

PATENTS ACT 1977

IN THE MATTER OF a reference to the
Comptroller under Section 37(1) by R W
Hartley and E R Livesey in respect of patent
No. 2271755 in the name of Advanced
Extrusion Developments Limited

INTERIM DECISION

Introduction

1. Patent No. 2271755 (the "present patent") was granted on 22 November 1995 in the name of Advanced Extrusion Developments Limited ("the opponents") in respect of patent application No. 9319983 ("application B"), which itself claimed priority from an earlier application No. 9220547 ("priority application A"). A reference to the Comptroller under Section 37(1) was filed by R W Hartley and E R Livesey ("the referrers"), trading as Earl Plastics, in respect of the present patent on 22 January 1996. The reference alleges that five people are entitled to a right in or under the patent, these five being the two referrers, namely R.W. Hartley ("Hartley") and E.R.Livesey ("Livesey"), together with Paul Lever ("Lever"), Colin Pate ("Pate") and A.R.E.Lonsdale ("Lonsdale"). The reference was originally filed under Section 37(1)(b), but was amended to refer more generally to Section 37(1) on 12 February 1996.

2. All these five persons were named as joint applicants when priority application A was filed on 29 September 1992 and again when application B was filed on 28 September 1993, but all those named as applicants except for Lever were later deleted leaving Lever as sole applicant, and application B was thereafter assigned by Lever to the opponents who were subsequently granted the present patent.

3. In accordance with Rule 54 the opponents together with Messrs Lever, Pate and Lonsdale were provided with an opportunity to file counterstatements setting out the terms of their

oppositions within a specified two month period. With agreement this period was later extended by one month, but the only counter-statement eventually filed, on behalf of the opponents themselves, was filed outside the extension period and the parties then came into dispute over whether or not the Comptroller should allow the late filing.

4. The matter came before me at a preliminary hearing on 21 January 1997 at which only the opponents were represented, and I allowed the late filing in a decision dated 28 January 1997. Subsequently, the referrers filed evidence, comprising an affidavit by Hartley and eight exhibits. However, the opponents filed no evidence in support of their case and accordingly no evidence in reply was filed by the referrers. Both parties were in agreement that the matter should be decided on the papers filed. Subsequently, however, before coming to a decision I invited filing of further evidence from Messrs Pate and Lonsdale for reasons which are set out below.

The Patent

5. For the purpose of my decision I do not need to consider the invention or subject matter of the present patent in particular detail. Claim 1, the only independent claim, is concerned with a method of forming a pallet and reads as follows;

"A method of forming a pallet comprising forming frame elements, securing said frame elements together by mitre joints to form upper and lower load bearing frames by welding, securing said upper and lower frames together by welding spacer elements to each frame so as to be interposed therebetween and welding slat elements across said upper load bearing frame to form an assembled pallet."

6. On the date of filing application B the five joint applicants previously mentioned were specified on forms 1/77 and 9/77. The "no" box was ticked on form 1/77 indicating that either one or more of the applicants was not an inventor, or there was an inventor who was not one of the applicants. Following normal practice the Patent Office then wrote to the applicants requesting that a form 7/77, a statement of inventorship and of right to grant of a patent, be filed by 28 January 1994.

7. On 19 January 1994 a form 11/77 was filed on behalf of Lever requesting that the names of

all the applicants except himself, the sole inventor, be deleted because an anticipated commercial agreement had never been executed between the five originally named applicants. On 24 January 1994 the Patent Office contacted the agent for the applicants, M'Caw & Co, requesting either that a statutory declaration be provided by Lever or that statements be provided from the other four applicants as evidence to support the request. The request to delete the four names was allowed following the filing of a statutory declaration by Lever dated 31 January 1994. On this same date the previously requested form 7/77 was filed by M'Caw & Co, the covering letter saying that the form was being filed because of the imminent expiry of the time for doing so and against the eventuality of the correction requested on form 11/77 not being allowed. Lever was named on form 7/77 as the only inventor, all the original five were named as applicants, and it was stated that the applicants derived the right to be granted a patent "by virtue of an agreement between the inventor and the joint applicants". In the event, the allowance of the form 11/77 amendment request by the Patent Office rendered this action superfluous.

