

PATENTS ACT 1977

IN THE MATTER OF an application by
Continental Manufacturing & Sales Inc for the
restoration of Patent No EP(UK) 152666

DECISION

Patent No EP 152666 designating a number of states, including the UK, is dated 30 May 1984 and was granted on 26 August 1987 to Continental Manufacturing and Sales Inc (CMS) a company based in Alberta Canada. The renewal fee in respect of the eighth year was not paid by the due date of 30 May 1991 or in the following six months allowed by section 25(4) upon payment of an additional fee. The application for restoration was filed on 29 May 1992, within the period allowed by rule 41(1). The Office expressed the view that reasonable care, as required by section 28(3), had not been taken by the proprietor to see that the renewal fee was paid. A hearing having been requested, the matter came before me on 13 July 1993. Mr J P Dean of Withers & Rogers, chartered patent agents, represented the proprietor and Mr M C Wright attended on behalf of the Office.

The evidence filed is in the form of two statutory declarations by Mr Erwin William Zicker who is the Patent Co-ordinator for the proprietor (CMS) and had overall responsibility for maintaining the patent. The system which had been put in place for paying renewal fees and which had operated successfully up until 1990 was such that Withers & Rogers (W&R) would send two reminders to CMS before the due date and, if instructions to pay the fee had not been given by that date, a third reminder would be sent during the six months grace period.

For the year in question W&R sent reminders to CMS on 27 February and 24 April 1991 clearly indicating that the due date for payment of the renewal fee was 30 May 1991. A third reminder was sent to CMS on 24 June 1991. Each of these reminders was received by Mr Zicker at CMS. The reason given by Mr Zicker as to why the reminders were not acted upon promptly by him was that CMS were in negotiation with an Irish company (WETS)

who it had been agreed would become a European licensee under the patent in the UK and the other designated states in Europe, and who, as such, would become immediately responsible for paying all the European patent renewal fees. Nevertheless at that time there was, according to Mr Zicker, a degree of confusion between the parties to the agreement as to the responsibility for paying renewal fees as a formal licence had not been concluded. The position was not resolved until November 1991 when it was agreed that WETS, as licence holder, would indeed be responsible for payment of renewal fees in Europe and would instruct W&R accordingly.

It seems that W&R were aware of the commercial importance which CMS attached to the patent and, because of this, they sent an exceptional fourth reminder letter by facsimile to Mr Zicker at CMS on 14 November 1991 indicating clearly that the final date on which the fee and additional fee could be paid was 30 November 1991. The letter also indicates that CMS were behind with their payments for services provided by W&R by a substantial amount.

Mr Zicker received this reminder and replied to it on 21 November 1991 by instructing W&R to pay renewal fees on corresponding patents outside Europe for which CMS was still responsible and supplying the necessary funds for those renewals. The reply also stated that WETS was responsible for the remainder of the renewals and would supply funds directly to W&R. On the same date Mr Zicker sent a facsimile message to WETS stating that it was very important that renewal fees on patents listed separately and for which WETS held responsibility under the agreement should reach W&R before 30 November otherwise the patents would lapse. The list of patents has not been provided in evidence, but I will assume for present purposes that it included this particular patent. Because Mr Zicker expected to be absent from his office after 25 November, he then sent a further facsimile message to WETS on that date asking for confirmation by return that the fees would be paid by 30 November.

Neither of these messages was successfully received by WETS. Mr Zicker was away from his office for several days subsequently and did not learn that the patent had not been renewed until after the final date for payment had passed. He says that there had been no

history of difficulty with facsimile transmission and he had no reason to believe that his first message on 21 November had not been received. His second message on 25 November was sent merely as a reminder to WETS in view of his expected forthcoming absence from the office. Mr Dean explained that facsimile transmission was the normal method of communication between CMS and WETS because of the seven hour time difference between Alberta and Ireland.

