



Neutral Citation Number: [2022] EWHC 495 (IPEC)

Case No: IP-2020-000098

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY ENTERPRISE COURT

Royal Courts of Justice, Rolls Building
Fetter Lane, London, EC4A 1NL

Date: 8th March 2022

Before :

HIS HONOUR JUDGE HACON

Between :

MARK RICHARD JONES

Claimant

- and -

IRMAC ROADS LIMITED

Defendant

Maxwell Key (instructed by **DWF Law LLP**) for the **Claimant**
Michael Edenborough QC (instructed by **Filemot Technology Law Ltd**) for the **Defendant**

Hearing date: 14 December 2021

Approved Judgment

Covid-19 Protocol: This judgment was handed down remotely by circulation to the parties' representatives by email and released to BAILII. The date and time for hand-down is deemed to be 10.30 a.m. on Tuesday 8th March 2022.

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HIS HONOUR JUDGE HACON

Judge Hacon :

Introduction

1. UK Patent No. 2 506 097 (“the Patent”) was granted on 13 September 2017. It claims an invention entitled “Improvements relating to road repair systems”. The invention took the form of an improved infra-red heater of road asphalt and a method of heating an asphalt road surface. It is used for road repairs.
2. Two inventors are identified on the cover of the specification: Mark Jones and Ben Gedroge. Mr Jones is the claimant in this action. Mr Gedroge is a director of the defendant (“IRL”). IRL is the current proprietor of the Patent.
3. It was accepted by IRL that Mr Jones was the only inventor of the invention claimed in the Patent.
4. By this action Mr Jones seeks a declaration that he, not IRL, is the proprietor of the Patent. The declaration is sought under s.37 of the Patents Act 1977 (“the 1977 Act”). The application for the declaration was first made as a reference to the comptroller, who transferred the matter to this court pursuant to s.37(8).
5. Maxwell Keye appeared for Mr Jones, Michael Edenborough QC for IRL.

Background

6. In about 2009 Mr Jones devised an infra-red heater for road surfaces (the “IRH”). He incorporated a company called Clean Fast UK Limited through which he developed and manufactured the IRH. It was marketed by a company called Asphalt Re-Lay Limited. By 2010 the two companies had contracts for road repairs with local authorities in North West England and were trading successfully. They operated from premises in Crewe leased from a company owned by Ben Gedroge and his father Terry. Mr Jones continued to work on improvements to the IRH.
7. In June 2010 there was a fire at the Crewe premises. It forced Asphalt Re-Lay Limited to cease trading and to be wound up in December 2010. Mr Jones was in financial difficulty and unable to pay rent. He was approached by Ben and Terry Gedroge with a proposal to start a new venture for marketing the IRH. Mr Jones was also introduced to Robin Higham, a partner at O’Neill Patent Solicitors LLP, who could handle legal matters and to Peter Black, a business consultant, who could handle financial matters.
8. The proposal led to the incorporation of a company named Irmac Limited (“IL”) on 7 October 2011. The directors and shareholders were Ben and Terry Gedroge, Mr Higham and Mr Black. Mr Jones was given a 45% share option which he could take up in the future if he wished.
9. Later the same month discussion turned to the intellectual property rights in the improvement to the IRH on which Mr Jones had been working. Broadly it concerned a means for varying the level of heat in a programmed heat wave cycle with a set heating range. On 18 October 2011 there was a meeting

between Mr Jones and three of the directors of IL. The attendees discussed whether Mr Jones would assign his rights to IL and that IL would file a patent application. Ben Gedroge kept the minutes which refer to the IRH as the “gas burner”. They included the following paragraphs:

