

Mrs Wilson
1R32

PATENTS ACT 1977

IN THE MATTER OF an application
under section 28 by Adventec Limited for the
restoration of European Patents (UK) 0408396
and European Patent (UK) 0408397

DECISION

1. The renewal fees in respect of the fifth years for the patents fell due on 16 July 1994. The fees were not paid by that date or during the six months allowed under section 25(4) upon the payment of the prescribed additional fees. The patents therefore lapsed on 16 July 1994. The application for restoration of the patents was filed on 16 February 1996 within the 19 months prescribed under rule 41(1)(a) for applying for restoration. After considering the evidence filed in support of the application for restoration an official letter issued on 25 June 1997 informing the proprietor that the Office was not satisfied that the requirements for restoration, as laid down in section 28(3), had been met. The matter came before me at a hearing on 23 September 1997. The applicant for restoration was represented by Dr M R Hutchins of Fry & Heath & Spence. Mr Ian Sim attended on behalf of the Patent Office.
2. The evidence filed in support of the application for restoration consists of three statutory declarations by Mr D M Jones dated 2 May 1996, 18 November 1996 and 10 March 1997; a statutory declaration by Dr Hutchins dated 10 March 1997; and a statutory declaration by Ms S E Smith of Computer Patent Annuities (CPA) dated 12 March 1997.
3. In considering this application for restoration it would help if I first set out some basic facts about the proprietor company and the system that that company established to see that the patents were renewed.
4. The patents were granted on 13 April 1994 to Adventec Limited, a company established by Mr Jones and Dr J K Maund who are also the inventors. The evidence shows that in September

1989 40% of the shares in the company were sold to Electra Innvotec Limited and in January/February 1991 18% of the shares were sold to a British Gas company with the remaining shares being held by Mr Jones and Dr Maund. In 1992 a separate company known as Adventec Group Europe S.A (AGESA) was formed which was owned 99.99% by a company called Electra Innvotec Partnership Limited, an investment company. Mr Jones was one of five directors of AGESA each of whom held a single share in the company. The precise relationship between Electra Innvotec Limited and Electra Innvotec Partnership Limited is unclear though at the hearing Dr Hutchins said that he believed that Electra Innvotec Partnership Limited was an associate company rather than a subsidiary of Electra Innvotec Limited.

5. It would appear from the evidence and what Dr Hutchins said at the hearing that AGESA was formed to oversee the expansion of the company in Europe and to market the inventions covered by the patents in Europe. The intention, as Dr Hutchins understood it, was that a holding company would be established which would own a number of subsidiaries among which would be Adventec Limited which would hold the intellectual property rights and license those rights to the other subsidiaries.

6. What is clear to me is that Adventec Limited remained at all times the proprietor of the patents.

7. In April 1992 Adventec Limited was awarded a large contract in France which resulted in the company's manufacturing facility being relocated to Normandy. This also meant that Mr Jones had to relocate his family and business to France. However, following a meeting of the AGESA board on 2 May 1994 Mr Jones was released from his directorship of AGESA and told to return to the UK. He subsequently took up residence in Copthorne, West Sussex and initiated legal proceedings against AGESA, Electra, British Gas and Mr M S Malir the Chairman of Adventec Limited and President and Finance Director of AGESA. Later, in November 1994, at an extraordinary general meeting of AGESA, a decision was taken to replace Mr Jones as Managing Director of Adventec Limited with Mr K Blenntoft, AGESA's accountant.

8. That then is the background to the proprietor company and the changing position of the key

individuals in the company during 1994 when the renewal fees fell due. I would now like to look at the system the proprietor established for seeing that renewal fees were paid in time.

9. The system involved CPA sending reminders to Mr Jones at the AGESA address in France. On receipt of the reminders Mr Jones would determine whether or not the patents should be renewed. If he felt they should he would ask Mr Malir to authorise payment. Mr Malir would then decide whether or not to release funds to pay the renewal fees and if he decided it should he would instruct Mr Blenntoft to make the payment. This was the system as it was meant to operate when Mr Jones was the Managing Director of Adventec Limited. However, after he was replaced in that position by Mr Blenntoft in November 1994 Mr Blenntoft would presumably have taken over responsibility for deciding whether the renewal fees should be paid and for asking Mr Malir to authorise payment.

10. What then went wrong in the operation of the system that resulted in the fifth year fees for the patents not being paid? From the evidence and what Dr Hutchins said at the hearing the sequence of events can be summarised as follows.

11. It is worth noting that although the fifth year fees were the first renewal fees due to be paid to the Patent Office on the granted patents, the company had been paying annual maintenance fees to the European Patent Office prior to grant after receiving reminders from CPA. After the patent had been granted CPA sent standard reminders on 11 April, 17 April, 17 May and 17 July 1994 to Adventec Limited c/o Mr David Jones, BP 6298, 14067 Caen Cedex, France. Further reminders were sent on 9 October, 24 October and 17 November 1994 to Adventec Limited, 1076 Rue Leon Foucault, Z.1 de la Sphere, 14200 Herouville St Claire, France and also to Adventec Limited, 22 Bedford Row, London WC1R 4JB. Mr A W Waite of Marks & Clerk also sent a letter on 20 July 1994 to the Herouville St Claire address marked for Mr Blenntoft's attention explaining that the renewal fees were due on 16 July 1994 and advising Mr Blenntoft to contact CPA about payment.

