

## **PATENTS ACT 1977**

### **IN THE MATTER OF**

European patent (UK) 0469776

in the name of Eveready Battery Company Inc.

## **DECISION**

### **The facts and issues**

1. The facts in this case can be summarised as follows. The Patent Office omitted to record the payment of the eighth year renewal fee for European patent (UK) 0469776 and subsequently recorded the patent as ceased on the Register of Patents and advertised it as ceased in the Patent Office's Patents and Designs Journal. The Office acknowledged its mistake and proposed to reinstate the patent provided the proprietor, Eveready Battery Company Inc., agreed to certain conditions intended to protect the interests of third parties. The proprietor was unwilling to accept the conditions and asked to be heard in the matter. A hearing was then held on 4 November 1999. Mr H D Lord, Mr A C Fairbairn and Mr D G Tubby of Marks & Clerk appeared for the proprietor. Mr D Williams attended on behalf of the Patent Office.

2. A single affidavit has been filed in support of the proprietor's objection by Mr Alan Fraser, an employee of the proprietor of the patent, Eveready Battery Company Inc.

3. The following is a more detailed outline of the facts. Eveready Battery Company Inc., used Computer Packages Inc. (CPI), a well known patent annuity paying agency based in the USA, to pay renewal fees on its behalf. CPI, in turn, employed the UK agents Raworth, Moss & Cook (RMC) to pay the renewal fees on European patent (UK) 0469776. On 26 June 1998, the Patent Office received a Patents Form 12/77 from Mrs R J Adams of RMC for the payment of the eighth year renewal fee on the patent which was due on 23 July 1998. RMC has a deposit account at the Patent Office and therefore the eighth year renewal fee of £140

was debited from that account. The “Certificate of payment of renewal fee”, which forms the tear-off portion of the Patents Form 12/77, was stamped by the Office and returned to Mrs Adams at RMC confirming that the patent had been renewed until 23 July 1999. However, the Office omitted to record the payment on its OPTICS computer system. Consequently, after the renewal due date had passed, the system, because it had no record of the renewal payment, generated a renewal reminder notice, which the Office is required to issue in accordance with rule 39(4). That notice was sent on 6 August 1998 to the proprietor, c/o Marks & Clerk, the registered address for service. It explained that the renewal fee was overdue but could still be paid with extension fees within the period of six months from the renewal due date.

4. Marks & Clerk duly forwarded the rule 39(4) reminder notice to Eveready Battery Company Inc. In his affidavit, Mr Fraser says that his company received the notice on 24 August 1998. However, he says “since the maintenance fee had already been paid on 26 June 1998 as evidenced by the paid receipt . . . no further action was taken”.

5. On 19 February 1999, ie. after the end of the six-month period allowed for paying the renewal fee with additional fees, because the eighth year renewal fee had not been logged on the OPTICS system, the patent was recorded on the Register of Patents as ceased from 23 July 1998. The system generated a further letter, which the Office sent to the proprietor, c/o Marks & Clerk on 24 February 1999, in accordance with rule 42, notifying the proprietor that the patent had been ceased because the renewal fee and additional fees had not been paid. The patent was also advertised as ceased in the 17 March 1999 edition of the Patents and Designs Journal.

6. On receipt of the Patent Office’s letter of 24 February 1999, CPI sent a facsimile transmission to the Office on 18 March 1999 in which they explained that they had sent a Patents Form 12/77 to the Office on 15 June 1998 and subsequently received the Office’s ‘certificate of payment’. The Office then carried out a full investigation and discovered that the form had been received and the certificate of payment had been issued but unfortunately the payment had not been recorded on the OPTICS system.

7. On 25 March 1999 the Patent Office sent a letter to the proprietor, c/o CPI, apologising for the error and explaining that the Comptroller was prepared to exercise discretion under rule 100 to reinstate the patent subject to the proprietor agreeing to certain conditions. The conditions, which are usually referred to as “third party terms”, read as follows:

“As the patent was announced as ceased, in the PDJ number 532 on 17 March 1999, it will be necessary to impose conditions to protect the interests of third parties who may have proceeded on the basis of that announcement.