- “6. *Once all the all the necessary information is supplied in full for both Peter Black and the David Murphy (Patent Lawyer) and after receipt of the patent application number, within 6 months, the board will use all reasonable endeavours to find a suitable investor to commit the necessary funds to the company.*
7. *In consideration of the grant of the 45% shareholding in the Company, Mark Jones agreed to assign all intellectual property rights relating to the gas burner, both tarmac repair and for methane burning and power generation, to Irmac Ltd. No objections. Motion passed.*
8. *In return for agreement under above item 7, it was agreed that if Irmac Ltd had not commenced active trading within six months from the patent application registration confirmation, then all the IPR referred to in item 5 would be reassigned to Mark Jones.”*
10. On or shortly before 25 November 2011 IL filed a patent application (“the IL Application”), which identified Mr Jones (only) as the inventor and IL as the proprietor. On 25 November 2011 IL’s patent attorney informed Mr Jones and Ben Gedroge that the UK Intellectual Property Office had allocated to it application no. 11203803.3.
11. On 22 December 2011 IL and Mr Jones entered into two written agreements, a Patent Option Agreement and a Share Option Agreement. Under the Share Option Agreement, in consideration of the payment to IL of £1 by Mr Jones, he was granted the option to subscribe for and be allotted 45% of IL’s shares. I will return to the Patent Option Agreement.
12. On 12 June 2012, pursuant to his understanding of the Patent Option Agreement Mr Jones served IL with an Option Notice and £1 in cash. Mr Jones believed that this having been done, “Completion” within the terms of the Patent Option Agreement would follow, i.e. that within 7 to 21 days IL would deliver a written assignment of the IL Application to him. The 21 days were to expire on 3 July 2012.
13. On 20 June 2012, without informing Mr Jones, Ben Gedroge contacted the UK IPO and withdrew the IL Application. On 22 June 2012 Ben Gedroge filed a new patent application, identical in all respects to the IL Application save that he added his own name as a joint inventor with Mr Jones. It was this application (“the IRL Application”) which resulted in the Patent.

The Witnesses

14. I heard evidence from Mr Jones, Mr Higham and Ben Gedroge at a trial in Manchester. I am sure that all three were doing their best to give truthful answers to the questions put to them.

IRL's Analysis

15. IRL's analysis of the sequence of events concerning the rights in the IRL Application and the subsequently granted Patent was the following.
16. Mr Jones was the inventor. Therefore he was the person entitled to be granted a patent for the invention pursuant to s.7 of the 1977 Act.
17. At the meeting of 18 October 2011, Mr Jones agreed to assign all rights in the invention to IL subject to the conclusion of other agreements. No rights were assigned to IL at that stage.
18. On 25 November 2011 IL made the IL Application and was accordingly owner of the legal interest in the IL Application. Since Mr Jones was the party entitled to apply for a patent for the invention, he was equitable owner of the IL Application.
19. On 22 December 2011 the parties entered into the Patent Option Agreement, the Share Option Agreement and an oral agreement by which Mr Jones assigned his IP rights in the invention to IL. The effect of the latter was that the legal and equitable interests in the right to apply for a patent for the invention were orally assigned by Mr Jones to IL and the equitable interest in the IL Application itself was assigned by Mr Jones to IL.
20. IRL's primary case is that service of the Option Notice by Mr Jones on 12 June 2012 could never have had any effect in law. No rights were assigned solely by reason of service of the Option Notice. All interests held by IL in the right to apply for a patent and in the IL Application itself remained with IL. IRL's secondary case is that the same result was achieved because Mr Jones did not properly serve the Option Notice, for reasons discussed below.
21. On 20 June 2012 IL withdrew the IL Application, so both legal and equitable title in it were extinguished. The legal and equitable interests in the right to apply for a patent for the invention remained in being, both still held by IL. Between 20 and 22 June 2012 both interests were orally assigned by IL to IRL.
22. On 22 June 2012 IRL made the IRL Application at the UK IPO and so obtained legal and equitable title to the IRL Application. As holder of the legal and equitable interests in the right to apply for a patent for the invention, IRL was entitled to make that application. On 13 September 2017 the Patent was granted pursuant to the IRL Application. IRL was therefore then, and remains, the correct proprietor of the Patent.

Mr Jones' Analysis

23. The following is the analysis argued on behalf of Mr Jones.

24. At the meeting of 18 October 2011 Mr Jones agreed to assign his IP rights in the invention to IL in return for the option of a 45% shareholding in IL. That option was given to Mr Jones by the Share Option Agreement of 22 December 2011. In common with IRL's analysis, counsel for Mr Jones said that the relevant IP right was the right to apply for a patent for the invention. Unlike IRL's analysis, according to Mr Jones' case this was a right within the meaning of s.30(6)(a) which could therefore only be assigned in writing. It followed that under the oral agreement of 18 October 2011 and following the provision of consideration on 22 December 2011, Mr Jones assigned the equitable interest in the right to apply for a patent to IL, but not the legal interest.
25. Under the Patent Option Agreement Mr Jones was entitled to serve an Option Notice. Upon service, IL was required assign back to Mr Jones the IP rights in the invention – specifically the right to apply for a patent. The Option Notice was validly served. The effect of valid service was an assignment of the equitable interest in the right to apply for a patent back to Mr Jones. He thus held both legal and equitable interests from that point. He held them at the time that IRL made the IRL Application and still does now. The application made by IRL could only have been lawfully made by Mr Jones. Therefore pursuant to s.37(1) Mr Jones is entitled to a declaration that the Patent should have been granted to him and that he is the true proprietor of the Patent.

