

J. Wilson  
30/12

## PATENTS ACT 1977

IN THE MATTER OF a reference under Section 8(1)  
by Unitec Systems Limited (in liquidation)  
by its Liquidators David Miles Middleton  
and Gordon Smythe Goldie of Cork Gully  
in respect of Patent Applications  
Nos 9025496.2, 9104630.0, 9104943.7 (and 8926635.7)  
in the names of Raymond Rutter and Leslie Pape

## DECISION

Patent application 9025496.2 ("96") was filed on 23 November 1990 in the names of Raymond Rutter and Leslie Pape. It claims an earlier priority date from patent application no 8926635.7 ("35") filed on 24 November 1989 in the same two names. The priority application '35 was not published, but '96 was published on 29 May 1991 as GB2238287A. Form 10/77 requesting substantive examination of '96 was filed on 6 August 1991.

Patent applications nos 9104630.0 and 9104943.7 ("the 1991 applications") were filed on 5 and 8 March 1991 respectively, both in the two names of Raymond Rutter and Leslie Pape and neither claiming an earlier priority date. Both applications were taken as being withdrawn by the operation of section 15(5) of the Patents Act 1977 ("the Act") and were not published.

On 20 September 1991 a reference under section 8(1) comprising Form 2/77 and a statement was lodged by Reddie and Grose as patent agents for the referrer, which is Unitec Systems Limited (in liquidation) ("Unitec") through its liquidators D Miles Middleton and Gordon S Goldie of the firm Cork Gully. The grounds relied on by the referrer are threefold, in essence deriving from sub-sections (1)(a) and (b) of section 39 of the Act and from an assignment of patent rights dated 21 September 1990. A counterstatement seeking dismissal of the reference was received on 2 December 1991 from Mewburn Ellis, agents for Raymond Rutter and Leslie Pape, who are the named patent applicants and the opponents to the

reference. Evidence rounds followed essentially the usual course. The referrer's evidence comprises two statutory declarations from Mr Goldie, with exhibits. The opponents' evidence comprises one statutory declaration from Mr Pape, with exhibits, and one from Mr Rutter, without exhibits.

At a hearing before me on 30 April 1993 to determine the reference, Mr J D Gill of solicitors Robert Muckle appeared for the referrer and Mr T J Care of solicitors Dickinson Dees appeared for the opponents.

Before turning to the substantive issues before me, I should mention several preliminary matters which I decided at the hearing. First, the opponents' solicitors had made an application in their letter to the Office of 21 April 1993 for Mr Pape to give oral evidence, and in an attached copy letter of the same date the referrer's solicitors had expressed a wish to cross-examine him. At the hearing Mr Care and Mr Gill confirmed their agreement on this point and, notwithstanding that it is the normal practice in proceedings before the Comptroller that evidence be given in the form of a statutory declaration, I was prepared to allow Mr Pape to be called.

The second preliminary matter concerned the terms of the reference. The statement was made in respect of '96 and the 1991 applications, but apparently not '35 from which '96 claims priority, although '35 is mentioned in paragraph 5 of the statement. When I pointed this out, the parties agreed that the reference should be amended to include '35. Furthermore, in the course of the hearing Mr Gill indicated that the referrer had in fact been looking simply at '96 and '35, and not at the 1991 applications. Since, as I have said, both of the 1991 applications were treated as withdrawn without being published, Unitec were in no way prejudiced by the fact that those applications were made. Mr Gill agreed to their omission from the reference. The hearing was therefore conducted in relation to a reference in respect of '96 and '35 only, and my decision on the substantive issues has likewise been reached on that basis.

The subject matter of '96 as set out in GB 2238287 A relates to carton filling machines and in particular to such machines for producing cartons fitted with pouring spouts. A

conventional carton filling machine may, it is said on pages 1 and 2 of the specification, have to be adapted to enable it to produce different sized cartons. Moreover, to produce cartons which have pouring spouts mounted on them during assembly of the cartons has required a series of steps to be carried out at a series of stations displaced along the length of the machine, which adds to the number of stations that need to be provided in the machine, its floor area, and its overall cost. It is said therefore that it would be desirable to be able to provide a carton filling machine capable of applying pouring spouts to cartons and of a more compact nature.

