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PATENTS ACT 1977

In the matter of application  
No. 8515064 and corresponding  
foreign applications by  
N J M Pelling and R J Campbell

and

In the matter of references  
under sections 8, 10 and 12  
by N J M Pelling

#### INTERIM DECISION

In June 1984 Nicholas John Marshall Pelling (the referor) and Robert James Campbell (the co-applicant) applied jointly for a patent, the professional and official fees being paid by Mr Pelling. A year later, another UK application numbered 8515064, a PCT application, and six foreign applications, all claiming priority from the original UK application, were filed, the fees again being paid by Mr Pelling. By the end of 1985 an overt dispute had developed between Mr Pelling and Mr Campbell about their mutual obligations and liabilities in connection with the exploitation and the patenting of the invention. Mr Pelling was apparently not prepared to allow the dispute to continue, and therefore in December 1985 he sought various orders from the comptroller under sections 8, 10 and 12, to the general effect that unless Mr Campbell paid one-half of the future costs then Mr Campbell's interest should be forfeited to

Mr Pelling.

The matter came before me at a hearing on 20 July 1987 at which Mr R Miller appeared as counsel for the referor, and Mr R J Campbell appeared in person. The evidence consists of statutory declarations, two by Mr Pelling and one by Mr Campbell, and accompanying exhibits of various letters.

The facts leading up to the present dispute, as revealed by the evidence, can be stated quite briefly. Early in 1984 Mr Pelling posed to Mr Campbell the problem of software protection. Mr Campbell had an idea, and after he and Mr Pelling had worked on the idea together the original application for a patent was filed in June of that year. In 1984, before the first application was filed, Mr Pelling agreed to pay the costs incurred, but whether a binding contract was formed is a matter now in dispute. Mr Pelling asserts that he thought that he would have a free hand in the subsequent exploitation of the patent in return for paying the costs, but Mr Campbell asserts that the costs were paid unconditionally, being paid presumably, so he asserts, as Mr Pelling's contribution towards the invention. In February 1985 Mr Campbell proposed that a company owned in equal shares by Mr Pelling, himself, Mr G S Campbell (his father), and a Mr T Edwards (a business colleague of Mr G S Campbell) be formed to own and exploit the invention. This arrangement would have reduced Mr Pelling's share of the invention from one-half to one-quarter, and he rejected it. On 9 July 1985 Mr Pelling proposed that a company owned in equal shares by himself and Mr Campbell be formed to own and exploit the applications. This was rejected by Mr Campbell. On 26 July 1985 Mr Pelling proposed that he and Mr Campbell proceed independently, and that they enter into an agreement to regulate their future relationship. This also was rejected by Mr Campbell. On 24 September 1985 Mr Campbell offered to reimburse Mr Pelling to the extent of 50% of the patent fees paid by him, from any profit that may be derived from marketing the invention. This was rejected by Mr Pelling as being inequitable, since there was no guarantee that any payment would ever be made.

Before turning to the arguments, it is convenient if I say a little about the agreement

that Mr Pelling now wishes the comptroller to impose upon the parties (this agreement, except for some slight amendments introduced at the hearing, apparently being that put to Mr Campbell on 26 July 1985 as mentioned above), and to mention a further offer made to Mr Campbell at the hearing by Mr Miller on behalf of Mr Pelling.

The four essential terms of the agreement are to the effect -

- (a) that Mr Pelling and Mr Campbell shall remain as joint applicants,
- (b) that each shall have limited rights to grant sub-licences,
- (c) that each shall pay one-half of the costs of servicing the applications and any resulting patents, and
- (d) that if either party defaults on his share of the costs in relation to any application or patent then that party shall lose all his rights under that application or patent.

As I understand the position, this agreement is unacceptable to Mr Campbell because he is not prepared to contribute towards the costs at present, though if profits are made from commercialisation of the invention in the future Mr Campbell is quite prepared that Mr Pelling should then receive one-half of the costs that he has incurred.

The further offer which Mr Miller put forward at the hearing was, in effect, that if Mr Campbell would assign his interest in the applications to Mr Pelling, then a free non-assignable but non-revocable licence would be granted to Mr Campbell that would allow Mr Campbell to do any act that he can do at present by virtue of the provisions of section 36 subsections (2), (4) and (5), but excluding any right to assign the licence or grant a sub-licence. However, Mr Campbell also rejected this offer, apparently because such a licence would not permit him to grant sub-licences.