12. Mr Jones says that none of the reminders were forwarded to him. However, in July 1994 he asked Dr Hutchins to carry out a search of Adventec Limited's patent portfolio. After

undertaking his search, Dr Hutchins supplied Mr Jones with a written search report on 30 September 1994 which included print outs of the renewal details supplied by the Patent Office. These details showed that the patents were in force but that the renewal fees were due to have been paid by 16 July 1994. Although the print-outs clearly showed that the renewal fees were overdue Mr Jones did not ask Mr Malir at that time to authorise payment although Mr Jones was still Managing Director of Adventec Limited and the system required him to ask Mr Malir to authorise payment. Mr Jones later received a letter from Mr Waite on 10 October 1994 in which he was advised that if he wished to maintain the patents in force he should communicate with CPA. Mr Jones then sent a letter to Mr Malir on 17 October 1994 in which he concluded by saying "I request that you give the matter of the patent fees your earliest attention so that I may proceed on the matter and thereby avoid the risk of the patents becoming abandoned". In his reply to Mr Jones of 17 October 1994, Mr Malir said "I wrote to Mr Waite on 14 October 1994 asking him to contact me directly. I will keep you informed of the results". It is not clear what happened after that other than the fact that the renewal fees were not paid and so the patents lapsed.

13. At the hearing Dr Hutchins said that Mr Jones's exclusion by his fellow directors from the proprietor company Adventec Limited could be said to be unlawful. Whether or not that was the case it has to be borne in mind that the patents formed part of the assets of that company and therefore it was incumbent on the remaining directors of that company to take appropriate action to ensure that Mr Jones's exclusion would not put at risk the maintenance of those patents.

14. In considering the case for restoration I have to decide whether or not the proprietor took reasonable care to see that the renewal fee was paid. In this respect I am satisfied that an effective system was established to see that renewal fees were paid on time. However, what I need to determine is whether the failure in the operation of that system in the case of the fifth year renewal fees for both patents arose because of a failure on the part of the proprietor in the operation of that system. To this end I first have to establish who had overall responsibility for the patents and was responsible for deciding whether or not the renewal fees should be paid. In other words, who was the "directing mind".

15. If the payment of the renewal fees could be authorised by either Mr Jones, when he was Managing Director of Adventec Limited, or Mr Malir, then both could be regarded as directing minds. If on the other hand payment depended on the two of them deciding that the fees should be paid then it could be argued that they were in effect joint directing minds. However, the evidence, and what was said at the hearing, suggests to me that whilst Mr Jones was responsible for determining whether or not the renewal fees should be paid he had to ask for payment to be authorised by Mr Malir who, as Chairman of Adventec Limited and President of AGESA, I think it is reasonable to assume was senior to Mr Jones. It appears that he needed to do this even though he was authorised to spend up to £500 from the company's account. Therefore, Mr Jones was not in a position to authorise payment of renewal fees independently of Mr Malir nor was Mr Malir obliged to authorise payment at Mr Jones request. If Mr Malir were to decide not to authorise payment then the renewal fees would not be paid, as happened in this case. Therefore, I would not regard Mr Jones as a directing mind in his own right. Nor would I view him as a joint directing mind with Mr Malir as it appears that Mr Malir had the final say in deciding whether or not to authorise payment and did not require Mr Jones's approval. As such, I believe that Mr Malir should be regarded as the sole directing mind.

16. Mr Jones says that he did not see any of the CPA reminders. However, he did receive information from Dr Hutchins and Mr Waite that prompted him to write to Mr Malir on 17 October 1994 asking him to attend to the payment. Despite this the fees were not paid which suggests that Mr Malir either failed to play his part in the system by failing to authorise payment or simply decided not to authorise the payment. Either way, I have no evidence that Mr Malir took reasonable care to see that the fees were paid by authorising payment following Mr Jones's letter.

17. Moreover, in his capacity as Chairman of Adventec Limited and President of AGESA, Mr Malir failed to take reasonable care to arrange for the renewal system to be adjusted to take account of the new circumstances in 1994, ie he appears to have done nothing to instruct CPA to send their reminders to Mr Jones's new UK address instead of the company's French address or to instruct anyone, notably Mr Blenntoft, to consult Mr Jones when those reminders were received at the French address or to pass them on to Mr Jones.

18. On the whole, therefore, I am not satisfied that Mr Malir took reasonable care to see that the renewal fees were paid.