Omnibus claim apart, '96 has claim 1 as its only independent claim. This reads:

"A carton filling machine including a pouring spout application station for locating a pouring spout in a preformed hole in the upper regions of an open-topped, partly-formed carton, the pouring spout application station comprising a rotatable mandrel provided with at least one boss projecting therefrom, the mandrel being indexed such that, during rotation thereof;

- i) a pouring spout is positioned on the boss;
- ii) the mandrel enters the open top of the stationary carton and aligns the boss and the pouring spout thereon with the hole in the upper regions of the carton;
- iii) the pouring spout is displaced to extend through the hole in the upper regions of the carton;
- iv) the inner end of the pouring spout is secured to the inner wall of the upper regions of the carton, and
- v) the boss on the mandrel is withdrawn from the secured pouring spout.

The subject matter of '35 also relates to carton filling machines. On page 1 of the specification it is said that it would be desirable to be able to provide a carton filling machine incorporating as part of the integral operation of that machine a cap and pour spout applicator mechanism readily adaptable to provide a different method of opening and re-sealing of a carton from before. Operation of the invention involving five stations is described. No claims were filed on this application.

It is convenient at this point to establish when the invention of '96 and '35 was made and by whom. Although '96 was filed on 23 November 1990, it claims priority from '35 which was filed on 24 November 1989. Of course neither date necessarily corresponds to the date of making the invention. However, in paragraph 24(a) of his declaration, Mr Pape indicated that the invention of '35 and '96 was made "in early 1989". This was accepted by Mr Gill at the hearing, and I shall take it to be so. The referrer has not questioned that the opponents were the inventors of the invention of the applications in suit. On the evidence submitted there seems no reason to doubt this, and I therefore take it that they were.

Two of the referrer's three grounds for the reference arise from section 39(1) of the Act, which determines the ownership of patent rights. This section reads:

"Notwithstanding anything in any rule of law, an invention made by an employee shall, as between him and his employer, be taken to belong to his employer for the purposes of this Act and all other purposes if -

- (a) it was made in the course of the normal duties of the employee or in the course of duties falling outside his normal duties, but specifically assigned to him, and the circumstances in either case were such that an invention might reasonably be expected to result from the carrying out of his duties; or
- (b) the invention was made in the course of the duties of the employee and, at the time of making the invention, because of the nature of his duties and the particular responsibilities arising from the nature of his duties he had a special obligation to further the interests of the employer's undertaking."

Section 130(1) defines "employee" as follows:

"employee" means a person who works or (where the employment has ceased) worked under a contract of employment or in employment under or for the purposes of a government department or a person who serves (or served) in the naval, military or air forces of the Crown".

The first matter for me to consider therefore is whether the patent applicants, Mr Rutter and Mr Pape, were "employees" of Unitec within the meaning of the Act.

It is undisputed that Unitec was set up by Mr Rutter and Mr Pape and was incorporated in England on 10 August 1987. The referrer contends in paragraphs 2 and 3 of the statement that the opponents were Unitec directors throughout the period from 10 August 1987 until the appointment of the liquidators on 12 July 1991, initially Mr Pape being employed as Technical Service Manager and Mr Rutter as Field Service Manager, and after 1 April 1989 as Joint Managing Directors. In paragraph 2 of the counterstatement the opponents describe themselves as Joint Managing Directors for the whole period.

Mr Care and Mr Gill both took me to the opponents' service agreements exhibited at GSG7. I note that the two service agreements are essentially the same, and are signed by Mr Pape or Mr Rutter respectively. The first point to settle is their date of effect. Each agreement ends "IN WITNESS whereof this Agreement was entered into the day and year first above written", which is 1 April 1989, and no other date appears on the copies of the agreements filed in evidence. According to paragraph 6 of the counterstatement, the opponents' contracts of employment were drawn up on the acquisition, in April 1990, by 3i PLC ("3i") of 25% of the shareholding in Unitec. In his examination by Mr Care, Mr Pape said that the service agreements were signed in April 1990 and that a reference in them to particular salaries demonstrates that they were written in 1990 not 1989. He said the agreements were back-dated for the service contracts to show that he and Mr Rutter had continued service with the company. In his declaration, he says that the service contracts were not executed until March 1990. Mr Goldie in his first declaration suggests that the service agreements were not signed until 2 February 1990 and cites a letter of 10 December 1991 from Dickinson Dees in support.

