

PATENTS ACT 1977

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Miss Duran
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IN THE MATTER OF an application
by Atlas Powder Company for the
restoration of Patent No 1593163

DECISION

The renewal fee in respect of the fifteenth year of the patent fell due on 9 November 1991. The fee was not paid by the due date or during the further six months allowed under section 25(4) upon payment of the prescribed additional fee. The patent therefore lapsed on 9 November 1991. The application for restoration of the patent was filed on 9 June 1993 within the period of 19 months beginning on the day when the patent ceased to have effect, ie within the period prescribed under rule 41(1)(a). After consideration by the Office and the filing of further evidence an official letter dated 13 April 1994 was issued informing the proprietor (Atlas) that the Office was not satisfied that the requirement for restoration laid down in section 28(3)(a) had been met. The matter came before me at a hearing held on 7 June 1994. Atlas were represented by Mr D Young QC. Mr M C Wright attended on behalf of the Office.

The relevant part of section 28 reads as follows:

"(3) If the comptroller is satisfied that-

(a) the proprietor of the patent took reasonable care to see that any renewal fee was paid within the prescribed period or that that fee and any prescribed additional fee were paid within the six months immediately following the end of that period.

the comptroller shall by order restore the patent on payment of any unpaid renewal fee and any prescribed additional fee."

Atlas had a substantial patent portfolio covering numerous countries. The day-to-day operational management of this portfolio was carried out by a Technical Manager, Mr Wade,

who consulted with his line manager Mr Urenovitch as and when necessary and liaised with a law firm RMA as appropriate. As far as renewal of patents was concerned, a list of patents which would be due for renewal over a three-month period was produced by the well-known specialist firm Computer Patent Annuities (CPA) and this list was confirmed by RMA's own docket. Mr Wade gave instructions to RMA as to which patents should be renewed. This arrangement operated without mishap for a number of years.

In May 1991 Atlas was taken over by ICI. As would be expected, ICI runs its own very sophisticated patent database, and it was the intention that all of the Atlas patents should be entered into the ICI system. This was not achieved within the period during which the renewal fee on this particular patent could have been paid. In the period leading up to the take-over and subsequently, Mr Parker the Patents and Licensing Manager for ICI's International Explosives Business became familiar with the Atlas patent portfolio and he and an ICI employee, Alison Buick, assisted Atlas in understanding how the ICI patent procedures were handled.

The impact which the ICI business practices had on the previously existing Atlas policy of patent renewal is explained by Mr Urenovitch. He says that it was decided that Atlas should remain responsible for all the Atlas patent property in countries where Atlas had commercial responsibility (ie where no other ICI group company operated) and in those countries where there were licences in place. The decision to include licensed patents was taken deliberately and was based on the knowledge of the licensing position held by Mr Urenovitch and Mr Wade. Atlas responsibility changed from being global to being focussed essentially on the USA and those countries where there were exclusive licensees. Mr Wade was instructed to decline payment for any patent not within the USA or where there was not an exclusive licence in existence, unless a relevant ICI group company wished to maintain the patent.

Mr Wade acted wholly in accordance with this instruction. In a telephone conference with RMA, and using a list of renewal fees due in September, October and November 1991 provided by CPA, Mr Wade informed RMA which ICI unit would be responsible for renewal fee payment or whether Atlas would retain responsibility. Pursuant to Mr Wade's specific instructions, RMA sent a letter to Mr Urenovitch on 12 September 1991 (one of a number

of similar letters which were sent up to December 1991). The important part of this letter in relation to this application reads as follows:

"Annual taxes will soon become due regarding each of the cases listed on the attached Exhibit A.

Mr Charles Wade has advised us that the decision as to whether the annual taxes are to be paid, and thus, whether the listed cases are to be maintained, is dependent upon Nobel Explosives Company Ltd.'s decision to maintain the listed patents/applications at its expense. It is our understanding that if Nobel Explosives Company Ltd. provides instructions that it does not wish to maintain the listed patents/applications at its expense, then these cases will be allowed to lapse for failure to pay the yearly taxes.