8. On 12 January 1995 form 21/77 was filed by Boote Edgar Esterkin solicitors requesting assignment of application B to the opponents, giving details of an assignment agreed on 8 November 1994 between Lever and the opponents. This assignment was duly recorded in the Patent Office on 21 February 1995.

Evidence and statements

9. The onus in a reference under section 37 is on the referrers to establish their entitlement. To this end, the referrers filed the affidavit by Hartley. Whilst the opponents, for their part, filed nothing in answer to support their case, Lever's statutory declaration dated 31 January 1994, filed in connection with the deletion of the names of the other four original applicants and exhibited as exhibit RWH3 to Hartley's affidavit for the referrers, does provide some measure of sworn evidence on the opponents' behalf. I must take note, however, of the fact that it was filed some four years ago and, thus, cannot relate to more recent events.

10. In support of their case the referrers claim in their statement that both they and Pate and Lonsdale were improperly removed as joint applicants because there are errors of material fact

in the statement made to support the F11/77 and in Lever's statutory declaration dated 31 January 1994, and that Lever was not entitled to execute the assignment dated 8 November 1994 due to, *inter alia*, the existence of an agreement signed by all five original applicants on 29 September 1992, the same day on which priority application A was filed. This agreement is written in manuscript upon unheaded paper and is in the following terms:

"This agreement is made between the five undersigned parties. No individual may have the right to assign or sell their share of the patents applied for on both the pallet or the bed without the full agreement of the remaining parties"

The reference to "the bed" in this agreement is a reference to an invention relating to a bed in a box which Lever was also involved with designing in late 1991 or early 1992. It would, in fact, appear that a registered design application rather than a patent application may have been made in respect of the bed, but I do not have to concern myself with the bed invention. In the context of the pallet invention, the reference to the 'patent applied for' must, by virtue of the date, relate to priority application A rather than the later application B. However, it seems that all the parties considered this agreement still to apply upon filing of application B, because that later application was similarly filed in all five names and it was not until some months later that Lever applied to have the others removed.

11. It is not disputed that: (a) Lever is the sole inventor and that he invented the method of forming the pallet in his own time and using his own materials; (b) Earl Plastics Limited were approached with a view to providing financial assistance to exploit the invention; (c) on the understanding that an agreement would be drawn up concerning such exploitation, priority application A was filed naming Lever and Messrs Hartley, Livesey, Pate and Lonsdale as joint applicants followed subsequently by application B likewise; and, (d) Earl Plastics contributed some initial financial assistance. However, the referrers do refute other claims made by Lever and the opponents, namely: (A) that Pate and Lonsdale were ever directors of Earl Plastics, (B) that because the referrers together with Pate and Lonsdale had subsequently decided that they were no longer interested in the exploitation of the invention, they had not agreed to sign an exploitation agreement, which was contrary to their earlier promise that they would draw up an agreement to give financial assistance to Lever; (C) that it had been agreed that their initial

financial assistance would be reimbursed by any monies that Lever might make from exploitation of the invention on his own behalf; and (D) that they had agreed that their names would be deleted from the application and were aware that this was being done.

12. In the opponents' counterstatement it is contended that Lever, Pate and Lonsdale would confirm the opponents' view of events, but no such evidence was been filed on behalf of the opponents and I am left with only Lever's 1994 statutory declaration to provide any measure of evidential support for their assertions.

13. The Lever statutory declaration reads in the following terms:

"1. I am the sole inventor in relation to an invention entitled "A method of forming a pallet" which is the subject of UK Patent Application No. 9319983.4 filed on 28th September 1993."

"2. I invented the method of forming a pallet in my own time and using my own materials. I had limited financial means of my own and therefore when it came to developing the invention to a stage where potential manufacturers or licensees could be approached, including purchasing tooling, providing prototypes for testing, testing facilities etc., financial assistance was required from other parties."

