikely to me that Mr Gleave could have been in a position to give such directions or instructions. Consequently it is my view based on the evidence at my disposal, that Mr Gleave was not a director of the company even under this provision. Mr Burkill also made the point, which I accept, that although a director, who need not necessarily be an employee, has a fiduciary duty to his company the same is not true of a shareholder.

There is no dispute that all the costs of making the patent applications have been borne by Havronics. In addition some considerable expense has been incurred by the company in developing a system incorporating the invention. The referors argued that these facts were indicative that Mr Gleave accepted that Havronics owned or had rights in the invention, but Mr Gleave denies any such acceptance or any intention on his part to assign the invention to Havronics. It may be that Havronics has some claim against Mr Gleave for these expenses but in the absence of any evidence that there was an agreement that the invention should be assigned to, or be held in trust for Havronics the right to apply for and to be granted a patent in respect of the invention remains with Mr Gleave. It should I think be placed on record that Mr Gleave has expressed willingness to licence the patent to Havronics for a reasonable royalty bearing in mind the financial contribution and investment made by Havronics.

To summarise therefore I conclude that the invention was made prior to 9 February 1979, and that between 8 August 1978 and this date Mr Gleave was neither employed by nor a director of Havronics. Consequently it is my belief that the provisions of Section 39(1) do not apply and that Mr Gleave owed no fiduciary duty to the company which might give them a right to the invention under common law. Thus it follows that whether the invention was made prior to or after 8 August 1978 it did not belong to Havronics and the patent was properly granted to Mr Gleave. I therefore decline to transfer the patent to the referors.

The patentee had asked for Mr Bone to be present at the hearing for cross-examination. In the event Mr Burkill decided that cross-examination of Mr Bone was not necessary and I refused an application by Mr Rundle late in the hearing to examine his own witness. Mr Rundle pointed out that certain unnecessary expense had been incurred in Mr Bone's attendance and asked that this should be taken into consideration in determining costs. I consider that this is a legitimate request and have made an appropriate deduction in determining the award of costs. I order that the proprietor of the patent, Mr Gleave, should receive the sum of £650 as a contribution to his costs this amount to be paid to him by the referors, Havronics Telecommunications (International) Ltd.

Dated this 29th day of December 1987

K E PANCHEN

Superintending Examiner, acting for the Comptroller

PATENT OFFICE