

re Wilson 3942

PATENTS ACT 1977

IN THE MATTER OF a reference to
the Comptroller under Section 37(1) by
K E Hopkinson in respect of UK Patent
Number 2206955 in the name of Eaton-
Williams Group Ltd

DECISION

The application for the patent in suit was filed on 3 December 1987 under the Patent Co-operation Treaty (PCT) as application number PCT/GB87/00870, nominating Great Britain as one of the designated states in which it was to have effect and claiming priority from an earlier GB national application number 8629644, filed on 11 December 1986. The applicant for all designated states (except the United States of America) was given as Cubit Manufacturing Limited of Unit 2, Industry Road, Carlton Industrial Estate, Barnsley, S71 3PQ, United Kingdom.

The application was published by the International Bureau of WIPO on 16 June 1988 and subsequently entered the UK national phase of processing (under Section 89 of the Act) in the name of the same applicant. A statement of inventorship filed at the Patent Office gave as the inventor Kenneth Edward Hopkinson, the referrer in the present proceedings. Derivation of Cubit Manufacturing Ltd's right to the invention was given in the statement of inventorship as by virtue of employment of the inventor by Cubit Manufacturing Ltd at the time the invention was made, in accordance with Section 39 of the Act.

According to an assignment document dated 26 July 1988 the application was assigned by the original applicant, Cubit Manufacturing Limited (hereinafter Cubit M), to Cubit Limited (hereinafter Cubit L) of Rutland House, 148 Edmund Street, Birmingham, B3 2JR. The assignment document was signed by K E Hopkinson as Director of Cubit M, J M Hopkinson as secretary of Cubit M and J H D Harrison as Director of Cubit L. The signature of the secretary of Cubit L is illegible but is probably a Mr R O Dauncey.

Under the terms of the assignment, transfer of rights in the application to Cubit L was pursuant to an agreement between the same parties and of even date. The assignment was found by the Patent Office to be prima facie in order and was duly recorded on the register of patents on 22 February 1989.

A UK patent was granted on the application with effect from 4 July 1990, but, due to an error on the part of the Patent Office, the certificate of grant and the front page of the granted patent (the 'B' document) gave Cubit M instead of Cubit L as patentees. The error was pointed out to the Patent Office by the agents for the new proprietors in their letter of 9 August 1990 and a corrected certificate and 'B' document front page were issued on 3 October 1990. Unfortunately, the address on the "corrected" front page was still given as that of Cubit M and that further error went unnoticed at the time.

A mortgage deed dated 2 July 1990 filed at the Patent Office on 1 May 1991 shows that the patent in suit was mortgaged to a company called "3i Plc".

According to a further assignment document dated 28 October 1991 and filed at the Patent Office on 13 January 1992, and following the filing of a Deed of Release from the mortgage, the patent in suit was assigned from Cubit L to Eaton-Williams Group Ltd who are the respondents in the present action.

On 28 January 1992 Mr K E Hopkinson referred to the Comptroller, under Section 37(1) of the Act, the question of whether the patent in suit rightfully belongs to Cubit M on the grounds that:-

- a. Cubit L were not registered at, nor operated from, the address shown on the front page of the granted patent (the address shown being that of Cubit M); and
- b. that a 15% shareholding for Mr Hopkinson in Cubit L, (allegedly forming part of the consideration in the aforesaid agreement) was never in place.

The matter came before me at a hearing on 20 April 1992 at which the referrer represented himself and the proprietors, Eaton-Williams Group Ltd, were represented by their patent agent, Mr D Crouch.

I note here that whilst the patent was originally in the name of Cubit M, it is Mr Hopkinson and not Cubit M who has made the reference. I was not addressed by either side on this point and so I make no finding in this regard.

