

BLO/100/96

PATENTS ACT 1977

3760

IN THE MATTER OF

Patent Application No GB9214651.3

in the name of Systemsovereign Limited

DECISION

Patent application no GB9214651.3 was filed on 10 July 1992 in the name of Systemsovereign Limited by Mr Cedrick Kelly, who is a director of Systemsovereign Limited and has been prosecuting the application. The application underwent preliminary examination and search in the usual way, and on 10 November 1993 an official letter was sent to Systemsovereign Limited informing them that the application was being prepared for publication. The letter also, among other things, stated in paragraph 3:

"3. IMPORTANT: If you wish to proceed with your application you must, if you have not already done so, file a "Request for Substantive Examination" on Patents Form 10/77, together with the prescribed fee, before the end of six months from the date of Publication (extendible by one month by filing Patents Form 50/77 together with the prescribed fee). If you do not file this request and fee the application will be treated as withdrawn in accordance with Section 18(1). If ..."

The letter also indicated that after publication a free copy of the printed specification would be sent to the applicant.

The application was duly published on 12 January 1994 as GB 2268404 A. No request for substantive examination was filed within six months from that date, and on 2 September 1994 an official letter was sent to Systemsovereign Limited advising them that the Office intended to advertise the application as having been treated as withdrawn. The letter added that any observations that the applicant might wish to make which might affect the withdrawal should be submitted to the Office within two weeks. Mr Kelly telephoned the Office on 16 September 1994 and said that he could not recall receiving the letter of 10 November 1993 or the published

specification. He was advised about the procedures to follow to request an extension of time for filing the substantive examination request. He was sent a confirmatory note that same day together with blank Patents Forms 10/77 and 52/77, a fee sheet, a copy of the official letter of 10 November 1993 and a copy of the published specification.

For reasons I shall go into later, the completed Patent Forms 10/77 and 52/77 and fees were not received in the Office until 16 November 1994, too late to prevent the application from being announced as treated as having been withdrawn in the *Official Journal (Patents)* on 30 November 1994. On 7 December 1994 an official letter informed the applicant that the Office agreed in principle to the exercise of discretion so that the application might proceed to substantive examination but subject to certain terms. These terms were that the applicant should file Form 53/77 and fee and should agree to the application of so-called "third-party terms" to protect the position of any third party which might have exploited the invention covered by the application following the announcement of its withdrawal. On 6 January 1995 Mr Kelly filed Patents Form 53/77 and its fee, but in a covering letter he questioned the circumstances surrounding the late filing of his Form 52/77 on 16 November 1994, and so in effect the application of third-party terms.

There followed an exchange of correspondence between the Office and Mr Kelly, on behalf of the applicant, culminating in his acceptance of an offer of a hearing to resolve the matter. After some considerable delay, brought on by Mr Kelly's unavailability because of other business commitments, the matter came before me at a hearing on 24 May 1996, at which Mr Kelly appeared on behalf of the applicant, Systemsovereign Limited, and Mr M C Wright attended on behalf of the Office.

At the hearing, Mr Kelly presented his case by reference to an official letter of 25 October 1995. This letter had been written to provide some help in preparation for the hearing by setting out the background to the matter in question. Unfortunately, it immediately became clear at the hearing that this letter had upset Mr Kelly on several counts. First, it did not mention all the relevant events, such as his letter of 8 November 1994 or his telephone conversation with the Office on 15 November 1994. More importantly though, Mr Kelly made clear to me at the hearing that he was quite upset about page 2 of the letter because: paragraph 4 in his view in the

wording "...which you say you mailed on 11 October ..." implies that he is not telling the truth; paragraph 5 he reads as accusing him of lying and as implying there is some relationship between him and a marketing consultant, whereas in fact has no knowledge of such a consultant; paragraph 7 uses the words "... you say you used to mail..." which he reads as accusing him of not telling the truth. In summary, Mr Kelly said to me that the letter of 25 October 1995 does not contain all the relevant details but attempts to blame him for the incident which occurred.