Thus, in summary, Mr Pelling has paid all the costs to date (at the hearing Mr Miller reported that these now amounted to about £15,000), and Mr Campbell is not prepared

to pay anything towards past or future costs until the invention makes a profit, or to assign his interest in the invention to Mr Pelling if all that he receives in return is the right for him or his agent to do any act which would otherwise be an infringement.

Mr Miller began his opening address by considering what he referred to as Mr Campbell's main defence, namely Mr Campbell's assertion that Mr Pelling had made a legally binding agreement with him to pay all the costs associated with the prosecution of the applications. This was clearly a false assertion, argued Mr Miller, firstly because if such an agreement did exist then its terms were too vague to be ascertained and therefore could not be legally enforceable, and secondly because Mr Campbell had contributed nothing towards the bargain. On the other hand, Mr Campbell argued that Mr Pelling had certainly agreed to pay the fees of the patent agent dealing with the applications. As I see it, the question is not whether Mr Pelling made an agreement with the agent to pay all the agent's fees and disbursements in respect of the first and the further applications, but whether Mr Pelling made a similar agreement with Mr Campbell.

First, I will look at what Mr Campbell actually claims. He says, in paragraph 5 of his declaration -

"5. After discussing the financial implications of patent applications with Pelling it was suggested by him (presumably as his contribution towards the invention) and eventually agreed that the full cost of same would be borne by Pelling. No provisos or qualifications were made to this verbal contract. Pelling subsequently offered to put this agreement in writing which I considered unnecessary thinking there was a trusting relationship between us."

Mr Pelling's description of what happened is a little different. He says in paragraph 4 of his first declaration -

"4. Having made a useful invention in collaboration, it seemed to me to be sensible for Robert Campbell ('Robert') and me to consider patent protection to protect our interests. Robert made it clear that he was not in a position to contribute to the costs a patent application would involve. Since I had the necessary funds from Aardvark Software profits, I agreed to meet the cost of

filing a patent application, and in then instructing the selected firm of patent agents, Forrester Ketley & Co, to prepare a UK patent application a contract between them and me alone was made. Robert did not agree to give anything in return. I recognised his expressed wish to have no active involvement in any business based on the invention and would not have felt entitled to insist on a contribution from Robert in return for my meeting the cost of the patent application."

which to my mind immediately raises the question why would Mr Pelling not feel entitled to ask Mr Campbell for a contribution. The answer seems to be given by Mr Pelling in paragraph 6 of his second declaration -

"6. In paragraph 6 of his Declaration"

and this should apparently refer to paragraph 5 rather than 6,

"Robert Campbell refers to what he calls a 'verbal contract' whereby I agreed that the full cost of the patent applications would be borne by me. However, I would repeat, as mentioned in my previous declaration, that I only said I would pay for the patent applications because Robert Campbell had said that he wanted no active involvement in any business based upon the invention. By paying the fees I had expected to get an unfettered hand in all business dealings concerned with the invention. ..."

In effect therefore Mr Pelling says that he agreed to pay the costs of the applications in return for a completely free hand in the subsequent exploitation of the invention.

Before proceeding further with this line of enquiry, I think I ought to point out that the Office has always set its face against delving into contractual relationships between applicants and others except when it has been required to do so by statute. The only authority of which I am aware for this practice is the case of A & B's Application 28 RPC 454. In that case an alleged contract between two joint applicants A and B was clearly of considerable importance to the respective rights of the applicants inter se, but the Solicitor-General, in affirming the Office decision, said (page 457, lines 19 to 23) -

"It seems to me that neither the Comptroller-General nor the Law Officer . . . has any right to go into the question of the contractual relations between the inventor . . . and the people to whom he has sold his invention."

As is known, under section 12 of the 1907 Act the Office did have to consider agreements by inventors to assign their inventions to others, and under section 7 of the present Act the Office may have to consider agreements between inventors and others in order to determine entitlement, but in the absence of authority to the contrary - and the point was not argued by counsel - I do not think that I ought to make any pronouncement upon any alleged contract unless it is necessary for me to do so in order to carry out my statutory duties.

Reverting now to the present case, having established to my own satisfaction that the root cause of the deterioration of what must have been an initially amicable relationship between the parties was simply a misunderstanding by each party of what the other intended, and that the conduct of neither party gives me reason to weight the exercise of any of my discretionary powers against him, I shall make no finding upon whether or nor a valid contract concerning the payment of the costs of obtaining patent protection for the invention now exists, or has ever existed, between the parties.

I can now proceed directly to consider the questions put to the comptroller, and to the directions and relief that Mr Pelling seeks. Since these matters have been set out with admirable clarity in Mr Pelling's statement I can do no better than to deal with them one-by-one in the order in which they occur there.