Mr Care sought to establish at the hearing that the service agreements were signed in April 1990, and therefore became effective then and not on 1 April 1989. However, when I asked him whether it was not legitimate to backdate a contract, with reservations he conceded it was. On this basis, I think it reasonable on the evidence to regard 1 April 1989 as the

effective date of the opponents' service agreements, although they were not signed until early 1990.

I might observe, as I did at the hearing, that there seems to be no evidence as to the relationship between the two directors and the company up to the time of execution of the service agreements. Potentially this might have been important given that, as already noted, the invention of '96 and '35 was made in early 1989. However, since Mr Care admitted that the service contracts were effectively confirming the earlier unwritten position, and since the opponents considered themselves to be Joint Managing Directors of Unitec from its inception, I do not believe that in practice this creates any uncertainty.

Thus I consider from the opponents' service agreements and the evidence surrounding their implementation that the opponents were employees of Unitec as Joint Managing Directors throughout the period in question in these proceedings and hence that section 39(1) applies.

The first part of the referrer's case is that the invention disclosed in the applications in suit belongs to Unitec under section 39(1)(a) because it was allegedly made in the normal course of duties of the applicants and the circumstances were such that an invention might reasonably be expected to result from the carrying out of such duties. It is therefore necessary for me to determine what the opponents' "normal duties" were, and in particular whether they included any design or invention responsibility. I shall begin by considering what duties were specified in their service agreements.

As Mr Care pointed out, clause 2.1 of each service agreement states that "The Company [Unitec] shall employ the Executive [Mr Rutter or Mr Pape respectively] and the Executive shall serve the Company as joint Managing Director under the terms hereof ...". Clause 3 of the respective service agreements is headed "Duties". Unfortunately both agreements as filed in evidence show interruptions at this point, leaving clause 3 incomplete, but Mr Gill and Mr Care agreed that this had no bearing on the issues before me. In both agreements, the duties are said to be "those of a Joint Managing Director of the Company (and in particular responsible for the operation and profitability of the Company)". Clause 3.2 says that "the Executive shall well and faithfully serve the Company and use his utmost

endeavours to promote its interests and shall devote the whole of his time, attention and abilities during normal business hours to its affairs". Mr Gill accepted when I asked him that there was no specific reference in the service agreements to the opponents being involved in making inventions.

Mr Care submitted that there was no evidence of any duties being specifically assigned to Mr Rutter and Mr Pape. Moreover, in his declaration Mr Pape says that neither he nor Mr Rutter had specific duties relating to design and invention, Mr Rutter being responsible for sales and marketing, and he being in charge of operations with overall supervision of the technical aspects of manufacture.

It seems to me that the service agreements do not point to designing or inventing being explicitly part of the opponents' normal or assigned duties as employees. In this context, given the broad nature of what the service agreements do indicate were their normal duties, it is appropriate to consider whether designing or inventing may have been implied by the field of activity of the company and the opponents' roles in it as Joint Managing Directors.

In the statement, the referrer states the principal business activity of Unitec to be the design, manufacture and sale of machinery for assembling and filling containers such as cartons. There seems to be no specific single item of evidence in support of this, but it is clear from the general weight of evidence that Unitec was in the business of trying to sell carton filling machines it was making or intending to make. Whether Unitec had as a principal business activity the design of such machines is less clear. Mr Care argued that the company was only a manufacturing and selling vehicle and had no interest in research and development. In this context at the hearing I queried with Mr Pape a letter from Mr Rutter dated 9 July 1990 in exhibit LP1 in which Unitec's company notepaper bears the legend "Innovators in Liquid Packaging Technology". In response, I understood Mr Pape to say that such an innovation role on the part of the company, as opposed to his and Mr Rutter's activity as individuals, only arose in regard to the so-called S5000 machine. This machine he acknowledged to be the property of Unitec, but was he said distinct from earlier machines known as the S4000 (which incorporated the invention of '96 and '35) and the S3000. I have

to say that in view of the date of the letter, falling as it does between the filing dates of '35 and '96, I have some difficulty in being convinced by Mr Pape's explanation.