19. If I am wrong in my finding that Mr Malir was the directing mind and that Mr Jones should be viewed as holding that position then I need to consider whether Mr Jones took reasonable care to see that the renewal fees were paid. In his second statutory declaration Mr Jones says he was effectively powerless to ensure that the patents were safeguarded as he had no access to the relevant papers and so was unable to bring pressure on Mr Malir to arrange for payment of the fees. However, although Mr Jones did not see the CPA reminders, we know that he did eventually receive information from Dr Hutchins and Mr Waite which indicated that the renewal fees had not been paid. We also know that he subsequently wrote to Mr Malir asking him to take action to see that the patents were renewed. Under normal circumstances such action would constitute reasonable care. However, I am not satisfied that merely sending Mr Malir a letter, after receiving these two communications, asking him to take appropriate action constituted reasonable care in itself bearing in mind the circumstances that prevailed at the time, notably the acrimonious relations Mr Jones had with Mr Malir and Mr Blenntoft, the fact that he had previously received a report from Dr Hutchins in September 1994 which showed that the fees had not been paid and that it would have been apparent to him that he was not being passed any reminders from CPA.

20. What more could Mr Jones have done, to exercise reasonable care? Two points occur to me. If Mr Jones were to be regarded as being responsible for seeing that the renewal fees were paid while he was still Managing Director of Adventec Limited, I find it difficult to accept that he could not have instructed CPA to send their reminders to his UK address when he returned to the UK after April 1994. Furthermore, no explanation has been given, either in the evidence or during the hearing as to why Mr Jones, after learning from Dr Hutchins and Mr Waite that the renewal fees were still overdue, did not take action himself to pay the fees bearing in mind that he was still Managing Director of Adventec Limited at the time and was authorised to spend up to £500 from the company's account without requiring Mr Malir's agreement.

21. Dr Hutchins said that Mr Jones was in a distressed and traumatic state at the time. However,

during the period in 1994 when the renewal fees could have been paid Mr Jones was actively pursuing legal action against the directors of AGESA and engaged Dr Hutchins to act as his patent agent and undertake a search of Adventec Limited's patent portfolio. Whilst, therefore, I fully appreciate that this was a difficult time for Mr Jones and have the greatest sympathy for him, it does not appear, judging from the actions he was engaged in at the time, that his health was such as to prevent him from acting in a reasonable manner, which would include action necessary to secure the renewal of the patents.

22. In the light of all this I am not satisfied that Mr Jones took reasonable care to see that the renewal fees were paid.

23. If it were to be held that Mr Jones was effectively the directing mind then it should follow that Mr Blenntoft became the directing mind when he replaced Mr Jones as Managing Director of Adventec Limited in November 1994 which was two months before the period allowed for paying renewal fees with extension fees expired. We are told that after Mr Jones returned to the UK Mr Blenntoft opened mail that was received at the company's French premises addressed to Mr Jones. Thus it is reasonable to assume that Mr Blenntoft would have seen CPA's reminders. In fact, we know that on 20 July 1994 Mr Waite sent a letter to Mr Blenntoft informing him that the renewal fees should have been paid on 16 July 1994 and advising him to contact CPA concerning the payment of the fees. Mr Blenntoft should, therefore, have been aware that the renewal fees were due yet there is no evidence that he took any action to ensure that the fees were paid, before or after he replaced Mr Jones as Managing Director of Adventec Limited, either by arranging for payment himself or by asking Mr Malir to authorise payment in accordance with the established renewal arrangements. Thus I have no evidence that Mr Blenntoft took reasonable care to see that the renewal fees were paid.

24. In summary, I believe that at the time the renewal fees could have been paid Mr Malir was in effect the directing mind as he had the final say in deciding whether or not the renewal fees should be paid. However, I am not satisfied that he took reasonable care to see that those fees were paid as he appears to have failed to have acted on Mr Jones's request to effect payment and to adjust the renewal system to take account of the changing circumstances following Mr Jones's return to

the UK and his later removal as Managing Director of Adventec Limited. I am not persuaded that Mr Jones was the directing mind as he did not appear to have had the authority to instruct CPA to send reminders to his UK address. Moreover, whilst he could determine whether or not the patents should be renewed he did not have the authority to instruct Mr Malir or the AGESA accountant Mr Blenntoft to pay the fees. If however Mr Jones were to be regarded as the directing mind then I am not satisfied that he took reasonable care to see that the renewal fees were paid as he failed to take sufficient decisive action given the circumstances that prevailed at the time and failed to use his limited spending powers to pay the fees himself. Even if it were to be determined that Mr Jones had taken reasonable care when he was the Managing Director of Adventec Limited there was still two months remaining of the period in which the renewal fees could have been paid at the time that Mr Blenntoft took over that position and I have no evidence whatsoever that he took reasonable care to see that the renewal fees were paid.

25. It follows that I am not convinced that the proprietor took reasonable care to see that the renewal fees were paid and therefore I am not satisfied that the requirements in section 28(3) of the Patents Act 1977 have been met. Accordingly, I must refuse this application for restoration. Any appeal against this decision must be lodged within six weeks of the date of this decision.

Dated this 29th day of October 1997



M C WRIGHT

Grade 7, acting for the Comptroller



THE PATENT OFFICE