Mr Hopkinson did not pursue the first ground mentioned above and I am satisfied from the Patent Office records of the proceedings on the case file that errors in the Patent Office were responsible for the Certificate of Grant and the original front page of the granted patent giving Cubit M as patentees and the "corrected" front page issued on 3 October 1990 correctly giving Cubit L as patentees but erroneously as having an address which was that of Cubit M. The Patent Office, having been satisfied that the assignment of the application was prima facie in order, should have granted the patent in suit in the name of Cubit L. I am further satisfied that, as the proprietors have submitted in their counterstatement, these errors have no bearing on the ownership of the patent.

At the hearing Mr Hopkinson took me through an unsigned copy of the aforesaid agreement (referrer's evidence, Document 22 'File B'), claiming that he had never been in possession of a signed copy. I observe that no signed copy of the agreement has been produced in evidence in these proceedings, but the referrer as I understand him, did not dispute that he and the other named parties did sign this agreement.

According to this agreement an assignment of the application for the patent in suit from Cubit M to Cubit L as appears at schedule 2 to the agreement, was to be executed in consideration of:

- a. a sum of thirty-six thousand pounds (£36,000) paid by Cubit L to Cubit M;
- b. appointment of the referrer as a director of Cubit L; and

c. allotment of 15% of the ordinary shares of Cubit L to the referrer as fully paid up shares.

The referrer does not allege any irregularities regarding paragraphs (a) and (b) of the agreement. Nor, as I understand it does he allege that the assignment document itself was not properly executed. Mr Hopkinson's argument, as I understand it, is that the 15% shareholding was never in place and, as a consequence, the assignment is either void or voidable by virtue of breach of the agreement.

In view of his unfamiliarity with such proceedings and with Mr Crouch's indulgence I gave the referrer considerable latitude at the hearing as to the manner in which he presented his case. In doing so, Mr Hopkinson took me in some detail through the history his association with Cubit L, not all of which was pertinent to the matter in dispute nor clear from the evidence on file. It will suffice for present purposes to identify the more significant events in this history but I would add that Mr Hopkinson's version of these events was not directly challenged by the proprietors.

Mr Hopkinson explained that the cost of processing the application in suit to grant was, in part, borne by Mr J H D Harrison, Managing Director of a company called "Shoptech Ltd" which at that time was to have an 85% share of the patent. Other arrangements were made subsequently for the sale of the application since it was Mr Harrison in his capacity as a director of Cubit L (rather than Shoptech) who was a signatory to the agreement and to the assignment transferring the application from Cubit M to Cubit L.

Companies House records (referrer's evidence, document 5, file B) show that Cubit L was originally a company called "Touchcall Ltd" whose name was changed to Cubit L in March 1988, shortly before the agreement. The referrer states in his evidence in chief (page 1, paragraph 6) that Cubit M allowed its trade name "CUBIT", to be used by the renamed company.

At the hearing, the referrer stated that he had assumed, having signed the agreement and assignment 'in a legal office' that the contracted 15% shareholding (of a total share capital

of £100) would be in place forthwith, but that he was unable to obtain proof of this even some considerable time after the agreement had been signed.

In support of this, Mr Hopkinson drew my attention to a search carried out on his behalf at Companies House on 29 September 1989 (referrer's evidence document 16, file B) which shows both the referrer and Mr J H D. Harrison as directors of Cubit L but Mr Harrison as having 98 of the total of 100 shares and Mr Hopkinson as having no shares. The report indicates that, at the date of the search, Cubit L had not yet made any annual return to Companies House. However, Mr Hopkinson conceded at the hearing that Cubit L's own register of shareholders, to which I will return later, did show him as having a 15% shareholding at this time.

The referrer stated at the hearing that he had unsuccessfully pressed Mr Harrison for a share certificate in support of his 15% shareholding but admitted that he had not done so until "well into the contract". Because the company appeared to be doing well he had not taken the matter further until he was made aware by Mr Harrison that the company had cash flow problems. Still unable to obtain a share certificate he then instituted the above search at Companies House. Mr Hopkinson alleges that in early 1990 he was approached by Mr Harrison to approve a refinancing deal and, although he continued to have doubts about the company's security, he eventually agreed to go ahead persuaded, in part, by the satisfaction of accountants and his solicitors with the situation.