"3. Colin Pate, Edward Richard Livesey, Robert William Hartley and Anthony Robert Lonsdale are Directors in a plastics extrusion company, Earl Plastics Limited, and since I knew these persons, I asked whether they would be able to provide any financial assistance in my development of the invention. These persons indicated an interest in exploiting the invention and were willing to provide me with the financial assistance I required."

"4. Since these persons had indicated an intention to exploit the invention, and it had been agreed that an agreement would be drawn up between us concerning such exploitation, and given the financial assistance these persons had provided me with, I agreed to allow these persons to be named as joint applicants in relation to my UK Patent Application since it was envisaged that the exploitation agreement would provide a basis for these persons having a right to apply for a Patent as required by Section 7, Patents Act 1977."

"5. As matters have progressed, these persons have decided that they are no longer interested in

the exploitation of my invention and therefore will not be signing any exploitation agreement. Accordingly it was agreed that their names would be deleted from my UK Application, since they have no right to apply for a Patent as required by Section 7, Patents Act 1977, and it was agreed that I would reimburse their initial financial assistance for any monies as I might make from the exploitation of the invention on my own behalf."

14. On behalf of the referrers, Hartley's affidavit gives a somewhat different view of the history of the relationship between the five original applicants to that given by Lever. Whereas Lever identifies Pate, Livesey, Hartley and Lonsdale as, at that time, directors of Earl Plastics Limited and indicates that, knowing them, he approached them to ask for financial assistance, Hartley claims the initial approach was not by Lever but by a Mr Rushton of a company called Euro-Hyco Limited. Mr Rushton wished to see whether Earl Plastics wished to invest in a business for production of a pair of inventions both involving Lever - one for a novel design of bed and the other for the pallet invention. The business was known as 'Bed in a Box', and Pate and Lonsdale were associated with the latter company. Earl Plastics, as a result, decided to become involved in both projects and subsequently Lever abandoned Mr Rushton and Euro-Hyco in favour of Earl Plastics. This latter description of events is supported to some extent by Exhibit RWH1 to the Hartley affidavit, being a letter dated 2 October 1992 to Hartley from M'Caw & Co. Hartley further contends that himself and Livesey (ie the referrers) have always traded as Earl Plastics, and that Lever's statement that Pate and Lonsdale were directors of that company is not correct and nor do this pair have any financial interest in Earl Plastics. The supporting evidence in this regard is not conclusive, but I note that Messrs Pate and Lonsdale are referred to separately from a reference to Earl Plastics in Exhibit RWH1, and that a letter dated March 1997 from Barclay's Bank and addressed to "The Partners, Earl Plastics" (Exhibit RWH4) starts "Dear Bob and Eddie" - both tending to point towards the Hartley version of events. In the event, I do not see the main issue in this case as turning one way or the other on this point.

15. From the above accounts, however, it is clear and not contested that Lever had devised the invention of the present patent before entering into any discussions as to exploitation with the referrers.

16. Hartley accepts in his affidavit that no agreement to exploit the invention of the present patent

was ever drawn up between the referrers, Lever and the other two applicants Pate and Lonsdale, but claims that it was understood that the five joint applicants had agreed that Lever would be named as the sole inventor when such an agreement was entered into regarding the protection and exploitation of the invention. He disputes, however, that the referrers had at any time decided or indicated that they were no longer interested in the exploitation of the invention or would not sign an exploitation agreement. He contends that, to the contrary, the referrers had continued to express an interest in the protection and exploitation of the invention and had actively assisted Lever with the promotion and development of the invention in many ways including financially over a considerable period of time. He denies that the referrers or Pate or Lonsdale had agreed to their names being deleted and to their initial financial assistance being reimbursed, and contends that neither the referrers nor Pate or Lonsdale were advised by Lever or his patent agent of the application to remove their names.

