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PATENTS ACT 1977

IN THE MATTER OF an application
by Charles E Ament for the restoration
of Patent No EP(UK) 144332

DECISION

The renewal fee for the ninth year of the patent fell due on 1 March 1992. The fee was not paid by the due date or during the following six months as allowed under section 25(4). As a result the patent lapsed on 1 March 1992. The application for restoration was filed on 1 October 1993 at the end of the period prescribed under rule 41(1)(a).

The Office took the view that the evidence supporting the application did not establish that the proprietor had taken reasonable care to see that the renewal fee was paid within the prescribed period or the following six months, as required by section 28(3)(a). The matter came before me at a hearing held on 11 March 1994 at which the proprietor was represented by Mr Birss of counsel and Mr M C Wright attended on behalf of the Office.

Mr Ament is the proprietor of the patent and the former President of Ament Enterprises Inc (AEI). Early in 1991 AEI entered into an agreement with Advanced Automotive Technologies (AAT) whereby AAT agreed to act as sole US distributor for all products protected by the patent. Independent actions by AAT (which were not approved by AEI) led to legal actions being taken against AAT, AEI and Mr Ament personally. As a result AAT was forced to dissolve in August 1991 leaving no traceable assets and owing AEI a large sum of money. Mr Ament attempted to meet the mounting obligations of AEI by mortgaging virtually all of his personal assets including all his patents. The law suits brought against AAT effectively prevented Mr Ament from acquiring another US distributor and from raising money to meet the obligations of AEI.

Finally AEI was forced to seek protection under the United States Bankruptcy Code on 31 December 1991. The rules and regulations of the United States Bankruptcy Court required

Mr Ament to apply all assets and direct all monies due to AEI towards meeting AEI's obligations. He also had to sell his home to raise the funds required. Accordingly, and because all of his other personal assets, including this patent, had been placed as security, it was not possible for Mr Ament to divert funds to the payment of renewal fees in the UK and half a dozen other countries, or to obtain another distributor or a licensee who would advance the money needed. Mr Ament makes the point that, even if he had been able to do this, he would have been obliged to use the money to pay off debts.

Put simply therefore, the unfortunate circumstances under which Mr Ament was placed made it impossible for him to pay the renewal fee which fell due on 1 March 1992 and it is understandable that he made no attempt to do so - as Mr Birss put it, there would have been no point in trying.

Section 28(3) reads as follows:-

"If the comptroller is satisfied that-

(a) the proprietor of the patent took reasonable care to see that any renewal fee was paid within the prescribed period or that that fee and any prescribed additional fee were paid within the six months immediately following the end of that period the comptroller shall by order restore the patent on payment of any unpaid renewal fee and any prescribed additional fee."

The essence of the Office's argument against this requirement having been met is set out in an official letter to the proprietor dated 22 November 1993 in which it is said that Mr Ament's shortage of funds is not acceptable as ground for restoration. If a proprietor takes no action to pay a renewal fee because he does not have the money he cannot then claim that he took reasonable care to pay the fee, and the contention that US law prevented the proprietor from paying the renewal fee throughout the relevant period seems irrelevant because the requirement of reasonable care to see that the fee is paid means that steps must be taken which would lead to the fee being paid in the absence of interfering circumstances. If no steps are taken, then regardless of the reason, that requirement cannot have been met. The letter also makes reference to two judgements of the Patents Court.

The first of these is EDF's Patents [1992] RPC at page 208 in which Aldous J is reported as saying

"If renewal fees are not paid, section 25(3) is clear that the patent ceases to have effect. It is not open to the Comptroller to dispense with the payment even if he is satisfied that due to any reasonable cause a patentee is unable to pay as was submitted in this case. It would be very odd that the Comptroller had power to allow impecunious patentees not to pay renewal fees....."

The second is Halpern and Ward's Patent (unreported) dated 26 January 1993 (SRIS C/16/93) in which the Deputy Judge Mr Jeffs QC enlarged upon that dictum. The relevant passage from the transcript begins at page 19 at "G" and reads:

"I respectfully agree and would amplify the dictum by saying that if indeed there were to be provisions for the Comptroller to allow impecunious patentees not to pay the renewal fees, such provisions would have to be spelt out in clear terms. As it is, the Act appears to me to be clearly of the opposite effect. The Comptroller has no discretion under the Act to waive fees or to provide periods for their payment other than those which are set out in the Act's rules."

However, it must be said that if a proprietor sets up a system to ensure that renewal fees are paid but takes no steps to actually see that a particular fee is paid because the system breaks down and he does not receive a reminder which would have caused him to take those steps, there may still be valid reason for allowing restoration. In the present case it may be assumed that Mr Ament had been reminded that the renewal fee for the ninth year was due, and that, realising that his financial position was hopeless, he made no attempt to pay the fee.