Notwithstanding these doubts, however, I do not believe that the referrer has shown that Unitec was, at the time the invention of the applications in suit was made in early 1989, in the business of designing carton filling machinery, as opposed to making and selling it. It follows that I am not persuaded that the opponents' broad roles in that business have been shown to include a clear design or invention element.

It therefore appears to me, having considered the opponents' duties explicit in their service agreements and implicit in their roles in the activity of the company, that while the invention of '96 and '35 the subject of these proceedings was made by the opponents while employed by Unitec as Joint Managing Directors, the referrer has not discharged the onus on it to show that this was in the course of their "normal" duties. Thus the requirement of section 39(1)(a) is not satisfied and the reference does not on this ground succeed.

Turning now to section 39(1)(b), the referrer claims in the statement ownership of the applications in suit on the ground that "the inventions were made in the course of the duties of the Applicants as employees and, at the respective times of making the inventions, and because of the nature of the Applicants' duties, and particular responsibilities arising therefrom as Joint Managing Directors, the Applicants had a special obligation to further the interests of the Referrer Company". Looking again at the responsibilities of the opponents as Joint Managing Directors, it is necessary to consider them now from the perspective not of what their normal or specifically assigned duties were, but what might be more broadly expected of them in their senior positions within the company. Although I was not referred at the hearing to any case law, the comments of Mr Justice Falconer at lines 1 to 4 of page 38 of Harris' Patent [1985] RPC 19 summarise the view I believe I should follow. They read:

"Thus, plainly the position in this regard of a managing director whose obligation to further the interests of his employer's undertaking of which he is the managing



director will, no doubt, extend across the whole spectrum of the activities of the undertaking ..."

Thus, Joint Managing Directors would usually have such a broad range of duties and owe a special obligation to the employer's undertaking of such a magnitude for it to be exceptional for any invention they might make not to be the property of their employer if it lies in their employer's line of business. While the onus is on the referrer to bring the patent applicants within sub-section 39(1)(b), to establish that they were Joint Managing Directors, which it has done, is sufficient in the absence of evidence that in spite of their titles they did not have the special obligation referred to in the sub-section.

The analysis of the opponents' service agreements set out above revealed the wide-ranging but not clearly defined duties they were expected as Joint Managing Directors to fulfil and the heavy commitment they were expected to make. I have seen no evidence that they were relieved to any degree of the special obligation implicit in their titles. Indeed, their service agreements may be seen if anything to place an explicit special obligation on them in addition to, and hence reinforcing, the one which would in any event be inferred as falling on any managing director of a company.

When I asked Mr Care about the special obligation referred to in section 39(1)(b) he accepted that managing directors generally have an obligation to further the interests of the company, but again argued that the interests of Unitec were purely in the manufacture and sale of carton filling machines. While I accepted earlier that the referrer had not shown that at the relevant time Unitec as a company was in the business of design or invention, I do not consider this means that anything connected with design or invention is therefore unconnected with the interests of the company. Certainly I have been shown no evidence to support such a proposition in this case. I note that under cross-examination by Mr Gill, Mr Pape said that the development of the so-called S4000 machine, which incorporated the invention of the applications in suit, was made in a bedroom converted into a drawing office, that is not on Unitec's premises. However, it seems to me that while the invention may have been made outside the company's premises, it nevertheless lies squarely in the field of carton filling

machines in which Unitec's commercial activity lay and Unitec's interest in which it was the opponents' special obligation as Joint Managing Directors to further.