“The conditions that you are required to accept are as follows:

- (i) If between 17 March 1999 (ie the date on which the patent was announced as ceased in the PDJ) and 7 April 1999 (ie the date on which the fact that we are considering reinstatement under rule 100 will be announced in the PDJ), a person -
  - (a) began in good faith to do an act which would constitute an infringement of the patent if it had not been treated as ceased by virtue of Section 25(3) of the Act, or
  - (b) made in good faith effective and serious preparations to do such an act,he shall have the right to continue to do the act or, as the case may be, to do the act, notwithstanding the reinstatement of the patent; but this does not extend to granting a licence to another person to do the act.
- (ii) If the act was done, or the preparations were made, in the course of a business, the person entitled to the right conferred by sub-paragraph (i) above may -
  - (a) authorise the doing of that act by any partners of his for the time being

in that business, and

- (b) assign that right or transmit it on death (or in the case of a body corporate on its dissolution), to any person who acquires that part of the business in the course of which the act was done or the preparations were made.
  
- (iii) Where a product is disposed of to another in the exercise of the right conferred by sub-paragraph (i) or (ii) above, that other and any other person claiming through him may deal with the product in the same way as if it had been disposed of by the registered proprietor of the patent.
  
- (iv) The above provisions apply in relation to the use of the patent for the services of the Crown as they apply in relation to the infringement of the patent.”

8. Following receipt of the Office’s letter of 25 March 1999, Marks & Clerk wrote to the Office on behalf of the proprietor objecting to the ‘third party terms’. As the Office was not prepared to waive those terms, the proprietor asked to be heard in the matter.

**Relevant Legislation.**

9. Section 123(2)(b) of the Patents Act 1977 empowers the Secretary of State to make rules that make provision:

“regulating the procedure to be followed in connection with any proceeding or other matter before the comptroller or the Patent Office and authorising the rectification of irregularities of procedure:”

10. Rule 100 of the Patents Rules 1995 reads as follows:

“(1) Subject to paragraph (2) below, any document filed in any proceedings before the

comptroller may, if he thinks fit, be amended, and any irregularity in procedure in or before the Patent Office may be rectified, on such terms as he may direct.

“(2) In the case of an irregularity or prospective irregularity-

- (a) which consists of a failure to comply with any limitation as to times or periods specified in the Act or the 1949 Act or prescribed in these Rules or the Patents Rules 1968(b) as they continue to apply which has occurred, or appears to the comptroller is likely to occur in the absence of a direction under this rule;
- (b) which is attributable wholly or in part to an error, default or omission on the part of the Patent Office; and
- (c) which it appears to the comptroller should be rectified,

the comptroller may direct that the time or period in question shall be altered but not otherwise.

“(3) Paragraph (2) above is without prejudice to the comptroller’s power to extend any times or periods under rule 110 or 111.”

## **Arguments and Assessment**

11. The Patent Office’s case, as set out in two letters that Mr Williams sent to Marks and Clerk on 22 April and 8 June 1999 and reiterated by Mr Williams at the hearing, can be summarised as follows.

12. The Office’s failure to record the payment of the renewal fee on its OPTICS computer system, which gave rise to the ceasing entry on the Register of Patents and the ceasing notice in the Patents and Designs Journal, together with the issue of the certificate of payment, were all regarded by the Office as irregularities in procedure in the Office. As such, they could be rectified by exercising the Comptroller’s discretion under rule 100. Mr Williams correctly explained in his letter of 8 June 1999, that this discretion should be exercised under rule 100(1) and not rule 100(2)(b) as originally stated in the Office’s letter of 25 March 1999. The Office’s decision to make the rectification of the irregularity subject to the proprietor agreeing

to ‘third party terms’ was, in the Office’s view, consistent with decisions taken in previous cases, notably *Coal Industry (Patents) Ltd’s Application* [1986] RPC 57 and two unreported cases: *Kangaroo USA Inc.’s (formerly Envoy USA Inc.) Application* SRIS ref O/136/85; and *Castolin S.A.’s Patent* SRIS ref O/007/98. In his letter of 8 June 1999, Mr Williams explained that, in line with the decisions issued on these previous cases, the Office considered it appropriate to apply ‘third party terms’ regardless of how the blame may be apportioned between the proprietor and the Patent Office bearing in mind that any third party is blameless and must be protected from infringement action.

