

22 January 2013

PATENTS ACT 1977

APPLICANT B .W. Industries Limited

ISSUE Whether patent number EP1573142 should be
restored under Section 28

HEARING OFFICER Mrs C.A. Farrington

DECISION

- 1 Patent number EP1573142 was filed on 28 November 2003 and granted with effect from 19 July 2006 in the name of Framing Solutions PLC with the title 'Structural Metal Frames'.
- 2 The 7th year renewal fee fell due on 28 November 2009. The renewal fee was not paid by that date or during the six months allowed under s.25 (4) upon payment of the prescribed additional fees. The patent therefore ceased on 28 November 2009.
- 3 On 3 May 2011 a Form 16 (Application to restore a patent) was filed by W.P. Thompson & Co. (the Attorney) for the proprietor requesting restoration of the patent. The request was received within the nineteen months prescribed under rule 41(1) (a) of the Patent Rules for applying for restoration.
- 4 After consideration of the evidence filed in support of the request for restoration the attorney was informed in a letter dated 28 June 2011 that the preliminary view of the Office was to refuse the request for restoration. This view was based on the principle that non-payment due to a lack of funds could not be taken to be unintentional.
- 5 After further exchanges of correspondence and the submission of additional evidence and arguments by the agent the Office maintained the view that the case for restoration had not been made. The applicants did not accept this view and in lieu of a hearing, requested a decision be taken based on the papers on file.
- 6 It now falls to me to decide, from the papers on file, whether the request for restoration should be allowed.

Evidence

- 7 The evidence submitted in support of the request for restoration consists of :
 - A statement in the form of a letter filed by the Attorney together with Form 16

- A Witness Statement from Lynn Robert Bailey of Baker Tilly, Administrators of Framing Solutions Ltd. (formerly Framing Solutions PLC).
- A Form 21 (Application to register or give notice of rights acquired in a patent or in an application for a patent) and copy of an assignment document dated 15 March 2011 transferring ownership of the patent to BW Industries Limited - the applicant for restoration.
- A copy of a Sale and Licence Agreement between Framing Solutions Limited and BW Industries Limited dated 8 December 2008.
- Four further submissions in the form of letters from the Attorney in response to correspondence from the Office.

Background

- 8 Examination of the evidence shows that Framing Solutions Ltd. (formerly Framing Solutions PLC) (FS) entered into a Sale and Licence Agreement with BW Industries (BW) on 8 December 2008.
- 9 Under the terms of that agreement FS were obliged to pay the renewal fees in respect of EP1573142 and not allow the patent to lapse. The relevant clause 4.4 of the agreement states:
- “FS shall ensure that all renewal fees in respect of the Patent are paid in accordance with any applicable deadlines and shall not cause the Patent to lapse or expire for non-payment of renewal fees. If FS fail to pay the renewal fees within two months of being requested in writing by BW to do so, FS shall be required to offer to assign the Patent to BW”.*
- 10 The 7th year renewal was the first to fall due after the effective date of the agreement, the 6th year fee having been paid on 4 November 2008.
- 11 FS went into administration on 25 March 2010; the renewal fee was not paid by 31 May 2010 (the end of the six month grace period provided by Section 25(4)) and the patent duly ceased.
- 12 The attorney acting for BW contacted the Administrators on 27 September 2010 and the patent was assigned to BW on 15 March 2011. A request to restore the patent was made on behalf of BW on 3 May 2011.

The Law

- 13 Section 28(3) of the Patents Act 1977 states:

If the Comptroller is satisfied that the failure of the proprietor of the patent-

(a) to pay the renewal fee within the prescribed period; or

(b) to pay that fee and any prescribed additional fee within the period of six months immediately following the end of that period,

was unintentional, the Comptroller shall by order restore the patent on payment of any unpaid renewal fee and any prescribed additional fee.