17. To support his contentions of continued interest and financial support for the invention, Hartley has produced a number of exhibits to his affidavit. Exhibit RWH8 is a collection of letters from M'Caw & Co. These suggest payment of patent costs by the referrers in respect of priority application A. However, I note that there is no indication of payment of any costs in connection with application B, or of any contact with the patent agents after a reminder letter of 26 July 1993 stating that filing of a replacement application (*ie* application B) was due and asking whether there was further interest in proceeding. I further note in this regard that paragraph 5 of the referrers' statement refers only to the cost of the *original* application as being borne by the referrers. However, more recent interest in the Lever pallet invention seems established by Exhibits RWH4-6 which document, respectively, a visit by the referrers to Barclays Bank in January 1995 with a view to obtaining a loan for the production of plastic pallets which had been designed by Lever; an invoice of March 1995 sent to the referrers and for a market survey with regard to identification of potential customers for plastic pallets; and, a visit by the referrers and Lever himself to a firm called Rotalec Plastics Ltd. in December 1995 with a view to obtaining costings for the tooling and development of the invention. Two, at least, of the Exhibits, further, suggest direct cooperation between the referrers and Lever as recently as December 1995, namely RWH6 and RWH7, and Hartley mentions two further such incidents in late 1995 or early 1996.

18. To my mind, there is thus clearly established a continuing interest in the invention by the

referrers after their names were deleted from the application in early 1994, and this is subsequent to the assignment of the application to the opponents in November 1994. Whether, as the opponents contend, this was due to their belatedly recognising that the patent was proceeding and the product may be of value to the opponents, or whether, as the referrers contend, they were unaware of the deletion of their names from the application is unclear. It is, however, strongly suggestive of a lack of knowledge on the referrers' part that the application had actually been assigned by this time to the opponents (and indeed that the present patent had more recently been granted in the opponents' name), although Hartley acknowledges that he was aware of the interest of a Mr Rob Foy, who is said to be a Director of the opponents, around the time of the Barclays Bank discussions in January 1995. Hence, the referrers' assertions that they have not been kept fully informed by Lever during the prosecution of the present patent seem persuasive.

19. As far as financial assistance to Lever by the respective parties is concerned, the Exhibits associated with the Hartley affidavit show (a) invoices for £70.50, £86.95, £438.44 and £377.50 (a total of £973.39) sent to Earl Plastics in regard with priority application A; (b) an invoice for £5000 again sent to Earl Plastics (and confirmed as paid by Hartley) in connection with the market survey; and, in addition, (c) a receipt for £2079.74 which was paid in 1995 by Earl Plastics on behalf of Lever for unpaid council tax for which Lever was liable. As regards the financial input made by the opponents, although they assert in their counterstatement to have "advanced Lever and invested substantial monies in the progression of the patent", there is no clear evidence to support this - the only documentary evidence being the November 1994 assignment of the patent to the opponents (and this being for a nominal payment of £1) and a statement in the Hartley affidavit that he was aware that the opponents had paid for a stress analysis of the proposed pallet.

20. In his affidavit Hartley states that subsequent to the filing of the referrers' statement under Rule 54 on Patents Form 2/77, a number of meetings and telephone conversations took place between the referrers and the opponents directly or through representatives in the period mid-April 1996 to mid-July 1996 with a view to reaching an agreement. Hartley states that an offer was made by the opponents on the basis that a share held by Lever in Advanced Extrusion Developments Limited would be redistributed between the original five applicants, but that, following legal advice being taken, this offer was later rejected by the referrers. At the

preliminary hearing Mr Cantor, acting for the opponents, confirmed that these meetings and telephone conversations took place and the opponents had thought that an agreement had been reached, only for it to subsequently break down

21. In view of the fact that both the referrers in Hartley's affidavit and the opponents in their counterstatement had indicated potential support for their contrary positions by Pate and Lonsdale and that were such evidence to be available then it would clearly be crucial to my determination of this dispute, I gave both parties a further opportunity to file sworn evidence from Pate and Lonsdale in support of their respective cases. Subsequently, affidavits from Pate and Lonsdale were filed by the referrers. The opponents were then given an opportunity to comment on the admissibility of these two affidavits but did not do so.

