

PATENTS ACT 1977

IN THE MATTER OF an application by
William Bain & Co Ltd for the restoration of
Patent No 2076038

DECISION

The renewal fee for the tenth year of the patent fell due on 21 May 1990. The fee was not paid by the due date or during the following six months as allowed under section 25(4). As a result, the patent lapsed on 21 May 1990 and the provisions of section 28 as originally enacted therefore apply. The application for restoration was filed on 17 May 1991, within the period allowed under section 28(1).

The Office having expressed the view that it was not satisfied that the requirement of section 28(3)(a) was satisfied, a hearing was requested and the matter eventually came before me on 24 September 1993. The applicant for restoration was represented by Mr C D Whittle of counsel, and Mr M C Wright attended on behalf of the Office.

William Bain & Co Ltd (hereafter Bain) became proprietors of the patent by virtue of an assignment (dated 25 July 1983) from Michael Joseph King, the inventor named in the patent application. The agreement giving effect to the assignment also provided for the payment of royalties to Mr King by Bain for their use of the patented invention, and required the agreement of Mr King before Bain could re-assign the patent to another party. Bain, through subsidiary companies, in fact made use of the invention, which relates to a form of security barrier known as "Turnspike", and paid royalties to Mr King.

However, in early 1989 Bain decided to sell their construction and engineering subsidiary companies (IBCSL and Bain Fencing), together with the patent which was of importance to that side of their business. The purchaser was Andrew Dick (Holdings) Ltd (hereafter Dick). The patent was never legally assigned to Dick because Mr King exercised his right to withhold his agreement to the transfer of the patent to Bain Fencing. Under the sale

agreement dated April 1989 between Bain and Dick, IBCSL and Bain Fencing were to continue to pay royalties, to abide by the terms of the agreement between Bain and Mr King and to indemnify Bain until the patent was assigned to Bain Fencing. Evidence has been furnished to show that in September 1989 Dick paid a significant sum in royalties to Mr King. The sale agreement also stated that arrangements were being made for the transfer of the patent to Bain Fencing from Bain, and indicated that at that time payments for maintenance and renewal of the patent were paid for by IBCSL.

Prior to the sale of Bain's construction and engineering business to Dick, a perfectly reasonable system for the renewal of the patent had been in place. Bain's patent agents (Fitzpatricks) were to send reminders to Bain at about three and two months before the due date. If no instructions had been received by the time the official overdue reminder issued under rule 39(4) Fitzpatricks would forward this too, and would also send a final reminder three months after the due date if no instruction to renew the patent had been received by that time. The renewal of the patent was dealt with at Bain by a Mr Greenhalgh while he was Company Secretary for the Bain group, and then by his successor when Mr Greenhalgh became Managing Director.

Mr Greenhalgh had arranged for the renewal payments to be made from the account of IBCSL. The system appears to have been operated satisfactorily over the years, and the patent was renewed in good time before the due date in 1989 that is before the sale of IBCSL and Bain Fencing to Dick. Following the sale Mr Greenhalgh was heavily engaged in restructuring what remained of the Bain group of companies and says it was an oversight not to check with Dick that the renewal fee had been paid in 1990. No arrangements appear to have been made to inform Fitzpatricks of the sale of IBCSL and Bain Fencing or of the intended transfer of the patent to Dick.

Although considerable time and effort have been put into gathering evidence to support this application for restoration, no completely clear reason has emerged as to why the patent was not renewed in 1990. Mr Greenhalgh had arranged for all mail addressed to IBCSL and Bain Fencing and all mail addressed to Bain but relating to the construction or engineering business, to be re-directed to Dick by his administration staff who knew that the Turnspike

was part of the fencing business sold to Dick. The mail was placed in a separate basket in the general office and was picked up daily by a representative of Bain Fencing. The Dick group was located in premises only a mile or so from the Bain offices.

Mr Greenhalgh states firmly that any mail not transferred in this way would have reached him. Several somewhat speculative possibilities have been put forward in the evidence as to what might have happened with regard to the reminders and why Fitzpatrick's did not take further steps beyond their normal system of sending written reminders. Having considered these possibilities I can only conclude that, on the balance of probabilities, the reminders were transferred to Dick and neither Mr Greenhalgh nor the Bain group Company Secretary, a Mr Smith (if he was still in post) had a sight of the reminders.

Mr Lang, who was the accountant acting as Company Secretary for the Dick group and the person who should have made the renewal payment, says that he had been part of the team involved in the sale negotiations and was aware of the patent and the need to pay renewal fees to keep it in force, but he was not familiar with the patenting system and had not been previously involved in the renewal of any patent. He does not explain how renewals were to be handled within the Dick group offices other than saying that he made no change in the accounting arrangements of IBCSL and Bain Fencing which had been set up under Bain.

The Dick group of companies ran into financial difficulties from April 1990 onwards and finally went into receivership on 26 September 1990. Mr Lang states that up to that time he was not aware that the patent had been due for renewal and he cannot remember receiving any notices relating to its renewal. According to Mr Lang, sales of the Turnspike were reasonable and profitable and, if he had been aware that renewal of the patent was due, payment of the fee would have been given priority since the patent was important to the Dick group. Non-payment of the renewal fee was unintentional and an oversight due, in the pressurised circumstances, to a reliance on awaiting a notice regarding renewal.