Assignment of the right to apply for the Patent

The law

26. Section 37 of the 1977 Act sets out the criteria which govern whether a party other than the registered proprietor of a patent is entitled to claim ownership:
37. (1) *After a patent has been granted for an invention any person having or claiming a proprietary interest in or under the patent may refer to the comptroller the question—*
- (a) *who is or are the true proprietor or proprietors of the patent,*
 - (b) *whether the patent should have been granted to the person or persons to whom it was granted, or*
 - (c) *whether any right in or under the patent should be transferred or granted to any other person or persons;*
- and the comptroller shall determine the question and make such order as he thinks fit to give effect to the determination.*
- ...
27. Section 7 of the 1977 Act determines which person or persons are entitled to be granted a patent:
7. (1) *Any person may make an application for a patent either alone or jointly with another.*

- (2) *A patent for an invention may be granted—*
- (a) *primarily to the inventor or joint inventors;*
 - (b) *in preference to the foregoing, to any person or persons who, by virtue of any enactment or rule of law, or any foreign law or treaty or international convention, or by virtue of an enforceable term of any agreement entered into with the inventor before the making of the invention, was or were at the time of the making of the invention entitled to the whole of the property in it (other than equitable interests) in the United Kingdom;*
 - (c) *in any event, to the successor or successors in title of any person or persons mentioned in paragraph (a) or (b) above or any person so mentioned and the successor or successors in title of another person so mentioned;*
- and to no other person.*
- (3) *In this Act ‘inventor’ in relation to an invention means the actual deviser of the invention and ‘joint inventor’ shall be construed accordingly.*

...

28. When an invention is made a property right comes into existence, distinct from any subsequent right there may be in a patent application or patent. In *Yeda Research and Development Co Ltd v Rhone-Poulenc Rorer International Holdings Inc* [2007] UKHL 43, Lord Walker described this as an “inchoate property” in the invention (at [53]):

“Before a patent has been granted for an invention there may be two (or even more) inventors, each of whom can claim to be the invention’s ‘actual deviser’ (the wording used in s.7(3) of the Act) because each has independently arrived at the same inventive concept. Until one of them has filed an application (and so long as none of them has altruistically or inadvertently published his invention so as to make it part of the state of the art) each has a sort of inchoate property in the invention.”

29. Thus, upon an invention being made, a person or persons who satisfy s.7(2)(b), or if there are none the inventor or inventors under s.7(2)(a), acquire the right to file an application for a patent. That right is exclusive to them or, where it arises, exclusive to their successor or successors in title. Succeeding in title is akin to acquiring an inchoate property in the invention, the property being the right to apply for a patent.
30. Section 30(6) provides:

- (6) *Any of the following transactions, that is to say—*
- (a) *any assignment or mortgage of a patent or any such application, or any right in a patent or any such application;*
- (b) *any assent relating to any patent or any such application or right;*

shall be void unless it is in writing and is signed by or on behalf of the assignor or mortgagor (or, in the case of an assent or other transaction by a personal representative, by or on behalf of the personal representative).

31. The meaning of a “right” in a patent or patent application is defined in s.130(1) of the 1977 Act:

“right”, in relation to any patent or application, includes an interest in the patent or application and, without prejudice to the foregoing, any reference to a right in a patent includes a reference to a share in the patent;

32. It was argued by Mr Edenborough for IRL that a right in a patent or patent application does not include the right to file a patent application. Mr Keay for Mr Jones argued that it does.

33. In *Hartington Conway Ltd’s Patent Application* [2004] RPC 6, Peter Hayward, Hearing Officer acting for the Comptroller said (his references to s.130(7) appear to have been intended to be to s.130(1)):

“[64] There was certainly no formal assignment from Xtralite to XIRL. However, both sides accept that this is not conclusive, notwithstanding the provision in s.30(6) declaring that any assignment which is not in writing shall be void. That must be right, because what I have to determine under s.8 is whether the claimant:

‘ . . . is entitled to be granted . . . a patent for that invention or has or would have any right in or under any patent so granted . . . ’

and s.130(7) defines ‘right’ as follows:

“‘right’, in relation to any patent or application, includes an interest in the patent or application . . . ’

which clearly extends to equitable rights and not just legal ownership.