No explanation has been given as to why the renewal fee was not paid by WETS. There had been, as Mr Zicker says, a degree of confusion over who was responsible for paying the renewal fee in question, but there must have been an opportunity during the final stages of the licence negotiation to make it crystal clear where the responsibility lay, as indeed Mr Zicker attempted to do when he sent his facsimile messages a matter of a few days before the final date. The fact that those messages were sent could be indicative of extra care being taken by Mr Zicker to make sure that WETS were reminded that they had to pay. It could also indicate that Mr Zicker was still unsure in his own mind that WETS were reliable or had understood and accepted their responsibility. There is also no evidence that Mr Zicker had instructed WETS on how to go about paying renewal fees, though Mr Dean indicated to me that WETS had been kept informed about the need to pay renewal fees on patents. Mr Zicker simply assumed that the messages had been received and would be acted upon. He made no arrangements for follow-up in the event that WETS did not confirm, as requested, that they were attending to payment of the fees.

Before proceeding further, it is necessary to consider the position of Mr Zicker in relation to CMS. Mr Dean explained that CMS is now, and was during the period in question, just a small shell company formed by a group of investors. Mr Zicker, although he was the Patent Co-ordinator is in normal daily life a real estate agent with no technical or patents background. The company apparently has a President, but Mr Zicker had overall responsibility for maintaining the patent. In these somewhat unusual circumstances I do not think that, in deciding who represented the proprietor as far as section 28 of the Act is concerned, there is any sensible alternative to Mr Zicker. The question I have to ask myself therefore is "did Mr Zicker take reasonable care to see that the renewal fee was paid, as required by section 28(3)?".

Mr Zicker was well aware that the renewal fee fell due on 30 May 1991 and that the final date for payment was 30 November, but the decision seems to have been made, either by Mr Zicker alone or with the agreement of his fellow investors, to delay paying the fee in the hope that the licence agreement would be concluded in time and the expense of renewal could be passed on to the licensee. It would have been more equitable and safer perhaps for CMS to have paid the fees involved by the due date and to have made reimbursement of an appropriate proportion of those fees by WETS a condition of the licence agreement. However, CMS may have had some difficulty in finding the funds for this if the size of the outstanding debt to W&R is anything to go by. As it was, WETS had to pay not just the full renewal fees but six months additional fees for late payment as well, though only having the benefit of the licence for six months before the next renewal fees became due.

Mr Zicker had taken steps to make sure that WETS knew that it was their responsibility to pay the fees, but did nothing further. For example he did not ask his secretary to contact him if no confirmation from WETS was received and did not ask W&R to make sure that WETS provided the necessary funds in time. I am willing to accept that, under certain circumstances, a proprietor may be held to have taken reasonable care by entrusting the payment of renewal fees to a licensee. However, in the present case, the license was brand new, there was no history of reliability of the licensee in paying renewal fees for the proprietor, and there had been a period of confusion over who was to be responsible. Added to that, very little time was left in which WETS could pay the fees after the licence agreement was concluded.

In my opinion the absence in the evidence of any explanation as to why WETS did not pay the renewal fees points to only two possible logical conclusions. Either confusion still existed between WETS and CMS despite the licence agreement (the agreement is not in the evidence), and/or the licensee WETS was unreliable.

In the first case, it would seem to me to be incumbent on CMS to make sure that the true position as regards responsibility for paying the fees was clear to and accepted by WETS in good time and not left until a few days before the final date on which payment could be made. If WETS did not understand and accept the position the facsimile messages might

simply have led to further argument or lack of action on their part. In the second case, unreliability would always seem to be a possibility, especially with a new licensee, and, unless there is good reason why a proprietor is justified in having confidence in entrusting the maintenance of his patent to a licensee, in my view the proprietor cannot be regarded as having met the requirement of section 28(3)(a) if he does nothing to monitor the renewal process and does not intervene directly or by way of his agent to deal with any failure. I am not satisfied that Mr Zicker played as great a part as he should have done in either of these eventualities.

On the facts of this particular case before me therefore I am not satisfied that the requirement of section 28(3)(a) has been met by the proprietor and I refuse the application for restoration.

Signed this 21 day of July 1993

A handwritten signature in black ink, appearing to read 'K E Panchen', written over a horizontal line.

K E Panchen
Superintending Examiner acting for the Comptroller

THE PATENT OFFICE