I therefore conclude that as the invention covered by the applications in suit lies in Unitec's field of business, and was made by the opponents when they were Unitec's Joint Managing Directors, the conditions of section 39(1)(b) apply. Subject to there being no over-riding agreement in existence to the contrary, both the applications in suit on this ground properly belong to the referrer.

At the hearing, Mr Care drew attention to the fact that the service agreements did not contain any express clause relating to ownership of inventions. However, this does not help the opponents' cause as it leaves the position under section 39(1)(b) undisturbed.

Mr Care also argued on the basis of Mr Pape's oral and written evidence that the business of the company was intended to be the commercial exploitation, that is manufacture and sale, of liquid packaging machine designs made by him and Mr Rutter and that it was not intended that Unitec would own any rights relating to any design made by either of them. It is not clear from the evidence that this intention was ever embodied in writing. However, the opponents have drawn attention to a licence agreement dated 29 September 1989 between them and Unitec whereby, at least at that time, the opponents as individuals would retain ownership of all relevant intellectual property rights. At the hearing Mr Care made the point that this licence agreement was concluded after the date of the opponents' service agreements, but before their execution. He argued that even though a clear employment relationship existed, the arrangement between the company and the opponents was always that the opponents owned the intellectual property rights. In his second declaration Mr Goldie disputes the validity of the licence agreement and avers that the rights were not in any event the opponents' to assign.

The licence agreement refers to "Series 3000" carton filling machines and allows Unitec certain rights of manufacture and sale. It does not make clear who initially has or who would retain the ownership of the patents and applications it mentions in general terms. It certainly does not acknowledge that the opponents owned them, although it might be inferred

that they thought they did as "grantors". However, the licence agreement does not refer to any patents or applications by number, and cannot be said clearly to relate to '96 and '35. Indeed it seems to me from what the opponents themselves have said that it does not. In his declaration Mr Pape says that '96 and its priority application '35 relate to the "series 4000 cap applicator machine", and at the hearing he confirmed that the refinement distinguishing the S4000 machine from the S3000 machine was the invention made in early 1989. The conclusion I draw is that the S4000 machine, the subject of the applications in suit, differs from the S3000 machine covered by the 1989 licence agreement. Even if I am wrong in this, I do not believe the licence agreement's lack of specificity would give it any binding effect in relation to the present patent applications. Moreover, even if it were more specific, I do not consider that it would negate the opponents' special obligation to further the interests of the company, and hence that it would alter the position I have already found to exist by virtue of section 39(1)(b).

The third ground relied on by the referrer depends on a purported assignment to Unitec of patent rights by the opponents in September 1990. The circumstances that gave rise to it may be summarised briefly as follows.

It appears that in late-summer 1990 Unitec was experiencing severe financial problems. Discussions about financial support to avert its collapse were in train with 3i, the National Westminster Bank PLC and Reed Packaging Ltd's ("Reed") subsidiary Field and Sons Packaging Ltd ("Field"). KPMG Peat Marwick McLintock were commissioned to produce a report on Unitec's viability and financial position; a draft report dated September 1990 is at GSG2. After discussions within and beyond Unitec's Board of the report and its implications, a share subscription agreement was made on 21 September 1990 between Unitec, the opponents, Reed and 3i whereby 3i and Reed agreed to make a substantial investment in Unitec upon certain terms and conditions. Under clause 16 of the agreement, the Directors of Unitec agreed to transfer as soon as possible the patents and patent applications specified in a deed of assignment of the same date.

The assignment of 21 September 1990 purported to assign the rights in certain patents and patent applications from the opponents to Unitec, and in consideration of this the opponents

together received 8250 ordinary shares in Unitec. The assignment covers those applications specified by number in its schedule 2 and, by virtue of clause 1.2, any applications claiming priority from them. Several applications are listed in that schedule, of which only '35 has been otherwise mentioned in these proceedings. Thus, it and by extension '96 are covered by the assignment.