22. The two affidavits of Pate and Lonsdale are substantially identical in content. In them Pate and Lonsdale dispute the contention made by Lever in his statutory declaration of 31 January 1994 that they had agreed to their names being deleted from the UK patent application, and they state that they have always remained interested in the exploitation of the patent. I note that the affidavits are silent with regard to any repayment of the initial financial assistance being made out of monies that Lever made from the invention.

Entitlement

23. Section 37(1) reads:

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.

24. The right to apply for and obtain a patent is governed by section 7 of the Act, subsections 2 and 4 of which read:

"(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."

"(4) Except so far as the contrary is established, a person who makes an application for a patent shall be taken to be the person who is entitled under subsection (2) above to be granted a patent and two or more persons who make such an application jointly shall be taken to be the persons so entitled."

25. In this case, there seems no dispute that Lever is the sole inventor, hence would be entitled under Section 7(2)(a) unless the qualifications of Sections 7(2)(b) or (c) apply. I note that Section 7(2)(b) will only apply because of the existence of an agreement between the inventor and any person or persons if that agreement has been entered into before the making of the invention and that agreement is enforceable. As I have already indicated, it seems uncontested that Lever

devised the invention before any agreement, whether the written agreement dated 29 September 1992 or otherwise, was reached between the five original applicants. Thus, in spite of there seemingly being some errors of material fact in the statutory declaration filed by Lever in support of his form 11/77 application to delete the names of Hartley, Livesey, Pate and Lonsdale as applicants, these errors and lack of evidence on behalf of the opponents do not affect my conclusion that the referrers have not discharged the onus on them to show that the application to delete their names was contrary to Section 7(2)(b).

26. There remains the position under Section 7(2)(c) to be considered, since the referrers would be able to show entitlement under Section 7 if the September 1992 agreement could be said to make them (part) successors in title to Lever. In this regard, paragraph 4 of Lever's declaration states that "*it was envisaged that the exploitation agreement would provide a basis for these persons having a right to apply for a Patent as required by Section 7, Patents Act 1977*". This strongly suggests to me that if any agreement was to form the basis for valid application of Section 7(2)(c), then it was to be the exploitation agreement rather than the September 1992 agreement. Hartley for the referrers confirms this to my mind in paragraph 4 of his affidavit, and further admits that no such exploitation agreement was ever signed, the five parties relying upon the September 1992 agreement in the meantime. Thus, I find that the referrers are not entitled by virtue of Section 7(2)(c) either.

27. Therefore, contrary to the implication in the agreement signed on 29 September 1992 by the five original applicants on the day the priority application A was filed that each had a share in that application, I find that the referrers (together with Messrs Pate and Lonsdale) never had any rights under Section 7(2) to the grant of application B. Thus, the referrers fail in their assertion that they, together with Messrs Lever, Pate and Lonsdale, have joint entitlement to the present patent.

28. That is not the end of the story, however. Just because one part of the 29 September 1992 agreement does not have effect, it does not mean necessarily that the agreement is meaningless overall. On the face of it and in the absence of evidence to the contrary, this was an agreement entered into willingly by all the parties including Lever. In the light of this agreement, I conclude that Lever was prohibited from selling or assigning his (albeit sole 100%) share in the patent

applications without the agreement of all the other four parties. There is no positive evidence that such agreement was obtained and there is direct testimony to the contrary by Hartley. Moreover, Lever's assertions in paragraphs 4 and 5 of his declaration that the September 1992 agreement was in anticipation that an exploitation agreement would be subsequently signed and that the other four parties had effectively broken the September 1992 agreement by indicating that they were no longer interested in exploiting the invention is contradicted by the direct testimony of Messrs Hartley, Pate and Lonsdale. Although Hartley does concede in his affidavit that no actual exploitation agreement was ever drawn up, he states that the referrers had continuing interest in the exploitation of the invention, and this is supported by the documentation he has exhibited. I find, therefore, that the assignment of application B on 8 November 1994 from Lever to the opponents was in contravention of the September 1992 agreement.