No copy of the agreement on refinancing has been produced but it appears that it was based on a mortgage involving the patent in suit as security, thereby increasing the total share capital of the company. According to the deal, the referrers share of the revalued company was 7% and he was no longer to be employed as a director but was to be retained as a consultant. Correspondence concerning this arrangement appears in the referrers evidence, (file B documents 20, 21 and 29). The mortgage deed was dated 2 July 1990 and was recorded on the Register of Patents on 1 May 1991. There is no evidence, I might add, to suggest that at the time of the refinancing and adjustment of his shareholding Mr Hopkinson considered that the patent belonged to anyone other than Cubit L.

The share dealings associated with this re-financing also appear on various company records as will be apparent from what follows.

The referrer states in his evidence (paragraph 8, page 7 of evidence-in-chief) that he was not supplied with a share certificate for his original 15% shareholding until 29 June 1990, just before the refinancing deal, and that the certificate he was then given had only one signature, that of Mr J H D Harrison as secretary. The referrers evidence, document 15, file B shows that at the date given on the certificate (19 July 1988) a Mr R O Dauncey and not Mr Harrison was secretary. In support of his contention that the certificate was supplied late, the referrer has submitted in evidence a faxed copy of a share certificate (referrer's evidence, file B, doc 22) having only Mr Harrison's signature and marked with a fax transmission date of 13 June 1990. Mr Crouch submitted that the signing of the share certificate by Mr Harrison as secretary did not conclusively prove it was issued as late as the referrer maintains since the previous secretary (Mr R O Dauncey), whilst in office on the nominal certificate date, held the post only for a few weeks. I note here that document 15 (referrer's evidence file B) indicates that Mr Harrison took over as secretary as early as 29 July 1988, but it seems that this change was not registered at Companies House until 12 October 1988, but before the first annual return of Cubit L to Companies House was made. Whilst all this may indicate some irregularities in the supply of the certificate, it is not clear to me that it shows that the referrer could not have obtained a valid share certificate at some earlier date. Moreover, Mr Hopkinson appeared to concede that the lack of a proper certificate did not constitute proof that the shareholding was not in place and there is no evidence to suggest that his 15% shareholding in the company was ever denied.

A further search on behalf of the referrer at Companies House on 15 June 1990 (referrer's evidence, doc 17, file B), again just before the refinancing deal, shows a 15% shareholding for Mr Hopkinson, Mr Harrison's holding having been reduced to 85%. This search shows that Cubit L made an annual return to Companies House on 24 November 1989. A fresh share certificate (referrers evidence, file B, doc 23) for £10,000 shares in the name of the referrer was issued on 2 July 1990. The referrer is not alleging, as I understand it that this subsequent (7%) shareholding was never in place, but rather that it was effectively a new shareholding paid for by the incoming investment from "3i" and did not comprise any monies

from the original, disputed, shareholding. In support of this contention Mr Hopkinson directed my attention to his evidence in chief (documents 20 and 21 file B). This is an exchange of letters between the referrer and Mr Harrison concerning the 7% shareholding. Reference is made in Mr Harrison's letter (doc 21, para 4) to a 7% equity in Cubit L and not a reduction of 7% from 15%. However, in my view the passage is ambiguous and could refer to the mode of calculation of the shareholding rather than its origins.

Cubit L subsequently passed into receivership and the present proprietors purchased the patent-in-suit as part of the disposal of the assets from the receiver. A second assignment transferring ownership of the patent from Cubit L to Eaton-Williams Group was signed on 28 October 1991 and recorded on the Register of Patents on 23 April 1992.

The referrer stated at the hearing that on the advice of his solicitors he had attempted to obtain an injunction preventing the assignment of the patent-in-suit to Eaton-Williams Group Ltd on the basis that Cubit L were never the valid proprietors thereof. Mr Hopkinson admitted that the requested injunction had been refused by the judge on the grounds that the assignment from Cubit M to Cubit L and the disputed agreement had been duly signed and the evidence concerning the shares was unclear.