Mr Birss sought to distinguish the circumstances pertinent to Mr Ament's failure to renew the patent from those of a truly impecunious proprietor. Whilst I willingly accept that having assets tied up as Mr Ament did is different from being truly poor, I am not convinced that that is of any relevance to the question I have to decide or that Mr Ament should be treated any differently from a proprietor who has no money at all with which to pay a renewal fee.

It seems to me that Mr Ament's inability to pay the fee, whilst distinguishable, was not all

that different in practical terms from any other proprietor who finds himself in financial difficulty. Mr Ament was constrained against using what funds he had for the particular purpose of paying the renewal fees on his patents, and he was not able to resolve his financial position until after the grace period had expired. It is of no consequence if a proprietor has insufficient funds to pay a renewal fee by the due date if he is able to raise enough money to pay the fee and the required additional fee during the six months grace period and does so. The grace period may be legitimately used in that way (even if that is not its primary purpose), but there is no provision for a proprietor paying the fee after the end of the grace period if he is unable to raise the funds before that deadline has passed.

Whether the financial constraints which prevent a proprietor from paying a renewal fee within the period which Parliament has seen fit to allow are imposed by legislation, by a voluntarily-imposed order of priority, or by the stark necessity of avoiding starvation, should not make any difference in my view, but I certainly see a clear distinction between Mr Ament and his knowledge throughout the relevant period that he was unable to pay the fee, and a proprietor who only finds out after the end of the grace period that his attempt to pay a renewal fee has failed.

However, before rejecting the application for those reasons alone, I must consider another and more radical argument which Mr Birss presented. As I understood it the argument runs thus. The 1977 Act establishes a new law applicable to future patents and gives effect to certain international conventions on patents. Certain sections of the Act are, by virtue of section 130(7), so framed as to have, as nearly as practicable, the same effects in the United Kingdom as the corresponding provisions of the EPC, CPC and the PCT have in the territories to which those Conventions apply. There is a general move towards conformity, and this, so the argument goes, is illustrated by the *Asahi Kasei Kogyo KK case* [1991] RPC 485 in which it was held in the House of Lords that the meaning of section 130(3) (which is not one of the sections referred to in section 130(7)) is substantially the same as that of Article 88(4) EPC.

I do not consider the *Asahi* case to be illustrative of any move towards conformity in the sense that their Lordships decided that, just for the sake of conformity with the EPC, section

130(3) ought to be given the same practical meaning as Article 88(4) EPC. Lord Oliver's judgement contains the following passage (commencing at page 535 line 15 of the report):

"It is not one of the sections specifically referred to in section 130(7) as intended to have the same effect as the corresponding provisions of the Convention, but sections 2 to 6 are so referred to and section 5, in turn, is specifically referred to in section 130(3). It is true that the wording of the section differs from that of Article 88(4) but I do not find any significant difference of meaning. The Article directs attention to the application as a whole for the ascertainment of what is disclosed. Section 130(3) does the same thing....."

It seems to me therefore that section 130(3) and Article 88(4) have much the same purpose, and that their Lordships took the view that, notwithstanding the different forms of wording used in them, the meaning was substantially the same. In addition there is also the indirect connection between section 130(3) and section 130(7). But in my view it does not follow as a matter of course that a section of the Act and an Article of the EPC must be interpreted in the same way when they have similar but different purposes. It is quite clear that section 28(3) and Article 122 EPC (which is concerned with *restitutio in integrum*) serve different purposes: the section defines the requirement which must be met for restoration of a patent which has lapsed through failure to pay a renewal fee within the prescribed periods, whereas the Article specifies the requirement for re-establishing applications or rights which have been lost, or patents which have been revoked through failure to observe time limits.

Nevertheless, in Mr Birss's submission the move towards conformity should embrace section 28 and Article 122 EPC. Article 122 is worded thus:

"The applicant for or proprietor of a European patent who, in spite of all due care required by the circumstances having been taken, was unable to observe a time limit *vis-a-vis* the European Office shall, upon application, have his rights re-established if the non-observance in question has the direct consequence, by virtue of this Convention, of causing the refusal of the European patent application, or of a request, or the deeming of the European patent application to have been withdrawn, or the revocation of the European patent, or the loss of any other right or means of redress."

An application under Article 122 may be made up to two months from the removal of the cause of non-compliance provided the application is made within one year of the expiry of the unobserved time limit. Mr Birss argued that Article 122 EPC is interpreted as though a failure to pay an annual fee within a prescribed time limit is a failure to meet that time limit, and lack of funds is accepted as a valid reason for being unable to pay a fee on time. In support of this argument he referred me to three reported decisions of EPO Boards of Appeal.