[65] In this connection, though, Mr Davis argued that s.30(6) did not in any case apply before any patent application had been filed. It was, he submitted, an exception to the general rule that contracts or gifts did not have to be in writing to be legally valid and so should, like all exceptions, be interpreted narrowly. Bearing this in mind, he argued that there can be no right in relation to a patent application within the meaning of the

definition of ‘right’ in s.130(7) before a patent application has even been filed, and accordingly an assignment pre-application could be legally valid even though it was not in writing. Mr Campbell disagreed with this interpretation, arguing that s.30(6) did not require any particular document – e.g. a patent application – to be in existence. Its clear purpose, he said was to regulate the way in which monopolies can be transferred from one person to another, just like the similar provisions in the legislation on the transfer of land. The broad definition of ‘right’ in s.130(7) covered every situation, and in particular did not require a patent application to be in being.

[66] I agree with Mr Campbell. The definition in s.130(7) is broad, and its natural meaning seems to me to embrace the right to file an application for the grant of a patent, because that is a right in relation to an application. This interpretation is also consistent with the broad provisions of s.8(1), which expressly give me the power to determine rights to patent applications at any time before grant and specifically ‘whether or not an application has been made’. The definition of s.130(7) reads straight into the language of s.30(6)(a), which refers to ‘any assignment of ... any right in ... [an] application [for a patent]’, and it therefore follows that s.30(6) must bite on assignments prior to the filing of a patent application.”

34. On appeal, *Hartington Conway Ltd’s Patent Applications* [2004] RPC 7, Pumfrey J approached this in a different way, but there is no doubt that he endorsed what Mr Hayward had said:

“[24] It follows from the words ‘and no other person’ in s.7(2) and from the fact that the entries on the register are not conclusive evidence of title that title to a patent must be traced from one or other of the persons specified in ss.7(2)(a) and 7(2)(b). ...

[25] ... The nature of a patent is described in s.30. The essential right associated with a patent is the right to bring infringement proceedings, from which the monopoly conferred by the patent springs. The right to bring proceedings is conferred by s.61 of the 1977 Act upon the ‘proprietor of the patent’. In my view, the word ‘proprietor’ does not mean ‘registered proprietor’ and it follows that the statutory right of action is conferred on the person who can trace his title in the manner that I have indicated. Section 30(6) requires the specified transactions to be written. A chain of transfers accordingly will demonstrate the devolution of the title to the patent to the person claiming to be entitled to it.

...

[34] Hitherto I have not in this judgment paid tribute to the care evidently expended by the hearing officer on his decision. It seems to me to be a decision sound in all material respects, and I endorse it.”

35. Mr Edenborough argued that the Hearing Officer and Pumfrey J were wrong. He focussed on counsel's proposition in *Hartington Conway*, recorded in the penultimate sentence of paragraph 65 and accepted by the Hearing Officer, that the clear purpose of s.30(6) was to regulate the way in which monopolies can be transferred from one person to another. Mr Edenborough said that the Hearing Officer had been right to accept this proposition. Yet the right to apply for a patent is not a monopoly right. Two persons may separately make the invention. They both acquire the right to file an application, showing that the right cannot be characterised as being necessarily a monopoly right.
36. I agree that the right to apply for a patent is not perforce a monopoly right. To that extent the Hearing Officer was led astray. But the mistake formed no necessary part of his reasoning. He was of the view that 'right' is broadly defined in s.130(1), that it includes the right to apply for a patent, and that the definition read on to s.30(6). As I have said, Pumfrey J approached the matter in a different way, arriving at the conclusion that tracing a successor in title to the right to apply for a patent means following the devolution in title by a line of transactions and he ruled that s.30(6) requires these transactions to be in writing. I respectfully agree. The right to apply for a patent is a 'right' within the meaning of s.30(6)(a) and can only be assigned in writing.

This case

37. Since there was no written assignment, the legal interest in his right to apply for the Patent was never assigned. However, at the meeting of 18 October 2011 Mr Jones agreed to assign the right for consideration. The consideration was subsequently given, at which point the equitable interest in the right passed to IL. An agreement to assign property – here the inchoate property in the right to apply for a patent – will cause the equitable interest in that property to pass even if the legal interest remains unassigned, see *Baxter International Inc v Nederlands Produktielaboratorium voor Bloedtransfusiapparatuur BV* [1998] RPC 250 at 253-254.
38. The next issue is whether that equitable interest ever passed back to Mr Jones.

