

PATENTS ACT 1977

01144/92

IN THE MATTER OF Patent Application
No 9103325.8 in the names of
Dennis Richard Saunders and
Gary Edward Saunders

and

IN THE MATTER OF a reference to the
Comptroller under Section 8 by
John Richard Fornalski

DECISION

Patent Application No 9103325.8 was filed on 16 February 1991, without priority, in the names of Dennis Richard Saunders (Mr Saunders) and his son Gary Edward Saunders. In the normal course of events publication of the application under Section 16 will not occur until on or after 16 August 1992.

The reference, which is made under section 8(1), was filed on 13 August 1991 accompanied by a statement setting out the referrer's case and the relief sought. The principal relief amounts to a request that the referrer be entered as co-applicant with Dennis Saunders. The main thrust of the referrer's statement stems from his belief that there was a partnership between himself and Mr Saunders which entitled the referrer to rights in the application.

In addition to this relief the referrer sought to have the application released to him in good time before 16 February 1992 so that his rights in any foreign applications would not be frustrated. On 6 September 1991 the Office wrote to the referrer's agents indicating that under the provisions of Section 118(2), "until an application for a patent is ... published under section 16 documents or information constituting or relating to the application shall not without the consent of the applicant be published or communicated to any person by the

Comptroller". The letter invited the referrer to seek the consent of the applicants if he wished to inspect the application before publication under section 16. In a letter dated 4 October 1991 to the Office the agent for the applicants stated that any attempt to obtain a copy of the Specification other than when it has been published will be vigorously resisted. The matter then appears to have fallen by the wayside and the date of 16 February has passed long ago. It is sufficient for me therefore, in dealing with this specific relief, simply to confirm that the provisions of Section 118 would not have enabled me to grant this relief even if it had been put me to in time.

Following the prescribed evidence stages the matter came before me on 25 June 1992. Mr P J H Stebbing of Stebbing & Co appeared as agent for the referrer and Mr F C Gillam appeared as agent for the applicants.

It is common ground that Mr Fornalski first met Mr Saunders on 16 January 1990 when the latter became Mr Fornalski's flying instructor and that, when Mr Saunders learned of Mr Fornalski's expertise as an electronics system designer, he proposed that together they develop an idea of his. It is alleged by Mr Fornalski that an "informal partnership agreement then arose" by which Mr Saunders would deal with the marketing and promotion side of the system when developed and would pay for all necessary components while the referrer would design and test the system. It is agreed that the parties were to share the profits from sales of the system, but they take different views as to the amount of sales which would provide profits to recompense Mr Fornalski for his work.

During the early part of 1990 a system to put Mr Saunders' idea into effect was designed by Mr Fornalski and a prototype was developed and then tested. Various problems were encountered by Mr Fornalski, and to overcome them he developed a microprocessor-based system which reached maturity at the end of October 1990 and by the end of the year a first, pre-production model and a further ten copies of this model had been made. That Mr Fornalski did this work is not denied by the applicants, nor is it denied that Mr Fornalski provided a block diagram of the system when Mr Saunders was in the process of discussing with a patent agent the possibility of filing a patent application.

Mr Saunders denies that the application was the property of a partnership between himself and Mr Fornalski and in particular he denies that any of the inventive concepts described and defined in the application belonged to Mr Fornalski by virtue of partnership, inventorship or otherwise.

The Patent Agents' letter accompanying the referrer's evidence in chief filed on 3 December 1991 raised for the first time the notion that if the relationship between the parties was not a partnership in fact then the only other possible alternative is that the Agreement was a "Joint Venture without terms" in which both parties would retain their personal rights. Mr Stebbing explained that what was meant by that was a joint venture without terms as far as intellectual property is concerned.

Thus of the two conflicting viewpoints on entitlement the applicants' position is that the referrer acted solely to assist in the development of Mr Saunders' basic inventive concept to a working prototype system and subsequent assembly of a batch of systems and that, therefore, any rights in the patent application belong to the applicants. However it is conceded that if Mr Fornalski, during the course of his development work, made any further invention, the rights in that invention belong to him. The position held by the referrer is that by reason of an unwritten but understood partnership Mr Saunders and Mr Fornalski have joint rights in the application or, in the alternative, if there were no partnership each of the parties retains rights to any intellectual property generated by themselves as individuals.

Turning then to the principal question of whether or not a partnership existed between Mr Saunders and Mr Fornalski, it was submitted by Mr Stebbing that a partnership *inter alia* means that the partners share the losses as well as the profits of the partnership. Mr Gillam did not disagree with that interpretation but qualified it by saying that it is fundamental to a partnership that losses and profits should be shared in corresponding proportions. It may be useful to see if this test can be successfully applied to the circumstances of the present case.