13. At the hearing the agent expanded on the reasons given in their letter of 25 May 1999 for objecting to the third party terms and introduced further arguments in support of their objection to the terms. I shall deal with each of these in turn starting with the agents’ fundamental argument that, because the renewal fee was paid in time, the patent never actually ceased and therefore, because it never ceased, it cannot be reinstated. Mr Lord added that unless a patent is revoked under sections 72 or 73 or is deliberately abandoned or if the renewal fee is not paid, there is no way that it can cease. He also referred to section 32(9) which reads:

“Subject to subsection (12) below, the register shall be *prima facie* evidence of anything required or authorised by the Act or rules to be registered and in Scotland shall be sufficient evidence of any such thing.”

14. In referring to this provision, Mr Lord said that the Register of Patents is only *prima facie* evidence of the status of the patent and is not definitive as to whether a patent had in fact ceased.

15. While I accept that the eighth year renewal fee was paid in time, the fact is that in the public’s eyes the Register of Patents is the authoritative and therefore the definitive record of a patent’s existence. Once a patent is recorded on the Register as ceased, members of the public can reasonably assume that the monopoly rights have ended and that they would be free to make use of the invention that was covered by the patent without fear of infringement action.

Therefore, to all intents and purposes, the action taken by the Patent Office in recording the patent as ceased on the Register and advertising it as ceased in the Patents and Designs Journal, did result in the cancellation of the patent rights and caused it to be ceased with effect from 23 July 1998.

16. Mr Lord also endeavoured to persuade me that it is not appropriate to use rule 100(1) to correct the Office's irregularity as the rule does not envisage that the type of irregularity to which the rule is intended to apply might have taken place as a result of the Patent Office doing something wrong. He suggested that the Comptroller should simply correct the Register by removing the ceasing entry. He also argued that the idea of applying third party terms when rectifying mistakes made by the Office cannot have been the intention of the legislators. I cannot accept these arguments. Rule 100(1) makes it quite clear that the type of irregularity which can be rectified under the rule includes any irregularity in procedure "in" the Patent Office. In the present case there were several irregularities in procedure 'in' the Patent Office. There was the initial failure of the Office to follow its standard procedure and record the patent as renewed on its OPTICS data base following receipt of the Patents Form 12/77 and renewal fee. This was then compounded by the Office's action in issuing a certificate of renewal which, in accordance with its standard practice it should only issue after the patent has been recorded as renewed on its OPTICS computer system. The recordal of the patent as ceased on the register of Patents and the advertising of the patent as ceased in the Patents and Designs Journal were consequential irregularities as they are automatically produced by the OPTICS system if the renewal fee remains unrecorded on the expiry of the six-month period allowed for paying the fee with additional fees. None of these irregularities can be rectified in isolation, including the ceasing entry on the Register. The first rectification action is to put right the initial irregularity by recording on the OPTICS computer system the payment of the eighth year renewal fee as of 26 June 1998.

17. I also consider it right that correction of an error that could have misled the public is a serious matter and should be made in accordance with statutory provisions that provide the Comptroller with discretion to impose conditions that take account of the effect that such a correction may have on the public. I therefore believe that it is wholly appropriate to use the

statutory powers available to the Comptroller under rule 100(1).

18. As I have already indicated, any member of the public could reasonably assume on reading the ceasing notification in the Patents and Designs Journal and on inspecting the Register of Patents that they were free to work the invention. Therefore, notwithstanding the fact that the error arose as a result of an irregularity in procedure in the Patent Office, the position of any such person has to be taken into account when correcting the error. This principle was upheld by the Patents Court in *Coal Industry (Patents) Ltd's Application* [1986] RPC 57. In that case, although it was a patent application that lapsed as a result of an irregularity in procedure in the Office, the Court agreed that rectification of the Office's error should be subject to the applicant accepting terms which would protect the interests of members of the public who may have commenced to use the invention following the erroneous publication of the refusal of the patent application.

19. Mr Lord endeavoured to distinguish the present case from *Coal Industry (Patents) Ltd's Application* in that in that case there was an element of culpability on the part of the patent agent or applicants whereas there was no culpability on the part of the proprietor or agent in the present case. He implied that this was a factor that should determine whether or not third party terms were appropriate. In fact he went as far as to say: "We at any stage would probably have pulled out and gone ahead with the suggestion of incorporating third party requirements if we had established that there was any suggestion of culpability either on our part or on the part of the client".