The Patent Option Agreement

39. The Patent Option Agreement included the following:

“1. *In this Option Agreement:-*

'Conditions' means the commencement and continuation of trading activities by [IL] or any subsidiary (as such term is defined by sections 1159 – 1160 of the Companies Act 2006) of [IL] within six months of the date of allocation of the pending patent application number to the Patent;

'Completion' means the performance by [IL] and [Mr Jones] of the obligations respectively assumed by them in Clause 4;

- 'Option'* means the option granted to [MJ] by this Agreement as set out in clause 2;
- 'Option Notice'* means a notice in substantially the form set out in Part 2 of the Schedule intimating [MJ's] election to exercise the Option in terms of clause 3.1;
- 'Option Period'* means the period commencing six (6) months from the date of allocation of the pending patent number to the Patent.
- 'Option Price'* means £1.00.
- 'Patent'* means the prospective patent (and all associated intellectual property rights associated with such prospective patent) which has been applied for in the name of [IL] and which has been allotted pending patent application number 1120383.3.
- 'Rights'* means all of the rights and intellectual property rights associated with and including the Patent that belong to [IL] as at the date of the exercise of the Option.

...

2. Option:-

In consideration of the payment by [Mr Jones] to [IL] of one pound (the receipt of which is acknowledged by [IL]) subject to the Conditions not having been satisfied within the prescribed period specified therein, [IL] now grants to [Mr Jones] the Option to require [IL] to assign to [Mr Jones] all of the Rights at any time during the Option Period.

3. Exercise of Option and Conversion:-

3.1 *The Option may be exercised following receipt by [IL] of an Option Notice served by [Mr Jones]. Completion will then take place not less than 7 days nor more than 21 days after the date of service of the Option Notice.*

4. Completion

4.1 *Completion will take place at the registered office of [IL] (or as otherwise agreed) on the date determined for Completion in terms of Clause 3.*

- 4.2 *At Completion [Mr Jones] will pay to [IL] the Option Price.*
- 4.3 *[IL] shall deliver to [Mr Jones] a written assignment of the Rights in such form as may be approved by [IL's] solicitors."*

40. On the face of the Patent Option Agreement, if IL had not commenced and continued trading activities within 6 months of the allocation of a patent application number, Mr Jones had the option to require IL to assign to Mr Jones all rights in the Patent. The option could be exercised after 6 months following the allocation of the pending patent number to the Patent. The option had to be exercised by Mr Jones serving on IL an option notice substantially in the form set out in Part 2 of the schedule to the Agreement. Assignment of the rights had then to take place between 7 and 21 days following service of the option notice. Upon assignment, Mr Jones was required to pay IL one pound.

Whether the Option Notice was validly served

Trading Activities

41. It was common ground that the IL Application was given patent application number 1120383.3 on 25 November 2011. The Conditions of the Patent Option Agreement required IL or any subsidiary to commence and continue "trading activities" within 6 months of that date, i.e. by 24 May 2012, failing which the Option became available to Mr Jones for the duration of the Option Period.
42. During the 6 months up to 24 May 2012 an Investment and Funding Mechanism was prepared to attract investment to IL, together with Business Plan Framework, draft sale and cash flow accounts, a parts list and costings for the heaters. A website was set up for the company. A video was created and posted on the website which showed the original IRH but not the prototype of the heater as later claimed in the granted Patent. In cross-examination Mr Gedroge accepted that in fact no such prototype was made during that period. A marketing brochure was produced, although the evidence did not show whether it was distributed and if so, to what extent. There were discussions with and interest from potential investors, but no investment was received by IL.
43. It was not in dispute that during the 6 months up to 24 May 2012 no orders for any goods were received IL and nothing was sold by IL either in the way of goods or services.
44. Whether IL engaged in trading services therefore depends on the correct construction of that term. The law on the interpretation of a contract was not in dispute. Counsel for Mr Jones relied in particular on the recent summary of the relevant principles by Carr LJ in *ABC Electrification Ltd v Network Rail Infrastructure Ltd* [2020] EWCA Civ 1645:

"[17] The well-known general principles of contractual construction are to be found in a series of recent cases, including *Rainy Sky SA v Kookmin Bank* [2011] UKSC 50; [2011] 1 WLR 2900; *Arnold v Britton*

and others [2015] UKSC 36; [2015] AC 1619 and *Wood v Capita Insurance Services Ltd* [2017] UKSC 24; [2017] AC 1173.