While Mr Kelly is factually correct about the omissions of detail, it seems to me that the letter was intended as a summary rather than a complete account, and I attach no particular significance to these omissions. However, I am extremely concerned that Mr Kelly should have read the letter, which was intended to be helpful, as accusing him of lying and of having some link with a marketing consultant. At the hearing Mr Wright, for the Office, apologised if that was the impression given, when the intention was simply to look at the facts. Having read the letter of 25 October, I can see both how the Office intended it to be a dispassionate outline of the facts of the case, and also how Mr Kelly could read it as casting doubt on his good faith. That he should have felt in this position is extremely regrettable and I hope that in the light of Mr Wright's apology at the hearing Mr Kelly will now feel assured that this was not at all the intention.

Moving onto the facts of the case, Mr Kelly has in essence no dispute over events before the issue of the confirmatory note and other papers by the Office on 16 September 1994. I acknowledge that at the hearing Mr Kelly said that in the telephone conversation of 16 September an agreement was reached in principle that an extension would be granted, provided certain conditions were met. This, as Mr Kelly noted, was not explicitly reflected in the confirmatory note or in later correspondence. However, with due respect to Mr Kelly, I think this is probably more a matter of emphasis than substance. It is the subsequent events, culminating in the imposition of the third-party terms, with which Mr Kelly is chiefly concerned.

Mr Kelly outlined to me the following chronology of events. On 11 October 1994 he mailed Forms 10/77 and 52/77, a cheque and a sworn statement in a pre-addressed blue envelope (which I shall refer to as "the blue envelope"). Having received no acknowledgement, he wrote to the Office on 8 November. On 15 November the blue envelope was returned to him by post, marked

"addressee unknown", and he immediately telephoned the Office and explained what had happened. The same day he wrote a letter and sent it, with the blue envelope unopened, to the Office where it arrived on 16 November.

As I have already said, the Office's reply of 7 December 1994 agreed in principle to the exercise of discretion so that the application might proceed to substantive examination, but with two provisos, the one relevant to the hearing being that the third-party terms should be applied. At the hearing, Mr Kelly criticised this letter for not addressing the question of the blue envelope. I think it is worth my reproducing the body of that letter in full (the italics being added by me):

"With reference to the application numbered as above, this letter is in reply to your request, on Form 52/77 filed on 16 November 1994 for exercise of the Comptroller's discretion under Rule 110(4) of the Patents Rules 1990.

Subject to the following terms of this letter, the Patent Office agrees in principle to the exercise of discretion so that the application may proceed to substantive examination.

It is the case, though, that following a failure to submit a request and fee for substantive examination within the prescribed period, and following your failure to respond to the Official Letter of 2 September 1994, your application was announced as terminated in the Official Journal (Patents) of 30 November 1994. There is thus a possibility that your invention has been exploited by a third-party following the announcement of termination of the patent application.

Given that circumstance, in the event of your application proceeding to grant, the Patent Office considers it desirable to protect the position of any third-party which might have so exploited the invention. Accordingly, subject to your submitting a Form 53/77, (together with the prescribed fee of £135) the Patent Office is prepared to exercise the necessary discretion only upon the proviso that attached to the exercise of such discretion are conditions to protect the position of any such third party.

Those conditions are set out in the immediately following indented paragraphs, namely:-

(i) If between 30 November 1994 and 21 December 1994, a person -

(a) began in good faith to do an act which would constitute an infringement of a patent on this application, or

(b) made in good faith effective and serious preparations to do such an act,

he shall have the right to continue to do the act or, as the case may be, to do the act, notwithstanding the reinstatement of the application; but this does not extend to granting a licence to another person to do the act.

