BLO/065/88

PATENTS ACT 1977

IN THE MATTER OF an application
by Triten Corporation for the restoration
of EP(UK) Patent No 52953

DECISION

EP(UK) Patent No 52953 which was granted to General Signal Corporation (GSC) lapsed on 29 October 1985 owing to the non-payment of the renewal fee for the fifth year. By virtue of Section 25(4) renewal was still possible by payment of additional fees during the next six months, so that the final date for renewal was 29 April 1986. This application for restoration was filed on 9 September 1986 by Triten Corporation as the body who would have been entitled to the patent had it not ceased to have effect, though in fact an agreement assigning residual rights in the patent from GSC to Triten was not formally completed until 12 September 1986. The office was not satisfied that the requirements of Section 28(3) had been met, and accordingly the matter came before me at a hearing held on 29 February 1988 when Mr S Thorley appeared as Counsel for the applicants.

Evidence has been filed by Mr Kokula, a vice-president and Assistant Secretary of GSC, Mr Baumgartner, a vice-president of Triten, and Mr Lucas, a patent agent in the firm of agents acting for Triten. In addition affidavits by two lawyers a Mr Rogers and a Mr McClung have been filed expressing opinion on certain aspects of the law of contract in the USA, a subject which, as will appear subsequently, it is necessary to give some consideration to in these proceedings.

Mr Lucas says that, not long before the hearing took place, he received a bundle of papers from Ladas and Parry, a firm of US attorneys acting for GSC and the applicants. Included in this bundle were two documents, now exhibited, which indicate that on or about 13 March 1986, Ladas and Pary advised a Mr Mednick,

Chief Patent Counsel of GSC, that the last day for paying the renewal fee was imminent and that Mr Mednick requested Ladas and Parry to abandon the patent.

From late November 1985 until the end of March 1986, Triten were negotiating with GSC for the acquisition of GSC's Tapco Division, and during these negotiations it had apparently been agreed that the sale should include all of the industrial property relevant to Tapco's business. Mr Baumgartner says that he was absolutely sure that GSC would keep all Tapco's industrial property alive pending closure of the acquisition and transfer of the files to Triten's attorneys in Houston, Texas, though from the copy of the Agreement which was handed to me at the hearing for inspection, I have been unable to find any obligation on the part of GSC to maintain Tapco's industrial property beyond the completion of the Agreement, that is beyond 31 March 1986.

Without any doubt whatsoever, the responsibility for the renewal of the patent lay with GSC until 31 March 1986, but the question as to who had the responsibility over the final four weeks until 29 April 1986 presents me with a number of difficulties. In the ordinary course of events, the responsibility would have passed to the new proprietor Triten on completion of the Tapco sale, but unfortunately the position is not as straightforward as that. Section 30(6) stipulates that any assignment of a patent shall be void unless it is in writing, and therein lies the first difficulty because the patent in question did not appear in the schedule of patents transferred to Triten under the agreement of 31 March 1986. The result was that, as far as UK law is concerned, the patent was not validly transferred to Triten by the original agreement, and this fact was apparently recognised by the two parties concerned and hence gave rise to the assignment dated 12 September 1986 to which I have previously referred.

Mr Kokula explains in a letter dated 10 March 1987 (certified by an Affidavit of 24 April 1987) that he was a principal negotiator

for GSC in the discussion leading to the sale of Tapco and states:

> "I was asked by Triten management to see that all the Tapco patents that would be included in the change of ownership be kept in effect. I confirm that European Patent No 52953 was among those patents we discussed for renewal and for subsequent inclusion in the sale document. It should have been renewed, but through oversight it was not. Consequently, it was omitted from the sale contract."

I do not read that statement as providing an unequivocal indication that the patent in question was specifically identified and, discussed, but that is a point to which I shall return later. If the patent was discussed for renewal then one must ask why did GSC not do anything about it? The statement filed with the application indicates that in June 1985 or thereabouts GSC made a conscious decision to allow the patent to lapse, so that no-one at GSC should have been under the mistaken impression that the patent had been renewed. If the decision to allow the patent to lapse was reversed subsequently, then quite clearly Mr Mednick did not act upon that reversal even when he was reminded of the imminent lapse in March 1986, though in fairness to him I should point out that there is nothing in the evidence to suggest that he was ever instructed to renew the patent. But whether the failure to renew the patent was wholly or in part deliberate or accidental, it is quite clear that the requirements of Section 28(3) were not met by GSC, that much being accepted by Mr Thorley at the hearing. Therefore, in the absence of any valid written assignment of the patent to Triten prior to 29 April 1986 there would be no doubt that GSC were the proprietors throughout the relevant period and I should have to refuse the application for restoration.

However a second difficulty arises in this case on a point which, as far as I am aware, is quite unique in the whole history of restoration of lapsed patents. In January 1988 GSC and Triten

signed a further agreement the intention of which was to amend the original agreement so as to include EP(UK) Patent No 52953 in the property transferred to Triten on 31 March 1986. Unfortunately an incorrect patent number was given in the amending agreement, and when I pointed this out at the hearing Mr Thorley, on behalf of Triten, undertook to put matters right. This has now been done by the filing of a new amending agreement signed by both parties in March 1988.

Whilst Mr Thorley conceded that, under UK law, it would be necessary to apply to the Court to amend a contract retrospectively, he argued that under Section 30(1) a patent is personal property and therefore (subject to the other provisions of Section 30 which may make such transfer ineffective), it can be transferred under the laws of any country. The governing law for the agreement of 31 March 1986 is that of the State of New York USA and Mr Rogers states that, in his opinion, retrospective amendment of a contract in the manner sought by the parties in the amending agreement is allowable under the laws of the State of New York, given that it was the intention of both parties at the date of the original agreement to transfer the patent to Triten. Hence it was Mr Thorley's contention that, from 31 March 1986 onwards, Triten should be regarded as the proprietors of the patent.