Mr Saunders has so far incurred actual costs in the procurement of components while Mr Fornalski, it is claimed, has suffered a potential loss in terms of the number of hours he has devoted to developing the product. According to Mr Stebbing, Mr Fornalski has spent

1000 hours or so of his own time, time that normally he charges at £25 per hour. Mr Fornalski is therefore in a position, it is said, where he may not be recompensed for that time. However, there is no evidence to establish whether or not Mr Fornalski would or could have been gainfully involved in other electronics design work if he had not been engaged on the work in issue and no records have been submitted to establish whether or not 1000 hours had indeed been spent by Mr Fornalski or that £25 per hour is his usual rate of payment. It also appears that much of this time was Mr Fornalski's spare time which it is not necessarily appropriate to cost on the same basis as his professional working time.

Despite the uncertainties I think it is likely that so far the putative loss to Mr Fornalski exceeds the actual loss by Mr Saunders so on that basis the test would not be satisfied if profits from all sales were to have been shared equally, still less so if Mr Fornalski was to receive an equal share of profits only from sales of a first batch as Mr Saunders asserts. It is not clear what further imbalance on possible losses might arise once production was under way.

Mr Fornalski states that, because of the very considerable amount of work involved in designing and testing a prototype and producing a pre-production model, he would not have agreed to any commercial arrangement other than a partnership. He says nothing about how any imbalance in losses was to be adjusted at the manufacturing stage or in the event that there were no sales or insufficient sales to generate an overall profit. It is I think fairly safe to conclude from this that Mr Fornalski probably would not have committed himself so deeply to the project if he had thought there would not be any profits or that he would not receive a share of those profits, but in my view the existence of a partnership has not been established on this consideration.

Some further matters have been adduced by the referrer to substantiate his view that there was a partnership between himself and Dennis Saunders. An article published in a journal 'Trucking International' dated April 1991 describes a product in terms which the referrer assumes disclose the entire invention on which the patent application is founded. The article refers to Mr Saunders as a partner in a company called Mitech Instruments. The referrer alleges that Mr Saunders himself inserted that article in the journal. Affidavits were filed

by Mr Frederick Henry Tidy and Mr Tony James Riches, representing suppliers of components in connection with the work done by Mr Fornalski, both affidavits being in virtually identical terms. Each deponent refers to "a company", to supplying parts to "the partnership" of John Richard Fornalski and Dennis Saunders, to being authorised to accept orders from either party and each states, that he "was given to understand that at all material times they were in partnership".

I am apparently invited to accept that these statements demonstrate that there was a company in existence, that Messrs Fornalski and Saunders were in partnership in that company and that each party carried equal authority at least as far as ordering components is concerned. The view put forward by Mr Gillam is that I should ignore these affidavits as they have the hallmark of some sort of circular put round the trade and because the last, and most important, sentence in them is impermissible hearsay. In fact I attach no weight to these affidavits, either singly or in aggregate, or to the 'Trucking' article in relation to the partnership issue. There is not any even remotely convincing evidence before me that a company in which Mr Saunders and Mr Fornalski were partners existed. On the contrary, Mr Stebbing conceded that Mitech Instruments never got off the ground as a company.

There is also some correspondence which occurred in June 1991 between Dennis Saunders' wife and Ellison & Co, solicitors acting for Mr Fornalski. Mr Stebbing's point on this was that Mrs Saunders, in reply to Ellison & Co's enquiries, which were designed to clarify the status of any partnership between their client and Mr Saunders, used expressions such as "partner" and "partnership". Mrs Saunders denied any involvement in the partnership and suggested that the enquiries should be directed to "the other principal" - namely Mr Saunders. I should explain here that by this time Mr Saunders had been convicted of an offence totally unrelated to these proceedings and had been sent to prison. I do not find it in the least bit surprising that Mrs Saunders should have replied in the terms she did, indeed it seems to me to be a perfectly natural way to respond to the enquiries as they were put, without in any sense leading to the conclusion that there had been a partnership in fact between Mr Saunders and Mr Fornalski. Judging by the wording of the enquiries by Mr Fornalski's solicitors, even they seemed uncertain as to whether or not a partnership had existed.

Thus I remain unconvinced by the evidence and Mr Stebbing's arguments that there ever was an agreement, informal or otherwise, between the parties which amounted to a partnership, but in any event the existence of a partnership would not be a decisive factor in determining entitlement under section 8(1). There is not the slightest hint in the evidence that any question of sharing entitlement to intellectual property had been considered in the agreement, though it was known by Mr Fornalski that the possibility of filing a patent application had been investigated by Mr Saunders.

I find therefore that there is insufficient basis for ordering that the referrer be made a co-applicant with Mr Saunders on the ground that there was at any time a relevant partnership between the two parties.