(ii) If the act was done, or the preparations were made, in the course of a business, the person entitled to the right conferred by paragraph (i) above may -

(a) authorise the doing of that act by any partners of his for the time being in that business, and

(b) assign that right, or transmit it on death (or in the case of a body corporate on its dissolution), to any person who acquires that part of the business in the course of which the act was done or the preparations were made.

(iii) Where a product is disposed of to another in exercise of the rights conferred by paragraph (i) or (ii), that other and any other person claiming through him may deal with the product in the same way as if it had been disposed of by the registered proprietor of the Patent.

(iv) The above provisions apply in relation to the use of a patent for the services of the Crown as they apply in relation to infringement of the Patent.

By way of information, the date of 21 December 1994 specified in the first indented paragraph above is the date of which an announcement will appear in the Official Journal (Patents) to the effect that, in respect of your patent application, the Patent Office

received on 16 November 1994 a request under Rule 110(4) for extension of the period prescribed in Rule 33(2) in which to submit a request and fee for substantive examination.

If you are unable to agree to the terms of this letter, and wish to be heard in the matter, you are requested to submit a request for a hearing within four weeks of the date of this letter.

Otherwise, you are requested to submit a Form 53/77, and the prescribed fee of £135, within two months of the date of this letter."

On 6 January 1995 Mr Kelly filed Patents Form 53/77 and its fee but in a covering letter dated 3 January he did not accept the third-party terms and raised the questions which are central to the hearing. Again it is convenient if I quote from the letter, the following being paragraphs 2 to 5:

"Regarding the other points raised in your letter, the present situation results from the fact that a self-addressed envelope received from you was used to forward the information requested by you. The reason why that information did not reach you within the prescribed time period was that the address on that envelope was incorrect.

Nothing in your letter of December 07, 1994, addresses this very important point.

Until this point is addressed and satisfactorily resolved it would appear that you are asking me to accept the total blame and possible potential loss.

Surely you will agree that this cannot be considered fair and reasonable. It follows therefore, that the conditions as outlined by you cannot be accepted without further and substantial discussion."

As Mr Kelly pointed out at the hearing, an official letter dated 31 January 1995 avoided answering the question he wanted answered, namely about the blue envelope, and he wrote again

on 25 February saying so. Official letters of 14 March and 2 May 1995 sought to resolve the matter not by offering an explanation but by offering a hearing. The letter of 2 May added that unless a hearing was requested by 16 May 1995 the application would proceed to substantive examination subject to the terms laid out in the official letter dated 7 December 1994. Mr Kelly responded in a letter dated 12 May explaining that all he was asking for was an explanation and/or reason for the self-addressed envelope which was sent to him, which could be sent in a letter without having to incur the cost of his personal attendance at a hearing. A holding reply of 2 June was followed by a letter of explanation of 7 June. On 16 June, an official letter was issued exercising discretion to allow the application to proceed and imposing the third-party terms. In a letter of 8 August Mr Kelly sought clarification of the Office's explanatory letter of 7 June, and this was provided in an official letter of 21 August, which also repeated the offer of a hearing. At this point, in a letter received by the Office on 20 September but dated in error by Mr Kelly as 18 August (instead of September), Mr Kelly requested a hearing in view of the way the matter had failed to be satisfactorily explained and of the implications contained in the Office's previous letter.

I have described the exchange of correspondence in some detail because two points arise from it. First, it seems clear to me that Mr Kelly is right in saying that a number of official letters failed to address the points that he wanted answered. At the hearing, Mr Wright properly apologised for this. Second, it is clear that at no time did Mr Kelly agree to accept the third-party terms proposed in the official letter of 7 December 1994. The decision communicated in the official letter of 16 June 1995 exercising discretion and imposing those terms is therefore a nullity in that the applicant had not had an opportunity to be heard on the point in issue, contrary to natural justice, and I rescind it in accordance with the discretion afforded to the Comptroller under rule 100(1) of the Patents Rules 1995. I am now therefore free, and indeed obliged, to reconsider the whole issue. I should say immediately though that this does not mean that I believe that discretion should not be exercised to allow substantive examination to proceed. The matter before me is what terms, if any, should attach to that exercise of discretion.