Having given the matter very careful consideration, I am unable to accept Mr Thorley's contention. According to Mr McClung, an oral assignment of a patent would effect a valid transfer in the USA, but be that as it may, such an assignment of a UK patent would clearly not be valid by virtue of the over-riding requirement of Section 30(6). Similarly I do not consider that an attempt to create retrospectively a written assignment of a UK patent after the specific period laid down in Section 28(4) has terminated would result in a valid assignment for the purposes of Section 30(6).

Furthermore, for the retrospective amendment of the contract to

be valid under the governing law in the USA the amendment must reflect the intention of the parties at the time of the original contract. In my view the evidence does not clearly show that it was GSC's intention to include the patent amongst those transferred to Triten. There seems to me to be an implication in the statement by Mr Kokula reproduced above that the patent was omitted from the contract because it had not been renewed, there being nothing in the evidence which to my mind indicates beyond doubt that those people conducting the negotiations for GSC were aware at the time that it was still possible to renew the patent. It has also been contended that, since the files which were eventually transferred to Triten from GSC on 1 May 1986 included those for this patent and the corresponding patents in W Germany and Italy, that is indicative of a clear intention by GSC to include the patent in the sale. For my part I do not think that that is necessarily the only explanation which could be found to explain the transfer of the file for this patent.

In any event, clause 5.18 of the original agreement, which comes under a section headed 'Representations and Warranties of Seller', includes an avowal that all the patents transferred are "in good standing". Thus it seems to me that, at the moment of completing the transaction, the double default by GSC of having failed to renew the patent and having failed to include it in the items of property transferred, must cancel automatically any previous intention they may have had to transfer the patent. One thing is plain, there was no intent to transfer a patent which was not "in good standing".

In the result therefore I am not satisfied that a valid assignment of the patent to Triten can be said to have taken place on 31 March 1986, and, that being the case, my conclusion must be that restoration should be refused.

However, if I were not to have taken the view that Triten were at no time during the relevant period the proprietors of the patent, then it would still be necessary to decide whether Triten

satisfied the requirements of Section 28(3) for the period 31 March to 29 April 1986.

A somewhat similar case, Uniworld Trade & Finance Establishment's Application (unreported) involving transfer of a lapsed patent to a new owner near the end of the grace period for renewal was refused by the hearing officer. Mr Thorley sought to distinguish the present application from that earlier case particularly on the grounds that here the new proprietor (Triten) did not know about the non-payment of the renewal fee until after the end of the grace period and that it was the understanding of both parties that the existing proprietor (GSC) would keep all patents involved in the sale in force, and I accept that neither of these circumstances prevailed in the Uniworld case.

Looking at the particular circumstances of this application it appears that a number of US patents were involved in the Tapco sale, the present patent being only one of a number of parallel patents in other countries corresponding to those US patents. The evidence suggests to me that these parallel patents were not identified or discussed individually. The original agreement lists 38 patents and applications but Mr Baumgartner says he was told that there were "about 30 patents and patent applications relating to the Tapco Division's technology". Furthermore, the patent is a EP(UK) patent and there are no such patents listed in the contract, so if the patent had been individually discussed during the negotiations, there would have been reason for its omission from the contract to have been noticed. Also, although I accept that Triten were aware of the invention covered by the patent, the inventor, Mr Jandrasi, having been a consultant to Triten for some time, and were quite possibly aware of the US patent and that parallel patents existed in other countries, I am not satisfied that the applicants were specifically aware of the existence of this particular patent during the period when the renewals fee could have been paid. How then could they possibly be regarded as having taken reasonable care to ensure that the renewal fee was paid?

That apart, if Triten became the proprietors of the patent on 31 March 1986, from that date onwards it was their responsibility to discover the true position regarding renewal and to set up a system to ensure that renewal fees would be paid when due.

There is insufficient evidence to establish that Triten, in the period up to 29 April 1986 took any steps to set up a system to manage the substantial patent portfolio they were acquiring. Whilst I accept that Mr Baumgarten did not understand the complexities of UK patent law, he was not an inexperienced lone inventor without the aid of professional assistance. Despite this Triten appear to have done nothing at all regarding their new patent portfolio until they received the files from GSC. Apparently no employee of Triten was appointed to take reponsibility for patent matters, and no enquiries were made as to the status of the patents they were acquiring and, in particular, whether any were due or overdue for renewal shortly after the completion date of the sale of Tapco. The time available to Triten between completion of the sale and the final date for renewal of this patent was of course relatively short, but it had been known long before that a substantial number of patents spread over a number of countries was involved and it should have been apparent that a well-organised renewal system requiring some time to establish was going to be needed. I do not consider that this inaction on the part of Triten demonstrates the reasonable care that a proprietor must show to satisfy the requirements of Section 28(3)(a).

The only circumstance cited in support of the submission that Triten were prevented from paying the renewal fee by 29 April 1986 was that they did not receive the patent files in time, but I do not believe that non-receipt of the files was in any sense a

material factor which prevented Triten from going at least some of the way towards setting up a renewal system or from making enquiries as to the status of the patents being transferred to them. Hence I do not consider that the requirements of Section 28(3)(b) have been met.

Accordingly the application is refused.

Dated this 3rd day of May 1988

K E PANCHEN
Superintending Examiner, acting for the Comptroller