29. Thus, I have concluded under Section 37(1), firstly, that Lever was correct in his view in January 1994 that he had sole applicant rights to application B notwithstanding the September 1992 agreement between the five parties originally involved, and hence that the referrers have failed to establish that they are entitled to joint ownership; but, secondly, that despite this he was not free in November 1994 to assign the patent application to the opponents without the agreement of all of the other parties, which I have found on the face of the evidence was not given, and hence the assignment which gives the current proprietorship to the opponents is not valid.

30. It remains to consider appropriate orders to give effect to my conclusions. Whilst the opponents counter-statement was silent as to the relief sought, the referrers' pleadings ask for relief in the following terms:

- i) that the Comptroller orders that the proprietors of the patent in suit are the referrers jointly with Lever, Pate and Lonsdale;
 - ii) that the Comptroller orders that the opponents assign the patent in suit and all rights relating thereto, to the referrers, together with Lever, Pate and Lonsdale;
- or

- iii) that the assignment dated 8 November 1994 between Lever and the opponents is invalid and that the entry on the register dated 21 February 1995 be struck off; and
- iv) that the Comptroller orders that Lever enters into an assignment relating to the present patent to the effect that the referrers, Lever, Pate and Lonsdale are the joint proprietors;
- v) Such order or other relief as the Comptroller deems fit.
- vi) Costs.

31. Clearly, in view of my finding that the referrers together with Pate and Lonsdale have no statutory rights to shared ownership, the referrers must fail in their request for an order in the terms of (i) above, *ie* which awards them joint proprietorship of the present patent with Lever, Pate and Lonsdale as of right. Moreover, whilst orders of the form (ii) and (iv) above, *ie* ones which would have the effect of giving all the five original applicants joint proprietorship by virtue of assignment, would perhaps reflect the spirit of the September 1992 agreement, they would appear equally inappropriate. On the other hand, an order of the form (iii) above, *ie* that the assignment of 8 November 1994 was invalid and that the register should be corrected accordingly is fully consistent with my findings. The effect of this, however, would be to return ownership of the patent to Lever as sole proprietor. I am aware that such an order, on its own, will satisfy neither of the parties, nor possibly Mr Lever himself who may find his ability to gain support for the continuing exploitation of his invention inhibited by my finding as to the continuing effect of the September 1992 agreement. Item (v) above, however, contains an invitation for the making of such other orders as the Comptroller sees fit, and indeed Section 37 gives wide powers in this regard. This causes me some food for thought in the context of the present case. I also have in mind that the parties were at one stage close to a settlement of this dispute.

32. I propose therefore to defer making any specific orders until 2 months from the date of this decision to allow the parties either jointly or separately to make submissions to me regarding appropriate orders consistent with my findings. After this time, I shall make such orders as I

deem correct in the particular circumstances of this case.

Summary

33. Having carefully considered the evidence submitted by the referrers and the statements submitted by both parties, for the reasons given above I find that in respect of the reference under section 37: (a) the referrers have not shown themselves to have joint proprietorship rights in or under the present patent, but (b) the assignment of 8 November 1994 from Lever to the opponents was invalid in view of the existing agreement of 29 September 1992 between the original five applicants. I allow the parties 2 months from the date of this decision to file submissions regarding the form of orders that I shall make consistent with these findings.

Costs

34. I will defer consideration of costs until the final decision. I note that only the referrers have asked for costs and, in the event, they have only been successful in part in their reference.

Appeal

35. Since this is a decision other than on a matter of procedure, any appeal shall be filed within six weeks from the date of this decision.

Dated this 20th day of May 1998

G.M. BRIDGES

Superintending Examiner, acting for the Comptroller.

THE PATENT OFFICE