The opponents have argued strongly that the share subscription agreement and the accompanying assignment of September 1990 were only settled subject to the understanding that Field would buy 44 "Gordon" filling machines from Unitec over a three year period, "Gordon" referring to the type of carton which was to be filled. Mr Pape's declaration goes into this at some length, and it was the subject of much of Mr Pape's examination by Mr Care. Mr Pape has referred to meetings at which this understanding tying the agreement and assignment to this purchase was allegedly reached, and to a "Heads of Agreement" and related correspondence between Unitec and Field. Mr Pape said that Field represented that they would make the purchase of 44 machines and that without that commitment the share subscription and the assignment would not have gone ahead.

Mr Goldie suggests in his second declaration that the submitted evidence does not establish that the understanding alleged by Mr Pape formed a condition of either the agreement or the assignment, especially since neither document mentions any purchasing commitment by Field. Mr Gill argued that it was Field's original intention, but no more than that, to buy 44 machines and that the Heads of Agreement was only a statement of intent. I note that the correspondence submitted in evidence about the Heads of Agreement runs from 3 July 1990 to 1 March 1991, that is well before and after the agreement and assignment of September 1990, and that Mr Pape's own declaration states that the Heads was only signed on 15 March 1991. This makes it unlikely in my view that in September 1990 any firm understanding existed on all sides about a linkage with the purchase of 44 machines.

Nevertheless, the opponents' contention is that when Field subsequently failed to pursue the purchase of 44 machines, a fact which seems not in dispute, the tacit condition underpinning the agreement and assignment of September 1990 was not fulfilled and that these were therefore void. They further contend that they were therefore entitled to reassign the patent

rights back to themselves, and have sought to rely on a purported reassignment from Unitec to them dated 9 July 1991.

At the hearing, Mr Gill agreed that no point was being taken as to the sealing of the reassignment, but he argued on several other counts that it was void. He took me to section 4 of the minutes of the Unitec Board Meeting of 8 July 1991 at which the validity of the agreement and assignment of September 1990 and a proposal that the patent rights be reassigned to the opponents were discussed. Mr Gill contended that no vote to reassign was properly taken at that meeting, and cited in support not only the minutes of the meeting but also a letter from the Unitec chairman dated 11 July 1991. In this letter, the chairman alleged inter alia that no motion to reassign was put by the chair and no papers were circulated as part of the agenda, and he refused to sign the minutes if they purported to show a resolution approving reassignment to the opponents. Mr Care countered through the testimony of Mr Pape that a proposal to reassign was put, the Board members present had the chance to vote on it, but only the opponents and one other director chose to do so, all casting their votes in favour of reassignment. The other Board members present had the opportunity, Mr Pape said, to vote against the proposal but declined to do so. In Mr Care's view the reassignment was valid.

Mr Gill also questioned the validity of the reassignment for reasons other than the conduct of the alleged vote itself. First, as I have already said, he denied, contrary to Mr Care's proposition, that the earlier agreement and assignment of September 1990 were rendered void by a failure by Field to buy 44 machines, and submitted in consequence that the reassignment would breach the terms of the agreement, especially clause 7(e), by transferring property of the company without prior written consent of the investors, and clause 13, by failing to protect the company's rights and information.

Second, Mr Gill contended that the opponents had committed a breach of their fiduciary duty as directors in essaying the reassignment and that that too made it void. He took me to "Gore-Browne on Companies", Supplement 10, pages 27.005 - 27.008. There it is indicated that it is the primary fiduciary duty of a director to exercise his powers in good faith in the

interests of the company, and that if a power is found not to have been so exercised the exercise may be declared ineffectual and void. It is stated on page 27.007 that:

"When a company is insolvent or on the verge of insolvency, but not otherwise, it is the creditors' interests that are paramount. Although it has been said that a duty is owed by the directors to the company and to the creditors of the company to ensure that the affairs of the company are properly administered and that its property is not dissipated or exploited for the benefit of the directors themselves to the prejudice of the creditors, it is submitted that this is not a duty owed directly to the creditors, but rather a duty to the company which in the event of liquidation can be enforced by the liquidator for the benefit of the creditors".