The Arguments

The applicant's argument

- 14 The Attorney's submission in support of the request for restoration sets out the relevant dates and facts as described above and goes on to make a number of statements including that immediately upon learning of the lapse of the patent BW took steps to have the patent assigned to them in accordance with the agreement and that the failure to pay the renewal fee was unintentional as demonstrated by the Witness Statement from the Administrators.
- 15 The Attorney therefore argues that on this basis the requirements of Section 28 have been met and the patent should be restored.
- 16 The Witness Statement from Lynn Bailey on behalf of the Administrators of FS also sets out the relevant facts and dates. Mr. Bailey states that the 2009 renewal fee was not paid during the late payment period *'because the company was unable to do so, being in administration at the relevant times. Accordingly, the failure to pay the renewal fee was unintentional'*
- 17 Following the Office's letter of 28 June 2011 the Attorney further argued that the terms of the Sale and Licence Agreement put a legal obligation on FS to maintain the patent in force and therefore an intention existed to pay the fees. Their non payment was therefore unintentional.
- 18 The Attorney further submitted that Section 28 merely requires the Comptroller to be satisfied that the failure to pay the renewal fee was unintentional and a failure to act in accordance with an agreed intention demonstrates that the non payment was unintentional. As there are no other conditions which the application for restoration must satisfy the patent should be restored.
- 19 On the question of non payment due to lack of funds the Attorney draws attention to *Ament's Application* [1994] RPC 647 where it was held that 'the fact that a renewal fee was not paid because of lack of funds was non conclusive against restoration'.
- 20 In summary – the proprietor had agreed to renew the patent; the proprietor was aware of that obligation but was unable to fulfil it. The fee would have been paid had it been possible to do so and therefore on the balance of probabilities and as stated by the administrator; the failure to renew was unintentional.

The Office's view

- 21 The Office's view expressed from the outset is that where a proprietor has failed to pay due a lack of funds this cannot be taken as unintentional. The evidence submitted – whilst it shows the consequences to FS of non payment – does not show that the failure was unintentional. The inability to pay must result in a conscious decision and cannot therefore be unintentional. The proprietor was not in

a position to choose to either pay or not pay – there was only one decision which was open to them and that was to not pay.

The analysis

What needs to be considered?

- 22 The essential determination to be made under Section 28 (3) of the Act is that the Comptroller shall restore the patent if he is ‘satisfied that the failure... [to pay the renewal fee]was unintentional’. This can only be done through the evidence filed.

The evidential burden

- 23 The Attorney directs my attention to *Ament’s Application* [1994] RPC 647 where it was held that ‘the fact that a renewal fee was not paid because of a lack of funds was not conclusive against restoration’. In that case however, the applicant for restoration had not discharged the onus upon him to show in evidence that he had taken reasonable care (the relevant test at the time) to ensure the fee was paid.
- 24 In his submissions the Attorney contends that Section 28 now merely requires that the Comptroller is ‘satisfied’ that the failure was unintentional. The statements made by the Attorney in his submissions and supported by Mr. Lynn Bailey that FS was in administration and therefore unable to pay the renewal fee should be sufficient to satisfy the Comptroller that the failure was unintentional and the patent should be restored.
- 25 The basic premise of the statement from Mr. Bailey is simply that the failure must have been unintentional because FS were unable to pay even if they had wanted to because they were in administration. The Attorney concurs that the requirements of Section 28(3) must therefore have been met.
- 26 In a further submission the Attorney argues that on the balance of probabilities the evidence clearly supports the view that if the proprietor had been able to pay the renewal fee it would have done so in order to meet its obligations under the Sale and License Agreement. The renewal fee would have been paid if it had been possible to do so.
- 27 In *Matsushita Electric Industrial Co. v Comptroller General of Patents* [2008] EWHC 2071 (Pat) Mr. Justice Mann gave some guidance on the level of evidential burden required to ‘satisfy’ the Comptroller that the failure in Section 28(3) was unintentional. The applicant in that case chose to file no evidence beyond an assertion that the failure to pay the renewal fee was unintentional and argued that that was all the statute required to satisfy the Comptroller.
- 28 It was held that a mere assertion that that the failure to pay the fees was unintentional is not sufficient to enable the Comptroller to determine that the requirements of Section 28(3) are fulfilled. Mr. Justice Mann said ‘*when read in conjunction with Section 28(3), the option for the Comptroller is clear. He can either be satisfied, or not. If he is satisfied, the law dictates that he must restore. If he is not, the rule says he must not. A desire to get away from red tape does not justify reducing significant matters such as those raised by sub-section (3) to little more*

than a mere formality'.

29 Whilst there have been a number of submissions put forward in evidence in this case they are essentially very similar in nature and amount to the simple assertion that the company entered administration therefore the failure to renew was unintentional. This is the central point of the argument, but I need to decide if this is sufficient to satisfy the Comptroller that the failure was unintentional.

What does the evidence show?

30 Beyond the main assertion, the evidence clearly shows that –

- There was an obligation upon FS to pay the renewal fee
- FS had a clear knowledge of that obligation
- FS were unable to make the payment to meet that obligation for part of the relevant period when they were responsible for payment of the renewal fee.
- The Administrators were not made aware of the patent until after the final date for renewal had passed..