20. Whether or not the agent or applicant is in any way culpable I do not believe is a factor that should determine whether or not it is appropriate to apply third party terms as it is of no consequence to the public how the blame may be apportioned between the Office and the proprietor. What is important, and is a common factor with *Coal Industry (Patents) Ltd's Application*, is that there is a possibility that members of the public, having seen the ceasing notice in the Journal and the entry in the Register, may have taken steps to use the invention. I therefore agree with the view taken by the Patent Office that third parties are entirely blameless and it is reasonable to make rectification of the erroneous ceasing entry in the



Register and the ceasing notification in the Journal conditional upon the proprietor accepting terms that protect those third parties from infringement action.

21. If I am wrong in this regard and the degree of culpability on the part of the proprietor or their agent is a factor that should be taken into account when determining whether or not third party terms should apply, I am not persuaded that in the present case there was not an element of culpability on the part of the proprietor. The proprietor received the certificate of payment which was stamped as lodged at the Patent Office on 26 June 1998. However, almost two months later, on 24 August 1998 the proprietor received the rule 39(4) renewal reminder notice, dated 6 August 1998. That notice clearly indicated that the renewal fee was overdue. At the hearing Mr Lord said that on receiving the rule 39(4) reminder notice the proprietor checked their file and on noticing that they had received the certificate of payment viewed the issue of the reminder notice as an error and so took no further action. He said he imagined that proprietor “rather assumed that there was a crossover in the post”.

22. While I accept that the proprietor had received a certificate of renewal from the Patent Office confirming that the patent had been renewed, I am not convinced that it is entirely reasonable for them to simply ignore the rule 39(4) notice assuming it to have been issued in error. The notice, which would not have been expected, was an indication that something may have gone wrong and that some check should be made to ensure that the patent had been renewed rather than simply assume that the notice had been issued in error. The fact that the reminder notice was issued on 6 August 1998, which was six weeks after the proprietor had filed the Patents Form 12/77, suggested that it would be unreasonable to assume that it might have crossed in the post with the renewal payment as Mr Lord suggests. I am therefore not convinced that it can be said that there was no element of culpability on the proprietor’s part. If they had checked with the Patent Office following the unexpected receipt of the rule 39(4) reminder notice, which I do not think is unreasonable to expect a proprietor to do in the circumstances, the Office would have been alerted to the error and would no doubt have taken action to rectify the situation before it was too late.

23. After the hearing Mr Lord wrote to me explaining that a fact that he and his colleagues

had not been aware of before the hearing, which Mr Williams brought to their attention shortly after the hearing had finished, was that European patent (UK) 0469776 was one of a batch of ten patents that suffered the same fate, in that in each case the renewal fee had been paid but had not been recorded on the Office's OPTICS system and was subsequently recorded as ceased on the Register of Patents and advertised as ceased in the Patents and Designs Journal. Mr Lord understood from Mr Williams that the Office also issued a rule 39(4) reminder notice to the proprietors of those other patents but this did not prompt them to question why they had been sent the notice. I cannot comment on those other cases but, even if the circumstances were exactly the same as in the present case, it does not alter my view that in this case there was an element of culpability on the part of the proprietor.

24. In conclusion, the irregularities in procedure in the Patent Office that gave rise to the recording of the patent as ceased on the Register of Patents and the announcement of its ceasing in the Patents and Designs Journal are very regrettable and I fully sympathise with the proprietor. However, I am satisfied that account must be taken of the interests of the public who, having seen the ceasing notice in the Journal and the ceasing entry on the Register, could reasonably have assumed that they were free to work the invention without fear of infringement action. While I appreciate that the terms set out in the Patent Office's letter of 25 March 1999 may diminish the proprietor's rights to some extent, I am satisfied that the balance of justice demands that such terms should be applied.

25. I therefore direct that the proprietor shall be given one month from the date of this decision to notify the Patent Office if it accepts the application of the terms set out in the Office's letter of 25 March 1999. If the proprietor does accept those terms the Patent Office should take rectification action by correcting its renewal data base on its OPTICS computer system to show the renewal fee as paid and the patent renewed. It should also correct the Register of Patents by cancelling the ceasing entry and should issue an erratum in the Patents and Designs Journal to correct the previous ceasing notice. If the proprietor does not accept the terms no such rectification action should be taken so that the ceasing entry should remain on the Register and the Office should continue to treat the patent as ceased. The eighth year renewal fee should then be refunded.

26. Any appeal against this decision must be lodged within six weeks of the date of this decision.

Dated this 20<sup>th</sup> day of December 1999

M C Wright

Senior Legal Adviser, acting for the Comptroller

**THE PATENT OFFICE**