At the hearing, Mr Kelly reviewed the correspondence much in the way I have done and then elaborated in more detail on the circumstances surrounding the origin and his use of the blue envelope. In essence, Mr Kelly maintained, as he has all along, that this envelope was sent to

him with the official letter of 16 September 1994 together with the blank Forms 10/77 and 52/77, and he produced the envelope which the Office had used to send them out. I noted that it bore a line of print, including a date of "19/09/1994". I have been assured that this print would have been applied by the Royal Mail outside the Patent Office, and Mr Kelly was informed of this after the hearing in an official letter of 24 May 1996. I do not therefore that this envelope gives me any assistance.

Mr Kelly used the blue envelope to post the forms, fees and his supporting declaration, on 11 October 1994, but it was returned to him by post on 15 November undelivered. Inspecting the blue envelope on file, it clearly bears a first-class postage stamp post-marked "11 OCT 1994". It bears an ink stamp "Undelivered for reason stated return to sender" and a Royal Mail sticker "addressee unknown", possibly dated "11/11" although this date is a little difficult to decipher. The sticker obscures part of the envelope's pre-addressing, but the following is clear:

"atent Office Information Centre
Paddington Street
on W1E 3DP".

I infer that the first line reads (at least) "Patent Office Information Centre" and that the last line refers to London.

It is clear that the envelope and its contents were returned to Mr Kelly because the addressee was unknown. Mr Kelly repeated at the hearing that, after telephoning the Patent Office, he simply put the blue envelope unopened into another envelope with his covering letter of 15 November 1994 and sent it to the Office. Because the address on the blue envelope was not that of the Patent Office in Newport or London, the papers it contained were received by the Office too late to prevent announcement of the application as terminated, and hence the question of the third-party terms arose.

The Office's position on the origin of the blue envelope is stated in the official letters of 7 June, 21 August and 25 October 1995, and was restated at the hearing. These letters essentially say that following the enquiries by Mr Kelly, the Patent Office official who sent him the official

letter and enclosures on 16 September 1994 had been interviewed and had given an assurance that he did not enclose such an envelope with that letter, and that in fact he was not even aware that such envelopes existed. Such envelopes were issued exclusively by a marketing consultant contracted by the Office's Marketing Division to assist in promoting the availability and sale of Patent Office publications and videos and the envelopes were used solely in respect of that promotion exercise. The Office's association with the consultant ended in 1993. Under no circumstances would official forms have been sent out with the envelopes used in the mailshot nor would the Office have sent out such an envelope for use in filing official forms. Marketing Division had assured that the envelopes have never been distributed within or issued by the Patent Office itself. Apart from a few sample copies retained by that Division, the Office itself had not possessed such envelopes.

At the hearing, Mr Kelly asked what is the link between the Marketing Division and any office which processed the communication to him. Mr Wright explained that the Patent Office is divided into several divisions, and that the Marketing Division is separate from the Patents Division in which the official who issued the official letter of 16 September 1994 worked.

Thus, I have on the one hand the results of internal Patent Office enquiries, as communicated to Mr Kelly by letter and repeated at the hearing, to the effect that blue envelopes of the sort in question were used not by the Patent Office itself but by a marketing consultant; that the Office's association with that consultant ended in 1993; that only a few sample copies of such envelopes have ever been kept in the Patent Office, and then only in the Marketing Division, which is organisationally separate from the Patents Division. On the basis of this information the likelihood of such an envelope inadvertently finding its way from the Marketing Division to the Patents Division seems remote. Even if this were to happen, the likelihood of such an envelope then being included among documents issued with an official letter concerning an application seems even more remote, especially as the official who issued the forms on 16 September 1994 has said that he did not enclose such an envelope, and indeed that he did not know of their existence. Thus, it is extremely unlikely in my view that such a blue envelope was available to the official issuing the forms, far less that he would actually have issued it if one had been.