31 FS were responsible for the payment of the renewal fee. It is clear from the evidence that the Sale and Licence Agreement of 8 December 2008 placed the obligation to keep the patent in force on FS. The 7th year renewal due on 28 November 2009 was the first to fall due after the effective date of the agreement, the 6th year fee having been paid on 4 November 2008.

32 The period available for payment of that fee commenced on 28 August 2009 and ended on 31 May 2010. The Office's reminder letter PREN 5 was issued on 16 December 2009 and the letter advising the patent had ceased was issued to the proprietor on 6 July 2010.

33 There can be little doubt therefore that FS were aware of the obligation under their agreement with BW to keep the patent in force or that they were aware of the status of the patent during the relevant time. This is not disputed.

34 The Administrators of FS were appointed on 25 March 2010 – seven months after the date when the renewal fee could first have been paid - and their evidence shows that they were not contacted by BW regarding the patent until 27 September 2010 – almost four months after the time for renewal had passed. They state that '*the company was unable to do so [pay the renewal fee], being in administration at the relevant times*' and conclude that this must therefore mean the failure to pay was unintentional.

Gaps in the evidence

35 Unfortunately I find that there are certain gaps in the evidence which do not assist me in reaching a determination.

36 For example the evidence does not address why the Administrators were unaware of the Sale and Licence Agreement between FS and BW after FS went into

administration on 25 March 2010. They were only made aware of it on 27 September 2010 by the Attorneys.

- 37 Also, the evidence does not address what BW's role or actions in this period were. The evidence shows that BW had entered into the Sale and Licence Agreement with FS and could have enforced clause 4.4 of that Agreement (see paragraph 9 above) in certain circumstances, but apparently did not. I find clause 4.4 somewhat perplexing, as it seems to suggest that while FS were responsible for the renewal of the patent, if they did not do so, they were then reliant on BW requesting them in writing to do so and only then if FS failed to act on this written request within two months, were they required to offer to assign the patent to BW.
- 38 This begs the questions how were BW to know if FS had paid the renewal fee in any given year so that if FS had not paid, BW could then request them to do so? The evidence does not address this question, but it seems clear enough that BW and FS were not in communication with each other during the relevant period when the patent could have been renewed, because it lapsed. There is no evidence to show whether BW were aware that FS was in financial difficulty. It appears they only became aware of this in September 2010, by which time the patent had lapsed.
- 39 In these circumstances where arrangements and communications between FS and BW were unclear, it is perhaps not difficult to see how the patent lapsed. If BW and FS had been in communication, BW might have been able to have retrieved the situation by paying for the renewal themselves at a time when FS clearly couldn't. Clearly this did not happen.
- 40 One further omission in the evidence initially filed was the question of the role and intent of the Administrators. This is a crucial issue because FS were the proprietors of the patent in the first part of the relevant period between 28 August 2009 and 25 March 2010 and after their administration it seems to me that the Administrators were the only party who in effect stood in the shoes of the proprietor and were therefore able to have an influence on whether to renew the patent or not.
- 41 The Office addressed this issue in a letter to the Attorney dated 7 November 2012 to which the Attorney responded on 22 November 2012. I shall come back to this response in due course.

The meaning of 'unintentional'

- 42 It is important that the meaning of this requirement is read and understood in totality.
- 43 Whilst it is tempting to look at the word 'unintentional' and decide whether the evidence demonstrates that the circumstances surrounding the facts of the case were outside the applicant's control and unintentional. However, that is not the test.
- 44 The determination is not to be reached by examining the general surrounding circumstances but rather what the reasons were specifically in relation to the failure to renew the patent on time and whether that failure was unintentional.
- 45 In *Anning's Application* (BL O/374/06) the Hearing Officer interpreted 'unintentional' according to its normal English meaning (not done on purpose) and warned against

going against the clear meaning of the statute. Although there was a continual underlying intention to proceed it did not follow that the failure was unintentional.