#### Question 1

Under section 8(1)(a) the referor asks whether he is entitled to be granted alone a patent for the invention if the co-applicant refuses to share or fails to share future patent costs in connection with the UK application.

The answer to this question depends upon how entitlement to a patent is to be judged. In my opinion it must be judged by reference to section 7(2) and whether or not Mr Campbell pays towards the patent costs is irrelevant. Whilst Mr Miller was not prepared to concede that this was the appropriate test, he did not argue against it. My answer to question 1 is therefore in the negative.

## Question 2

Under section 8(1)(b) the referor as co-proprietor of the UK application asks whether the right vested in the co-applicant should be transferred to him if the co-applicant refuses to share or fails to share future patent costs in connection with the UK application.

As Mr Miller remarked at the hearing, section 8(1)(b) presents a problem of construction. The relevant passage is -

"8(1)(b) ... any of two or more co-proprietors of an application for a patent for that invention may so refer the question whether any right in or under the application should be transferred or granted to any other person;"

the problem being whether the phrase "any other person" at the end of the subsection should be given the narrow meaning "any person other than the co-proprietors" or should be given the wide meaning "any person other than the transferor or grantor", which would allow the "other" person to be a co-proprietor. Mr Miller urged me to adopt the wide meaning, arguing that it may have been Parliament's intent to bring under section 8(1)(b) disputes between co-applicants of a nature which excluded them from consideration under section 10. He also submitted that the nature of this particular dispute was such that it fell to be considered under section 8(1)(b) or section 10 and it may not matter which. I do not find it helpful to speculate upon what may or may not have been the intention of Parliament when it considered section 8, and I have not been persuaded by Mr Miller that the wider construction of section 8(1)(b) which he favoured is the one that I should adopt. In the absence of any authority to the contrary, it seems to me that I should adopt the plain and reasonable meaning which emerges from the straightforward grammatical construction of the section. Thus it is my opinion that section 8(1)(b) relates solely to questions concerning the transfer or grant of rights to persons other than the co-proprietor or co-proprietors who has or have referred the questions. I therefore hold that the question which has been referred ostensibly under section 8(1)(b) does not fall within that section, and hence I decline to answer it.

Direction 1

Under section 10 the referor requests a direction that the UK application shall proceed in the name of the referor alone if the co-applicant refuses to share or fails to share future patent costs in connection with the UK application.

Section 10 reads -

"10 If any dispute arises between joint applicants for a patent whether or in what manner the application should be proceeded with, the comptroller may, on a request made by any of the parties, give such directions as he thinks fit for enabling the application to proceed in the name of one or more of the parties alone or for regulating the manner in which it shall be proceeded with, or for both those purposes, according as the case may require."

The first question for me to consider is whether this dispute comes within the terms of the section. To do so the dispute must either be about "whether the application should be proceeded with" or be about "in what manner the application should be proceeded with". Mr Miller submitted primarily that the dispute was really about whether the application should be proceeded with because he was concerned that, in respect of the non-UK applications, the comptroller's jurisdiction under section 12(4) appears to be narrower than that under section 10, in that the part of section 10 which enables the comptroller to regulate the manner in which the application is to proceed is excluded and does not apply under section 12(4). That would seem to be apparent from a plain reading of section 12(4). Section 12(4) reads -

"12(4) Section 10 above, except so much of it as enables the comptroller to regulate the manner in which an application is to proceed, shall apply to disputes between joint applicants for any such patent as is mentioned in subsection (1) above as it applies to joint applicants for a patent under this Act."

Nevertheless, Mr Miller further submitted that the dispute between the parties was also or alternatively a dispute as to the manner in which the application should be proceeded with.

Mr Miller's primary submission was based on the argument that Mr Campbell, though wishing to have patents here and elsewhere, was not prepared to pay for the



professional services of a patent agent to have the applications properly drawn up, and was not willing to pay the official fees either, and on that basis Mr Campbell was not really prepared to apply for a patent at all. What Mr Campbell would have been prepared to do had he been left to his own devices and resources is beside the point. I have to consider the situation as it actually exists and that is that an application is in being and costs are being paid by Mr Pelling. Since Mr Campbell is not prepared to relinquish voluntarily any of his rights under section 36, in particular the rights implied under section 36(3), I must conclude that he desires the application to proceed. Indeed it would be surprising if he did not, for as things stand, he has nothing to lose and everything to gain. As far as Mr Pelling is concerned, he clearly wishes the application to proceed, but he wants to be given a free hand. It is my considered opinion therefore that this dispute is not about whether the application should proceed but in what manner it should be proceeded with.