Both parties in the present dispute have submitted documents concerning the shareholdings in Cubit L over the period in question and, apart from the share certificate already discussed, the referrer's case appears to turn largely on the interpretation to be placed on them in the light of the events outlined above. I will now deal with these documents.

The first document is an uncertified copy of a Companies House form PUC2 (referrer's evidence, file B, doc 25). This concerns the allotment of shares of Cubit L made on 19 July 1988 (the date of the disputed share certificate) and shows that 98 of the 100 shares were allotted on that date to J H D Harrison. It shows no shares for Mr Hopkinson, is signed by Mr Harrison and dated 19 July 1988. The Companies House date stamp shows that this return was made on 9 August 1988. Whilst it is clear that the form was submitted to Companies House after the agreement giving Mr Hopkinson his 15% shareholding, it

purports only to show the position at a date before the agreement and in this respect does not seem to help the referrer's case.

The second document is a certified copy of an annual return of Cubit L to Companies House giving the shareholdings in the company as of 18 October 1989, that is after the agreement and before the refinancing package (Proprietors exhibit MDS4). The last page of the document gives an account of share transfers and shows that, on 18 July 1988 and 19 July 1988, 1 and 14 shares respectively were transferred, presumably from Mr J H D Harrison, to Mr K E Hopkinson. This return shows Messrs Harrison and Hopkinson as directors of Cubit L and bears both their signatures. The filing of this first return presumably generated the response of a 15% shareholding for the referrer when he requested the abovementioned further search at Companies House, and probably explains why the first search revealed no such shareholding.

Mr Hopkinson pointed out that this return bears two Companies' House date stamps; the first is 24 November 1989 and the second is indistinct but, according to Mr Hopkinson, is 18 May 1990. He stated at the hearing that this form was submitted the second time to Companies House because it was rejected on the first submission. According to the referrer, Mr Harrison had signed the form ready for re-submission but in the wrong place (that is the left hand side) and the referrer needed to blank out Mr Harrison's signature and oversign on the left hand side, leaving Mr Harrison to sign again (as company secretary) on the right hand side. Document 30 (file B) of the referrers evidence is said to represent the form as sent to the referrer for signature before resubmission to Companies House. Document 31 (referrer's evidence file B) is a letter which is alleged by the referrer to have accompanied the form. It is not clear to me why the form was initially rejected by Companies House, but it seems from the apparently "blanked out" right hand signature box (part of a signature is visible beneath Mr Hopkinson's) and the clear left hand box that the originally submitted form carried only one signature, probably that of Mr Harrison. In his evidence in chief (paragraph 4, page 3) the referrer alleges that no shares were shown in his name when this form was resubmitted, but the only evidence cited for this is document 18 of the referrer's evidence (file B) which appears to be part not of the return in question but of a further annual return dated 30 April 1991 and discussed below as "the fourth" document.

In his evidence in reply (paragraph 14) Mr Hopkinson asked that document MDS4 be set aside as not proving the validity of the 15% shareholding. This may or may not be the case but, to my mind, the document appears to do all it purports to do, that is set out the shareholdings as of 18 October 1989 exactly in accordance with the terms of the agreement. Furthermore the document establishes that Mr Hopkinson put his name to a statement which acknowledged a 15% shareholding for him at a date before that of the agreement. Whether the apparent late submission of this document to Companies House was entirely outside Mr Hopkinson's control is not clear since, on his own admission, he tolerated the alleged lack of documentation of Cubit L's affairs for some considerable time.

The third document is Cubit L's own register of shareholders, a certified copy of which appears as an exhibit MDS2 to the proprietor's evidence. I will consider this alongside the fourth and final document which is a further annual return of Cubit L to Companies House dated 30 April 1991, a certified copy of which appears as Document 32X in the referrer's evidence in reply.