As to the position of Gary Saunders who is named as a co-applicant with his father Mr Saunders, the referrer has asserted that Gary Saunders has no expertise in electronics and could not have been an inventor. Lack of expertise in electronics has also been ascribed to Mr Saunders but it is not in dispute that he has an entitlement to the application. Mr Gillam explained that Gary Saunders has an interest in electronics and assisted his father in the early days with trying to think out the concepts and so on, and it is for that reason that Gary is named as a co-inventor.

In my view there could well be an arguable case for Gary Saunders being a co-inventor. The applicants have not furnished evidence to support that case nor have they pleaded it. However, as Mr Gillam pointed out, the original case put by the referrer for removing Gary Saunders as an applicant was based on the referrer and Mr Saunders being sole partners, and I have now found that case not to be made out. Furthermore, the only mention of Gary Saunders' role is in paragraph 8 of Mr Fornalski's first declaration and this concentrates almost exclusively on the improbability of Gary Saunders having made or being able to make any practical or technical contribution and on his lack of technical qualifications. That does not necessarily lead to the conclusion that Gary Saunders could not be rightly regarded as an inventor because Mr Fornalski is only referring to the 'post inventive concept' period when he had been called in to implement an invention which had

already been made. On the basis of what I have before me, therefore, I think it would be unsafe to order that Gary Saunders be removed as co-applicant.

Also, as originally pleaded, the object of the principal relief requested was "to restore to the partnership its intellectual property", yet it is quite clear from the letter which the referrer's solicitors wrote to Mrs Saunders on 18 June 1991 that they regarded the conviction and imprisonment of Mr Saunders either as having brought any partnership to an end or as giving Mr Fornalski grounds for immediate dissolution of any partnership. There is no doubt, from a practical point of view at least, that the partnership is at an end.

It would seem a just and proper result to me then that, in the absence of any specific agreement on intellectual property matters, rights in intellectual property should be retained by the individual devisers in this case. The applicants would appear to be content with such a division of rights and the referrer has taken a similar stance in attempting to introduce the alternative plea that in the absence of a partnership, there was a joint venture without terms as far as intellectual property is concerned so that each party would retain their own personal rights.

That does not necessarily result in the referrer having any rights in the application in suit. Such a right does not arise through the mere implementation of an invention using normal skills nor by the fact that no payment or insufficient payment has been received for the work of implementation. In my view the referrer has not clearly and precisely defined in these proceedings any invention which was of his devising, nor does it follow that if any invention was made by Mr Fornalski it forms part of the application in suit. It is worth pointing out that the referrer puts some emphasis on various specific allegedly inventive contributions he made and which went into the pre-production system, but none of these appears in the article in 'Trucking' which, Mr Stebbing repeatedly stated, disclosed the invention in its entirety.

It is pure speculation on the referrer's part as to whether or not any of his allegedly inventive contributions are present in the patent application, and the matter cannot be resolved until the application has been published under section 16. At that point the referrer may be in a

position to be able to identify one or more specific inventions in the application which he believes are his.

I have considered the possibility of allowing the referrer to formally change his pleadings, as requested by Mr Stebbing and as requested in Mr Fornalski's evidence "in reply", and of ordering a stay in these proceedings until after publication of the application. However, in view of Mr Gillam's objection to each of these possible courses, largely on the grounds of additional costs and uncertainty to his client, and because I regard the existing evidence and suggested new pleadings as inadequately defining and addressing the issues to be determined, I have decided to determine the reference as it now formally stands.

The result of that determination is that I find that the referrer has not made out to my satisfaction any case for the existence of a partnership between himself and Mr Saunders with agreed terms sharing intellectual property rights which under section 7 would entitle the referrer to be a co-applicant. I therefore refuse the principal relief sought.

There only remains the matter of an award of costs. Mr Stebbing submitted that, assuming the referrer is successful in this action, costs should be awarded to Mr Fornalski not on the Comptroller's normal scale but on a common fund basis. The submission was based on an unreported Office decision in Rizla's Application (SRIS No 042/92) in which the conduct of one of the parties in that case was considered to be so unreasonable and to have led to such unnecessary costs being incurred by the successful party, that departure from the normal scale was desirable. Mr Stebbing argued that the behaviour of Mr Saunders had been unreasonable and that I should depart from the usual scale of costs. Mr Gillam had apparently not received advance notice that this unreported case would be referred to so I allowed him fourteen days in which to make observations on the issue of costs.

In his response, Mr Gillam argued similarly on what he regarded to be Mr Fornalski's unreasonable behaviour. I have considered the arguments from each side on this issue but I do not regard it necessary to rehearse them here. Suffice it to say that the circumstances in the Rizla case appear to me to be of a markedly different order from those in the present case. I do not therefore propose to depart from the normal scale, though I have given

appropriate consideration to the particular circumstances of this case. I award the applicants the sum of £600 as a contribution towards their costs, to be paid by the referrer.

Dated this 3rd day of August 1992

K E PANCHEN

Superintending Examiner, acting for the Comptroller



THE PATENT OFFICE