Mr Gill went on to point out pages 27.045 - 27.048A of the same reference where it is noted that factors can exist which might relieve a director from liability for breach of fiduciary duty. These include ratification by a general meeting given sufficient notice, but such relief does not apply where the director had by deliberately pursuing his own interests failed to act in the company's interest.

Mr Care argued that there had been no breach in fiduciary duty because the reassignment had been effected by the opponents in the interests of the company, since it served to protect the patent rights in question against other parties. A licence concluded at the same time as the reassignment allowing Unitec to work those rights meant that the business of the company was not hindered. The reassignment had involved no consideration, but the opponents were assuming the expense and obligation of maintaining those rights.

Third, Mr Gill argued that the reassignment represented a transaction at an undervalue which would give the opponents a preference to which they were not entitled, contrary to sections 238 to 240 of the Insolvency Act 1986. He referred me in particular to sub-sections 238(4) and (5) and 240(1) and (2) of that Act. Mr Care countered that an undervalue could only be established if a "value" were known. He alleged that the referrer had not adduced any evidence of an undervalue or a value, and Mr Pape's oral testimony was that the value of the rights in question was unclear.

It seems to me that the reassignment of 9 July 1991 and the preceding assignment of 21 September 1990 were based on the false premise that the patent rights in question belonged to the opponents in the first place. In fact the rights belonged to Unitec in the first place, by which I mean before the assignment of September 1990, by operation of section 39(1)(b), the position under which I have already outlined. The assignment of September 1990 was ineffective to pass the rights to Unitec because the opponents as grantors did not possess those rights, although that assignment and the related agreement are I think evidence that the intention of the parties was that the patent rights should belong to Unitec on certain conditions. In my view the parties entered into a contractual relationship in September 1990 misunderstanding or in ignorance of the effect of section 39.

The reassignment in July 1991 was likewise based on a misunderstanding (a) that the rights had been validly assigned in September 1990, and (b) that the assignment had been conditional upon the purchase by Field of 44 machines. I also do not see how it could be believed by the Unitec board that it was in the company's best interests to assign the rights without consideration, but it seems that the applicants genuinely believed they had a moral right to these patent applications.

Having found that the assignment and reassignment were founded on a mistake, namely that the rights belonged originally to the applicants, the right thing for me to do, under the authority of section 8(1), is to override the assignment and reassignment and declare that the true owner of the two applications '96 and '35 is the referrer, and this I do.

In summary, I find that by virtue of section 39(1)(b), but not (a), the reference under section 8(1) succeeds, and that the rights in the applications in suit, namely '96 and '35, and the invention, or inventions, they contain belong to Unitec, the referrer.

I therefore order under section 8(2)(a) of the Act that application no 9025496.2 shall proceed in the name of Unitec Systems Limited, instead of in the names of Raymond Rutter and Leslie Pape. I also order that any rights in application no 8926635.7, which is treated as withdrawn but from which application no 9025496.2 claims priority, shall be similarly

withdrawn but from which application no 9025496.2 claims priority, shall be similarly transferred.

At the hearing, both parties agreed that the substantive examination of '96 should proceed, and indeed the examiner's first report under section 18 was sent on 3 June 1993 to Mewburn Ellis as agents for the opponents. I direct that a copy of the report now be sent to Reddie and Grose as agents for Unitec, but it will be for the referrer formally to appoint that firm (or another of its choosing) to represent it in relation to the further prosecution of the patent application.

Both parties have asked for an award of costs, but neither made submissions on this point at the hearing, when I indicated that in proceedings before the Comptroller the scale of costs applied is such that awards are fairly nominal. In this case I consider it appropriate to reflect the outcome of the hearing in costs and therefore award the referrer, Unitec Systems Limited, the sum of nine hundred pounds (£900) as a contribution to its costs, and I direct that this sum be paid to them by the opponents, Mr R Rutter and Mr L Pape.

Since this is a substantive matter, the time within which an appeal may be lodged is six weeks from the date of this decision.

Dated this 21 day of June 1993



W J LYON

Superintending Examiner, acting for the Comptroller



THE PATENT OFFICE