In his reply evidence (paragraph 15) and at the hearing Mr Hopkinson asserted that, although it showed him as having a 15% shareholding as of 19 July 1988, the respondent's extract from the shareholders register was inaccurate since it was not in accordance with the last page of the further annual return, the latter showing no shareholding for him prior to the 10,000 shares following the refinancing deal. This last page had also been submitted as part of the referrer's evidence in chief (document 18, file B). On this point Mr Crouch drew my attention to the fact that two right hand columns of the annual return relate respectively to the number of shares transferred by the listed shareholders since the last return and the date of that transfer. This being so, it seems to me that the return and the register are in agreement. Mr Harrison is shown in both documents as transferring 14 shares on 19 July 1988. The remaining column of the annual return relating to the "Account of Shares" does show Mr Hopkinson with 10,000 shares (his 7% shareholding in the revalued company) and no previous shareholding. However, this is to be expected since the column is said on the form to relate to the total shares held on the date of the return, and this return was submitted after the restructuring of July 1990. Moreover, Mr Harrison's holding of 57,857 shares shown on the return represents his shareholding in the restructured company

and would not appear to me to be "incorrect" as Mr Hopkinson has asserted in his evidence in chief (paragraphs 10 and 11). Mr Crouch also pointed out that the total shareholding shown in this column amounts to a figure very close to the £142,000 that Mr Hopkinson cites as the overall value of the restructured company. Mr Hopkinson's 10,000 shares represent almost exactly 7% of this total. To my mind these documents show exactly what would be expected from the terms of the original agreement and the subsequent refinancing deal and, since there is no evidence to show that there were any irregularities in the creation of the shareholders register itself, I cannot see how they help Mr Hopkinson's case.

At the hearing Mr Crouch pointed out that the 15% was an equity shareholding which he submitted was always open to the referrer to regularise by means of a court order at anytime after the agreement was signed. Notwithstanding the agreement Cubit L would always have some equitable rights in the patent in suit by virtue of the financial assistance for prosecution of the application, given to Cubit M by Mr Harrison. Mr Crouch conceded that there were probably some irregularities in the paperwork concerning Cubit L's shareholders but maintained that this would not be such as to invalidate Mr Hopkinson's claim to his shareholding. He submitted that, on the contrary, the referrer's role in regularising the paperwork before the restructuring deal was itself an admission on his part that this could be done. He also pointed out that there was no dispute that other terms of the agreement, particularly the £36,000 paid by Cubit L to Cubit M, which far exceeded the initial value of the referrer's shareholding, were carried out, so the proper remedy for the referrer to seek was not a transfer of the patent back to Cubit M but an award of compensation.

Reviewing all the evidence before me it seems that there may have been some delays in creating a full and proper documentation of Cubit L's affairs, a point which Mr Crouch readily conceded at the hearing, and a situation which is probably not uncommon in such small companies. Beyond this, as I have indicated earlier, I find myself unable to share Mr Hopkinson's view that the documents to which I have referred indicate a contractual default on the part of Cubit L in not assigning to Mr Hopkinson his 15% shareholding. Moreover, I am not clear how far the situation regarding poor documentation was beyond Mr Hopkinson's influence. In Section 37 proceedings the onus is on the referrer to make out a convincing case. In the present circumstances this would have entailed showing

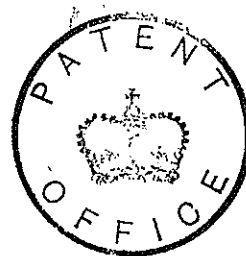
conclusively that, having signed the agreement, the terms of the agreement had not been fulfilled. This I find he has failed to do.

Accordingly I conclude that Mr Hopkinson has not discharged the onus upon him and I therefore dismiss the reference and confirm that the patent continues to stand in the name of the current proprietors Eaton-Williams Group Ltd.

Mr Crouch asked for an award of costs. I direct that an award in the sum of £600 (six hundred pounds) be paid by Mr K E Hopkinson to Messrs Eaton-Williams Group Ltd as a contribution towards these costs.

Dated this 7 day of JUNE 1993

P. J. Herbert



P J HERBERT

Superintending Examiner, acting for the Comptroller

THE PATENT OFFICE