- 46 On appeal, in *Anning's Application* [2007] EWHC 2770 (Pat) the court was clear that the test is not concerned with looking at the unintentionality of a consequence which follows from the failure to do the required thing, but solely about the failure to do the thing itself.
- 47 From the evidence and submissions it is clear that the determination I must make is two-fold:
- whether the inability of FS to pay the renewal fee during the time when they were proprietors and before they went into administration on 25 March 2010 can be taken to be unintentional within the meaning of the statute?
 - If not, who was responsible for the renewal of the patent after that date and up until the end of the period when the patent could still be renewed with extensions – i.e. 31 May 2010 and whether the failure to renew the patent was unintentional within the meaning of the Act?
- 48 My answer to the first question is that it cannot. In my view FS's failure was not unintentional.
- 49 The evidence on file suggests that FS were in no position to have paid the renewal fee during the seven month period prior to their going into administration. There is no evidence that they took any steps to deal with their obligations under the Sale and Licence Agreement in respect of the patent and on the balance of probabilities I must therefore conclude that they decided to take no action.
- 50 What is clear from the evidence is that up until they went into administration on 25 March 2010, FS knew that they had an obligation to pay the renewal fee, but they were clearly in financial difficulties and could not pay.
- 51 The Attorney's submission in response to the Office's argument that the non payment was a conscious decision states that for a 'conscious decision' to have been made the proprietor must have been in a position to either pay the fee or not pay it. In my view this cannot be correct. On the basis of the evidence presented before me it appears that FS knew that the final deadline for paying the renewal fee existed, but before that deadline lapsed they also knew they could not pay the renewal fee, therefore they did not pay it. They consciously did not pay the fee because they knew they had no funds to do so. As a conscious decision, it cannot logically be said to have been unintentional.
- 52 The submissions from the Attorney and the Administrator that having an inability to pay automatically leads to a finding that the lapse was unintentional is in my view, simply not logical. The finding in *Ament's Application* was taken under the old "reasonable care" restoration provisions of the Act and therefore does not appear to be on all fours in a consideration of the unintentional test.
- 53 So having found that the failure of the proprietor in the first part of the relevant period in which the renewal fee could be paid was not unintentional, I will go on to consider

what the position was for the rest of the relevant period.

- 54 As I have said, there was also a period of time from the date of FS going into administration to the end of the six months grace period for payment of the renewal fee, when again steps could have been taken to renew the patent - perhaps by the Administrators; perhaps by BW. But from the evidence in front of me I have to conclude that no steps were taken by either of these parties.
- 55 However, as I have already said at paragraph 39 above, in my view the Administrators were the only party who in effect stood in the shoes of the proprietor. Section 28 (3) asks that the Comptroller be satisfied that the failure of the proprietor of the patent ...was unintentional. At this point it was the Administrators who were responsible for the renewal of the patent. It is therefore necessary to examine what their intention towards the renewal of the patent was or would have been.
- 56 This was addressed after the Office asked for further evidence on this point. In a letter to the Office dated 22 November 2012, the Attorney said:
- “It is submitted that if the administrator had been aware of a legally enforceable obligation to pay the renewal fee for the patent [meaning the terms of the Sale and Licence Agreement between FS and BW] then it would have been paid. To suggest that an administrator would knowingly not do so is, we submit, unthinkable”*
- 57 This is the only evidence I have before me of the intent of the party responsible for the patent after the administration of FS.
- 58 I accept this evidence at face value in the absence of any directly from the Administrators themselves. If I approach these submissions from two hypothetical angles and ask what would the Administrators have done if they had been aware of the Sale and Licence Agreement, or what would they have done had BW approached them within the relevant period, then I think my answers would support this finding. In both cases I am sure the Administrator would have acted to enable the payment of the renewal fee on time – i.e. they would have contacted BW, alerting them to the non-payment of the renewal fee and remind them of their option to acquire the patent; or they would have readily agreed to any approach by BW to assign the patent to them leaving BW to take care of the outstanding renewal of the patent.
- 59 In my view the evidence presented in this case is not in the main particularly well thought out or helpful in addressing the relevant issues, fixating as it does on a somewhat singular argument that an inability to pay logically leads to a finding that the failure to pay the renewal fee on time was unintentional. That argument was also based on case law that I believe is no longer relevant. For the reasons I have given, I think the argument is flawed. Knowing one has no money to pay the renewal fee logically leads to a conscious decision not to pay that fee. That failure is therefore not unintentional.
- 60 Neither did the gaps in the evidence as identified above help the applicant’s case or indeed aid me in reaching a determination. Nevertheless, at the death, the extract from the Attorney’s letter of 22 November 2012 addressed the crucial issue after the

Office's late inquiry as to such.

- 61 On that basis I find I am able to conclude that on the balance of probabilities that had the Administrators been aware of the necessary facts relating to the renewal arrangements for the patent in suit, they would have taken steps to secure its renewal on time. As such, the absence of that knowledge led to the failure to pay the renewal fee on time, but that failure was, in the circumstances, unintentional.

Conclusion

- 62 It is my view that the evidence provided in this case is sufficient to satisfy the Comptroller that the 'unintentional' test has been met. As such I order that the application be restored.

Mrs. C.A. Farrington
Hearing Officer
Acting for the Comptroller