Mr Whittle accepted that Bain were the proprietors of the patent at all relevant times and it is they who have to satisfy the requirements of section 28 for restoration of the patent to be allowed. He argued that, although the primary obligation to renew the patent was retained

by Bain, that did not preclude them farming it out. I accept that there may be circumstances when a proprietor may rely on another party such as a licensee to effect renewals, but whether or not such an arrangement fulfils the reasonable care requirement of section 28(a) must be decided on the facts of each case. As Mr Whittle put it, if the responsibility is not farmed out in a way which is sufficiently careful then the proprietor carries the can.

There was no misunderstanding between Bain and Dick as to who should pay the renewal fees on the patent, without a shadow of doubt it was to be Dick. Bain did not arrange for reminders to be sent direct to Dick but put in place a transfer system so that Dick should have received them. The most likely inference is that the reminders reached Dick but something happened or went wrong there to prevent the reminders reaching Mr Lang.

Mr Whittle submitted that the system under Bain was reasonable and worked, and that very little changed upon the transfer to Dick. The holding company had changed and so had the person who had to respond to the renewal reminders, but otherwise everything remained the same, so one need only look at the question of whether Mr Lang was a person competent to make a simple payment upon receipt of a reminder. As to my suggestion at the hearing that Mr Greenhalgh might have monitored this first payment of the renewal fee by Dick, Mr Whittle argued that for this to be necessary there would have to be some reason to suspect that Mr Lang would not respond to four reminders, and provided it was reasonable to place the matter in Dick's hands, any further check would have been more than the law requires.

Whilst I have no difficulty in accepting that the system under Bain was satisfactory, I think that there is more to the transfer to Dick than simply passing the responsibility for responding to the reminders to Mr Lang. Firstly a new system had to be set up in Dick to ensure that the reminders actually reached Mr Lang. Secondly, and much more significantly in my view, the decision as to whether or not the patent should be renewed became Dick's responsibility, and there was no contractual obligation on them to maintain the patent in force.

Mr Greenhalgh states that, under the sale agreement with Dick, the obligations which Bain carried under their agreement with Mr King were passed to Dick. There is nothing in the King agreement as I understand it which burdened Bain with any obligation at all to maintain the patent in force other than the commercial one which derives from being the proprietor of a patent which affords protection against other parties entering the market with an infringing product. With the transfer of the relevant part of the business to Dick it would similarly have been in Dick's interest, as Mr Greenhalgh assumed it would be, for Dick to maintain the patent, but that does not make it an obligation to pay the renewal fee. Like Bain before them, Dick could decide at any time that they no longer had any interest in the Turnspike product.

Had the patent been effectively assigned to Dick, as Mr Greenhalgh intended, Dick would certainly have been free to decide whether or not to renew the patent, but the fact that such a formal assignment had not been concluded seems to have made no difference to Mr Greenhalgh. The fact of the matter is that he acted as though the assignment of the patent had actually been effected and Bain was no longer the proprietor. He set up a system in which he no longer saw the reminders sent out by Fitzpatrick's or any other correspondence which related to the Turnspike product and entirely left the decision on whether or not to renew the patent to Dick, merely assuming that they would renew it. It was as if Mr Greenhalgh had no further interest in the patent and had completely washed his hands of it.

It also seems improbable to me, given the circumstances of the transfer of business from Bain to Dick, that Mr Greenhalgh did not learn either of the financial difficulties of Dick over the period from May to September 1990 or that Dick had gone into receivership. That knowledge would surely have given cause for checking, while there was still time, that the 1990 renewal fee had been paid if Bain had any interest left in the patent. A simple telephone call to Fitzpatrick's would have sufficed.

The detailed reasons why the patent lapsed, be it by design or (as the evidence suggests) by accident, seem to me to be largely, if not wholly, irrelevant because Bain took no part in deciding that the renewal fee should be paid or in seeing that the fee was paid, other than

forwarding reminders amongst all the other mail which related to the business sold. I do not regard this as satisfying the requirement of taking reasonable care to see that any renewal fee was paid, and having come to that conclusion I must refuse the application for restoration. Unfortunately there is nothing I can do which would be of any assistance to Mr King who has now had the patent assigned back to him.

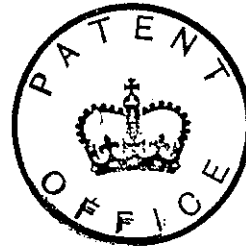
It was not argued before me that Dick could be regarded as the proprietor of the patent in equity and that section 28 applies to proprietors in equity as it does to proprietors in law. Even if such an argument had been put forward and I had accepted it, I would still have refused the application for there is insufficient evidence to satisfy me that Dick took the reasonable degree of care required to see that the renewal fee in question was paid.

Signed this 11 day of OCTOBER 1993



K E Panchen

Superintending Examiner acting for the Comptroller



THE PATENT OFFICE