[18] A simple distillation, so far as material for present purposes, can be set out uncontroversially as follows:

- (i) When interpreting a written contract, the court is concerned to identify the intention of the parties by reference to what a reasonable person having all the background knowledge which would have been available to the parties would have understood them to be using the language in the contract to mean. It does so by focussing on the meaning of the relevant words in their documentary, factual and commercial context. That meaning has to be assessed in the light of (i) the natural and ordinary meaning of the clause, (ii) any other relevant provisions of the contract, (iii) the overall purpose of the clause and the contract, (iv) the facts and circumstances known or assumed by the parties at the time that the document was executed, and (v) commercial common sense, but (vi) disregarding subjective evidence of any party's intentions;
- (ii) The reliance placed in some cases on commercial common sense and surrounding circumstances should not be invoked to undervalue the importance of the language of the provision which is to be construed. The exercise of interpreting a provision involves identifying what the parties meant through the eyes of a reasonable reader, and, save perhaps in a very unusual case, that meaning is most obviously to be gleaned from the language of the provision. Unlike commercial common sense and the surrounding circumstances, the parties have control over the language they use in a contract. And, again save perhaps in a very unusual case, the parties must have been specifically focussing on the issue covered by the provision when agreeing the wording of that provision;
- (iii) When it comes to considering the centrally relevant words to be interpreted, the clearer the natural meaning, the more difficult it is to justify departing from it. The less clear they are, or, to put it another way, the worse their drafting, the more ready the court can properly be to depart from their natural meaning. However, that does not justify the court embarking on an exercise of searching for, let alone constructing, drafting infelicities in order to facilitate a departure from the natural meaning;
- (iv) Commercial common sense is not to be invoked retrospectively. The mere fact that a contractual arrangement, if interpreted according to its natural language, has worked out badly, or even disastrously, for one of the parties is not a reason for departing from the natural language. Commercial common sense is only relevant to the extent of how matters would or could have been

perceived by the parties, or by reasonable people in the position of the parties, as at the date that the contract was made;

- (v) While commercial common sense is a very important factor to take into account when interpreting a contract, a court should be very slow to reject the natural meaning of a provision as correct simply because it appears to be a very imprudent term for one of the parties to have agreed, even ignoring the benefit of wisdom of hindsight. The purpose of interpretation is to identify what the parties have agreed, not what the court thinks that they should have agreed. Accordingly, when interpreting a contract a judge should avoid re-writing it in an attempt to assist an unwise party or to penalise an astute party;
- (vi) When interpreting a contractual provision, one can only take into account facts or circumstances which existed at the time the contract was made, and which were known or reasonably available to both parties.

[19] Thus the court is concerned to identify the intention of the parties by reference to what a reasonable person having all the background knowledge which would have been available to the parties would have understood them to be using the language in the contract to mean. The court's task is to ascertain the objective meaning of the language which the parties have chosen to express their agreement. This is not a literalist exercise; the court must consider the contract as a whole and, depending on the nature, formality, and quality of drafting of the contract, give more or less weight to elements of the wider context in reaching its view as to that objective meaning. The interpretative exercise is a unitary one involving an iterative process by which each suggested interpretation is checked against the provisions of the contract and its commercial consequences investigated.”

- 45. Mr Keay argued for Mr Jones that the natural and ordinary meaning of “trading activities” is the selling of goods or services. The commercial context of the Patent Option Agreement was that IL was required to show that IL had been established to exploit the invention. Against that background, the commencement of trading activities required at the minimum the placing of an order with IL for the sale of a heater.
- 46. Mr Edenborough argued for IRL that the parties chose the term “trading activities” deliberately in favour of “sales” or “orders”. A reasonable person would interpret “trading activities” to include at least the cumulative activities which IL had accomplished by 24 May 2012, particularly since the 6 month timeframe was tight and so sales and orders would not have been expected by the end of that period.
- 47. Mr Edenborough had an alternative argument that the words “commencement and *continuation* of trading activities” meant that IL merely had to show that it was continuing the activities it had started before the 6 month term started.