By copy of this letter to Ian Kirby of Nobel Explosives Company Ltd., we request specific instructions regarding whether or not the listed cases are to be maintained at the expense of Nobel Explosives Company Ltd. We have been instructed by Atlas Powder Company to presume that the listed cases are to be maintained. Therefore, unless specifically instructed to the contrary on or before September 20, 1991, we will proceed to authorize payment and such payment will be billed to Nobel Explosives Company Ltd."

Nobel Explosives Company Ltd. (NEC) was the ICI unit identified by Mr Wade as being the relevant unit for the list of patents referred to, and this list included the subject patent. Mr Parker and others at ICI saw a copy of this letter and agreed that NEC did not wish to support any of the listed patents. Mr Parker emphasises that only the significance of the patent to NEC was considered and not the possible significance to other ICI group companies. As a result he caused a reply to be sent to RMA on 19 September 1991 which I shall consider in more detail later. For the moment it is sufficient to say that the reply, which was also copied to Mr Wade, clearly indicated that NEC were not interested in maintaining any of the patents listed. Thus it came about that the renewal fee for the patent was not paid.

There is no doubt therefore that Atlas, having decided that the patent was not of commercial importance to them, passed the decision on renewal over to NEC, and they in turn decided that they did not wish to pay for the renewal of the patent. The decision by Atlas that the patent was not of commercial importance to them was erroneous, and the reason why the erroneous decision was made formed the core of the first, and to my mind more compelling, argument presented by Mr Young.

The patent had a non-exclusive licensee in the UK and the licence agreement did not oblige Atlas to maintain the patent, so the newly formulated Atlas policy, which was considered by Atlas to be consistent with ICI practice, meant that the patent was identified by Mr Wade as one which was to be renewed if NEC did not refuse to adopt it. That identification was correct as far as the information Mr Wade had was concerned. Mr Wade was fully aware of the fact that there was a commercially important re-registered Malaysian patent which was exclusively sub-licensed and was being worked extensively. The vital piece of information which neither Mr Wade nor Mr Urenovitch were aware of was that the survival of the Malaysian patent depended on the continuance in force of the corresponding UK patent, the very one for which this application for restoration has been made.

I am satisfied that Atlas always had the intention to maintain the Malaysian patent and that, had they known about the Malaysian dependency on the UK patent they would have seen to it that the UK patent was renewed and would not have left its fate to be decided by NEC. The argument Mr Young based on all this was that Atlas had complied with the reasonable care requirement of section 28(3)(a) by setting up and operating an effective patent renewal system involving a competent law firm RMA on whom they completely relied for legal advice, neither Mr Wade nor Mr Urenovitch being patent professionals. According to Mr Young decisions on renewal were jointly made with RMA, Atlas providing the commercial input and RMA the legal input, and in this instance RMA omitted to warn Atlas as they should have done that it was essential to maintain the UK patent because of the Malaysian dependency.

In my view there is no real support in the evidence for the proposition that RMA were actively involved in the renewal decision-making process. It seems much more likely to me

that the role of RMA in the renewal system was simply to check the CPA renewals list against their own docket, pass on the reminders to Atlas and act on the Atlas commercial decision whether or not to renew. The appearance of ICI on the scene caused a modification of Atlas policy in that Atlas would no longer wish to bear the cost of some renewals and intervention by another ICI group company became a possibility, but the Atlas reminder system remained intact throughout the period in question. The evidence from Ms Evert, a US Patent Attorney at RMA with whom Mr Wade dealt, gives no indication that at any time she was expected as a matter of course to give Atlas legal advice as to whether or not their inclination to allow a patent to lapse had any latent consequences.

It seems abundantly clear to me that although the UK patent had been flagged by Mr Wade as "Unique and in use or being actively developed" the system used by Atlas did not embody any specific link between the UK patent and the Malaysian patent. Without that link, it would seem to me to be asking a lot of an attorney to expect him or her to see the connection buried in the substantial patent portfolio of one client out of many. As to whose responsibility it was to set up the system in the first place, Atlas must share at least some of it if only by satisfying itself that the system on offer met its particular needs. Mr Wade and Mr Urenovitch both say that they knew nothing of the Malaysian dependency, but I am not convinced that this crucial fact is something which Atlas, in taking reasonable care to see that its renewal fees were paid, ought not to be expected to know about and to make sure that the system took it into account. Atlas must at least have known that there were peculiarities about the Malaysian patent because it could not have been re-registered until after the UK patent had been granted and, so I was informed at the hearing, no renewal fees were payable on it. It apparently never occurred to Atlas to ask why. Mr Parker knew that the UK patent underpinned licence arrangements in the UK and certain registration countries and was aware of the dependence of the Malaysian registration and of the importance of the Malaysian sub-licence. He says he was confident that Atlas were fully aware of the importance of the UK patent and I cannot disregard that statement lightly.