In EPOR J07/82 at page 108 (Cataldo) the applicant failed to pay certain fees, due in furtherance of a patent application, within the periods prescribed because of lack of funds. The patent application concerned was deemed to have been withdrawn, but the applicant subsequently obtained a loan and applied for re-establishment of rights under Article 122. The application for re-instatement was refused on a question of it being too late after the cause of non-compliance was removed, but on appeal that decision was reversed. The application for re-instatement was then referred back to the Receiving Section of the European Patent Office to be considered on its merits. I do not know what happened after that, but it may be implied that the Board of Appeal considered lack of funds to be a valid reason for being unable to comply with time limits for paying fees.

In EPOR J07/83 at page 174 (Mouchet) an application was again deemed to have been withdrawn because of failure to pay a fee within the prescribed period. In this case the reason for non-compliance was that a Receiving Order had been made against the applicant suspending any payments until a person was authorised to continue the proceedings. The question decided by the Board of Appeal was whether the period during which the relevant fee should be paid continued to run or not while the proceedings on the patent application had been interrupted. There is specific provision under the EPC for proceedings to be interrupted 'in the event of the applicant ... as a result of some action against his property, being prevented by legal reasons from continuing the proceedings' (rule 90(1)(b)). It was decided that the time period in question should be interrupted as part of the general interruption of proceedings, and the application was allowed to proceed because the relevant fee was paid within the reset time limit. Mr Birss said it was very important to note that the EPC recognised that if the law or a national court is preventing a person from doing

something, then that is a reason beyond their control for not acting.

I do not consider that this advances Mr Ament's case at all. If it had been Parliament's intention to recognise that proprietors such as Mr Ament placed under a Court Order could not pay renewal fees until the order was lifted some provision for interrupting the running of the relevant time period would surely have been made as it was in the EPC. It is quite fortuitous that Mr Ament has been able to apply for restoration of his patent within the nineteen months allowed after it had lapsed, other proprietors in a similar plight might not be able to do so. There is no provision in the Act or rules for interrupting or extending the period for making an application for restoration of a lapsed patent any more than there is for the period for paying a renewal fee, apart from extension under rule 100 to rectify an irregularity. On the contrary, extension of those periods is expressly excluded by rule 110(2) from those periods and times which may be extended in normal proceedings.

The third decision was EPOR J22/88 (Radakovic). In that case the applicant failed to pay certain fees within the relevant time limits or grace periods because he was unable to raise credit in time. It was held that, although Article 122 does not expressly mention 'financial difficulties' as constituting grounds for re-establishment of rights, no other EPC provision expressly excludes it. The Board of Appeal apparently took note of the *travaux préparatoires* which indicated that express provisions in the EPC dealing with applicants' financial difficulties were thought to be superfluous because financial hardship should be relieved where possible by the Contracting States. This was said by the Board of Appeal to point to an intention to alleviate hardship where possible, and not to exclude poor applicants from obtaining European Patents, so it was only just that such an applicant should obtain relief. The Board also held that the applicant, who was an unemployed stateless person, had exercised all due care within the meaning of Article 122 in that the financial difficulties were genuine and beyond the reasonable control of the applicant.

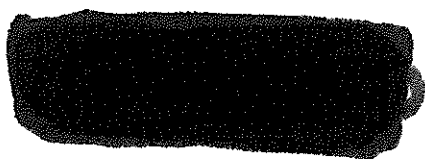
According to Mr Birss these cases indicate that the policy of the EPO as regards impecunious applicants who are unable to pay the required fees within the prescribed time limits is, or appears to be, different from the policy the UK Office is currently adopting. He said it suggests that the UK Office's policy is not right because the 1977 Act is to be construed in

accordance with the Convention and the way the EPO interprets the Convention is quite different, in fact the Radakovic decision is irreconcilable with the decision in Halpern.

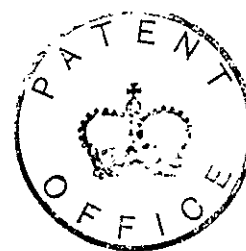
As I have indicated earlier, I do not consider Mr Ament as being in a position which is any different, from the point of view of the practical interpretation of section 28(3), from any other proprietor who, for different reasons, is in financial difficulty and is unable to pay. I am not convinced that section 28(3) should be interpreted in the same way as Article 122 EPC, but if it should be, and, as a result, there is any conflict between relevant decisions of the EPO Boards of Appeal and judgements of the Patents Court, then I am bound to follow the latter.

As was stated by the Deputy Judge in the Halpern case (though not using these exact words), Section 28 is concerned with providing relief where a suitably funded arrangement for seeing that a renewal fee is paid breaks down. In this particular instance the failure to pay the renewal fee within the period allowed was caused by the absence at the time of a suitably funded arrangement for seeing that the fee was paid. Under those circumstances, and although I have given very careful consideration to the arguments put forward by Mr Birss, it is clear to me that I must refuse the application for restoration.

Signed this 31 day of MARCH 1994

A large black rectangular redaction covering the signature of the official.

K E Panchen
Superintending Examiner, acting for the Comptroller



THE PATENT OFFICE