48. Dealing with the latter argument first, I reject it. It ignores the word “trading” which is the key word. “Continuation” meant only that if IL started trading activities but had ended them, for example abandoned them, before 25 May 2012, the Option would have become available to Mr Jones.
49. Turning to the main argument between the parties, in my view the natural and ordinary meaning of “trading activities” is the buying or selling of goods and/or services. The key part of the background facts, it seems to me, is that IL had to show by 24 May 2012 that it was likely to be able to exploit the invention. A sale would be a reasonable criterion by which IL’s ability to exploit the invention could be sufficiently established. I think the reasonable person’s understanding of the term would stretch beyond the usual meaning of trading to include anything which could reasonably be taken to indicate an ability to exploit the invention, so I would include orders for the patented heater. By contrast, none of the activities by IL before 24 May 2012, stated above, could reasonably be taken to show that IL was capable of conducting a business in the sale of the heaters. A hypothetical enterprise that was hopelessly incapable of selling anything could have carried out all of those activities. They were not, even cumulatively, in my view trading activities. Accordingly, the “Conditions” as defined in the Patent Option Agreement were satisfied.

The Option Period

50. The Option Period in the Patent Option Agreement presents a difficulty. Aside from its definition, it is mentioned only in clause 3 which “grants to [Mr Jones] the Option to require [IL] to assign to [Mr Jones] all of the Rights at any time during the Option Period”. Taken by itself it is ambiguous. It could mean that Mr Jones had to exercise the Option within the Option Period or alternatively that if the Option were exercised, IL had to assign the Rights within the Option Period. Both sides assumed it was the former. Given clause 3.1, that seems to be right.
51. The parties both noted that the definition of Option Period was not straightforward. It is the period commencing six (6) months from the date of allocation of the pending patent number to the Patent. I was told, and understood it to be common ground, that a number is first allocated to a Patent when the patent application is published pursuant to rule 26 of the Patents Rules 2007. In this case that happened on 26 March 2014. Yet if the period in which IL had to satisfy the Conditions ended on 24 May 2012, it made no obvious sense for Mr Jones to be required to wait nearly 2 years before he could serve an Option Notice.
52. The pleaded objections in the Defence to the valid service of the Option Notice were three and none of them concerned the date on which the Option Notice was served. Moreover, the Defence pleaded that on a correct construction the Option Period commenced 6 months after the *application* date. This implied no end to the Option Period and Mr Jones undoubtedly served the Option Notice within the Option Period so construed. For that reason, at the trial Mr Edenborough withdrew any argument on the date of service.

The pre-dating of the Option Notice

53. The only other pleaded ground of objection to the validity of service of the Option Notice pursued at the trial related to the date of the Notice.
54. The Option Notice was dated and was served on 12 June 2012 and specified that Completion had to take place by 4 June 2012. Clause 3.1 of the Patent Option Agreement required Completion to take place between 7 and 21 days after service of the Option Notice. Completion by 4 June 2012 was self-evidently impossible. Therefore, Mr Edenborough argued, the Option Notice was defective and its service could be ignored.
55. I can see no substance in this argument for two reasons. First, it must have been clear to IL when the Option Notice was served that the date specified for Completion was a mistake since the date had already passed. Secondly, there was no breach of the Patent Option Agreement. As I have said, clause 3.1 required Completion to take place between 7 and 21 days after service. There was no term requiring Mr Jones to specify a date within that window. Clause 4.1 required a date to be determined for Completion and allowed the parties to agree a date outside the 14-day window. Part 2 of the Schedule to the Patent Option Agreement set out a model Option Notice, followed by Mr Jones, which included the specification of a Completion Date, but doing this was not a requirement of the Patent Option Agreement.
56. In my view, the Patent Option Agreement Completion had to take place within the 14-day window unless the parties agreed otherwise. They did not agree otherwise. The specification of a Completion Date in the Option Notice was nothing more than a proposal by Mr Jones and self-evidently a date he did not mean. The obligation on IL to assign the right to apply for a patent for the invention within the window remained.
57. Upon service of the Option Notice IL was under a contractual obligation to assign the legal interest in the right to apply for a patent for the invention. From the date of service the equitable interest in the right passed from IL to Mr Jones.

Conclusion

58. Mr Jones is at present the owner of both the legal and equitable right to apply for a patent for the invention. The IRL Application was an application for a patent for the invention, giving rise to the granted Patent. Pursuant to s.37 Mr Jones is entitled to a declaration that he is the true proprietor of the Patent.