Secondly, I must consider the object that the comptroller should be seeking to achieve by his directions. In the absence of any authority on this point I take it that the correct approach is for the comptroller to seek to implement the overall purpose of the Act in the most equitable manner that he can.

In the present case I think my concern should be to ensure that the application proceeds on a more equitable basis between the co-applicants than exists at present. To my mind the present arrangement by which Mr Campbell makes no contribution, financial or otherwise, towards obtaining patent protection but retains his full rights under section 36, is unfair to Mr Pelling and I should aim to redress the balance. Mr Campbell has already been offered an agreement by which he would either pay half the patent costs or, upon failure to do this, would relinquish his rights under the application. This offer, and a similar offer made at the hearing, was rejected by Mr Campbell.

The basis of an alternative solution to the dispute seems to me to be found in the further offer which Mr Miller made on behalf of Mr Pelling at the hearing, namely

that the application should proceed in the name of Mr Pelling alone but that Mr Campbell should, in return, retain some of the rights which he at present holds as co-applicant. As I have indicated above, this offer was also rejected by Mr Campbell, but in my view it is not an altogether ungenerous offer under the circumstances.

Having given the matter careful consideration, I am of the opinion that Mr Campbell, if he wishes to be treated as a full co-applicant, should pay a fair share of the costs involved in gaining the patent protection under which he seeks to shelter, and if he is not prepared to pay his fair share he has no just cause for complaint if his present rights as co-applicant are restricted. However, before deciding on what directions I should make under section 10, I should also consider the matters which have been raised under section 12.

#### Questions 3 and 4

These questions, raised under sections 12(1)(a) and 12(1)(b) respectively, in respect of the PCT and the other applications, parallel questions 1 and 2 above. My answer to question 3 is in the negative, and, for the reason given above when considering question 2, I decline to answer question 4.

#### Direction 2

This direction, sought under section 12(4) in respect of the PCT and the other applications, parallels the direction sought under section 10. However, since I have earlier come to the conclusion that the dispute between the co-applicants in relation to the UK application is about the manner in which the application should proceed rather than about whether it should proceed, and I have no reason to depart from this view in relation to the other applications, my finding is that the dispute in relation to those other applications does not fall within the comptroller's jurisdiction under section 12(4) and I decline to give any direction thereunder.

In summary, my considered view is that the present state of affairs whereby Mr

Campbell makes no financial or other contribution towards the costs of obtaining patent protection in the UK and yet retains full rights as a co-applicant is not one which, in equity, should be allowed to continue. Under the circumstances I might be prepared to allow the parties in a similar dispute falling under section 10 a further opportunity to come to some compromise agreement between themselves. In the present case I do not see the reaching of a compromise agreement between the parties as being a realistic possibility. Repeated attempts have been made to settle the dispute but Mr Campbell has not gone any further than to offer payment from any return he may receive if and when he exploits the invention commercially.

It seems to me therefore that I must choose between two alternatives - (a) to direct Mr Campbell to pay a fair share of the patent costs in default of which he loses all his rights, or (b) to adopt, as a basis, Mr Miller's further proposal at the hearing. In view of the particular circumstances of this case, I think (b) is the more appropriate.

Therefore I direct that, within a period of three months from the date of this decision, Mr Pelling and Mr Campbell draw up an agreement whereby -

- (i) Mr Campbell assigns to Mr Pelling his interest in patent application No 8515064 (published as No 2167891) and any patent granted thereon.
- (ii) Mr Pelling grants to Mr Campbell a free, non-assignable but non-revocable licence in similar terms to those of section 36, and excluding any right to sub-licence.
- (iii) Mr Pelling agrees to assign the application and any patent granted thereon by gift to Mr Campbell in the event that Mr Pelling relinquishes his interest in it.

I leave the detailed and precise wording of the agreement to be settled between the parties. I also direct that, if the terms of the agreement as aforesaid are settled between the parties within the period of three months I have set, the parties shall enter into the agreement at the earliest possible moment and shall notify the Patent

Office of that fact. I will then issue a final decision which will consider the question of an award of costs in these proceedings and make such further directions as may be necessary consequent upon the change of status of the two co-applicants.

If the terms of the agreement as aforesaid are not settled between the parties within the period I have set, I will give the parties an opportunity to be heard on the disputed terms and will then make such further directions as I think are appropriate under the circumstances then prevailing.

Dated 20th August 1987

K E Panchen  
Superintending examiner, acting for the Comptroller

As corrected by the Hearing Officer on 30th September 1987

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