On the other hand I have the deeply, and I am sure genuinely, held view of Mr Kelly that he was

sent the blue envelope with the blank forms on 16 September 1994. At the hearing, I asked Mr Kelly whether he recalled in 1993 receiving information from the Patent Office trying to interest him in videos or enclosing general promotional information. After careful thought, Mr Kelly said that he could not recall receiving any kind of information other than direct dealings with the Patent Office. He also said that everything he gets from the Patent Office gets put into his respective case files, not on a general file, and that he has kept almost every document he has received since the business started in about 1985. While I do not doubt this, I noted at the hearing that Mr Kelly has apparently failed to receive both the Office's letter of 10 November 1993 and the published specification separately posted later. I also noted that Mr Kelly had (according to his letter of 25 February 1996) misplaced an official letter of 1 September 1995, although he recalled receiving it. Mr Kelly admitted at the hearing that that was right, and that the letter had actually turned up now. I mentioned this at the hearing, and do so now, simply to indicate that even with the best of intentions papers can sometimes be misplaced.

It is something of a mystery how the blue envelope in question found its way into Mr Kelly's papers, and in particular amongst his forms. I must weigh the possibility of it being sent by the Office with the forms against the possibility of Mr Kelly having been sent it previously by a marketing consultant as part of an earlier promotion exercise and inadvertently mixing it up with the papers sent to him on 16 September 1994. Whilst I can appreciate that it would be difficult for Mr Kelly to recall receiving the envelope as part of a promotional campaign several years ago, this does seem to me, on the balance of probabilities, more likely than that he received the blue envelope with the documentation enclosed with the official letter of 16 September 1994. In reaching this conclusion I wish to make it absolutely clear that I am certain that Mr Kelly sincerely believes that what he says is true. Nonetheless, on the balance of probabilities, I am inclined to the view that he is mistaken as to the route by which the blue envelope came into his possession.

Having reached this conclusion about the likely origin of the blue envelope, I need now to consider the consequences of its use. It is clear that it was a direct consequence of the use of this envelope by Mr Kelly to return the Form 52/77 and other related papers that they were received at the Patent Office too late to prevent announcement of the application as treated as withdrawn. An announcement three weeks later publicised the fact that a request for discretion under rule

110(4) on Form 52/77 had been received, but this meant that for those three weeks third parties might legitimately have begun to exploit the invention the subject of the patent application. It was to protect the position of any such third parties that the third-party terms were proposed.

When I asked Mr Kelly at the hearing if he wished to say anything specifically about the application of third-party terms, he said that he took those terms to be standard and that there was therefore nothing that he could say about them. He said he never gave it a thought because he thought those were standard terms, and it all revolved around one factor, and that is the factor of being late. I agree with Mr Kelly on these counts. Having already having found that the lateness in filing the request on Form 52/77 to extend the period for requesting substantive examination was not attributable to the Office, and having recognised the need to protect legitimate third-party interests, I conclude that these third-party terms should accompany the exercise of discretion under rule 110(4).

I therefore find that the Comptroller's discretion under rule 110(4) should be exercised to allow the application to proceed and that, although the imposition of third-party terms in the official letter of 16 June 1995 was at that time a nullity because the applicant had not accepted them or been given an opportunity to be heard, the application of third-party terms is appropriate in all circumstances of this case. Accordingly, I direct that the terms set out in the official letters of 7 December 1994 and 16 June 1995, and quoted in italics on page 5 of this decision, shall apply to the exercise of that discretion. I therefore order that if this application for a patent is granted, the certificate of grant will carry an endorsement containing those terms.

Since this is a matter of procedure, the period within which an appeal against this decision may be filed is 14 days from the date of this decision.

Dated this 5 day of July 1996

S N DENNEHEY
Superintending Examiner, acting for the Comptroller
THE PATENT OFFICE