The second argument advanced by Mr Young centred round a misunderstanding which developed between Atlas and ICI. I have already reproduced part of a letter which Atlas caused RMA to send to NEC on 12 September 1991. NEC, and in particular Mr Parker, read

this as an attempt by Atlas to saddle NEC with the costs of renewing the patent by default. The consequences of abandonment of the UK patent to another group company were not focussed upon because it was not the ICI policy for a company within the group to decide to allow another group company's patent to lapse. Mr Young argued that the mistake which was made was only on who should pay for the renewal.

Mr Parker replied to the letter solely on the basis of the liability of NEC to pay the renewal fee and the value of the patent to NEC in the UK (as opposed to the overall commercial interests of the ICI Explosives group of companies for which he was ultimately responsible in the area of patents and licensing). He was fully aware of the importance of the Malaysian sub-licence and of the dependence of the Malaysian registration on the UK patent, but he did not question the apparent decision by Atlas to allow the patent to lapse. Instead he caused a reply to be sent to RMA on 19 September 1991 in these terms:

"It is true to say that Nobel's Explosives Company Limited are now being asked for a decision on whether Nobel's Explosives Company Limited will be paying annual taxes on Atlas cases (especially those filed in Europe since Atlas became part of ICI Explosives). If Nobel's Explosives Company Limited declines responsibility Atlas may proceed on its own account. It is not however correct to assume that Nobel's Explosives Company Limited wish to maintain cases which were in existence before Atlas became part of ICI and Nobel's Explosives Company Limited should not be billed by default.

We have now reviewed the cases you list in your 12 September 1991 letter and confirm that Nobel's Explosives Company Limited are not interested in maintaining any of the cases listed."

That reply was received by RMA and was seen at least by Mr Wade at Atlas who assumed that NEC had considered the commercial value of the case as, in a sense, it had.

Mr Young suggested that passing the renewal payment decision on to NEC was a fail-safe arrangement in that not only were RMA consulted but the ICI professionals were brought in

too. I have concluded earlier that RMA were not likely to have been consulted over the advisability or otherwise of renewing a patent or allowing it to lapse, and I have absolutely no reason to believe that the purpose of the 12 September letter was to canvas that sort of advice from ICI. No doubt Mr Parker would have given such advice had he been asked, he might even have volunteered the advice unasked, but the plain fact is that the exchange of correspondence was all about who should pay the renewal fee if the patent was to remain in force.

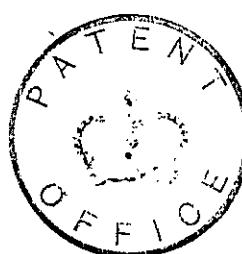
In summary, in my view the system operated by Atlas was such that decisions on whether or not to renew any particular patent were based on a purely commercial assessment of the value of the patent to Atlas. After Atlas became part of the ICI group the criteria by which that commercial assessment was made were altered but no change was made to the system to bring forth the link between the UK and Malaysian patents which became essential under the new criteria. To some extent it is understandable that Atlas should not change the system which had served them well over the years in view of the pending transfer of the patent portfolio onto the ICI system. Nevertheless, on balance, and in view of the involvement of ICI (Mr Parker) in reviewing the patent portfolio with Atlas, it is my opinion that had Atlas exercised reasonable care the significance of the UK patent in relation to the Malaysian patent ought to have registered in the minds of the persons responsible for deciding which patents should be renewed and they should have ensured that the application of the new criteria did not jeopardise the Malaysian patent. I am therefore not satisfied that Atlas exercised reasonable care to see that the renewal fee was paid, as required by section 28(3), and consequently I refuse the application for restoration.

Dated this 29 day of JUNE 1994



K E PANCHOEN

Superintending Examiner, acting for the Comptroller



THE PATENT OFFICE