



BL O/203/05

18th July 2005

PATENTS ACT 1977

APPLICANT Medea International Limited

ISSUE Whether patent numbers EP0899198 and
 EP0905029 should be restored under
 section 28

HEARING OFFICER Dr Hugh Edwards

DECISION

Background

- 1 The renewal fees in respect of the seventh year of both patents fell due on 26 February 2003. The fees were not paid by that date or during the six months allowed under section 25(4) upon payment of the prescribed additional fees. The patents therefore lapsed on 26 February 2003. The applications for restoration of the patents were filed on 13 November 2003, within the nineteen months prescribed under rule 41(1) (a) for applying for restoration. They were filed by Medea International Limited concurrently with a request to record Medea International Limited as proprietors on the register of patents. The request has yet to be recorded on the register, pending the outcome of this decision.
- 2 After consideration of the evidence filed in support of the applications for restoration, the applicant was informed that it was the preliminary view of the Patent Office that the requirements for restoration, as laid down in section 28(3), had not been met. The applicant did not accept this preliminary view and requested a hearing.
- 3 The matter came before me at a hearing on 18 May 2005 when Ms Wendy Henderson of the firm Fitzpatricks represented the applicant. Mr Paul Twyman attended on behalf of the Patent Office.

The evidence

- 4 The evidence filed in support of the applications consists of:
 - a. an affidavit dated 7 November 2003 of Mr Yusuf Okhai, a director of Medea International Limited (Medea);
 - b. two further witness statements from Mr Okhai dated 12 July 2004 and 25 November 2004;

- c. an affidavit dated 11 November 2003 from Ms Judith Caldwell, a Chartered Patent Attorney from the firm of David Keltie Associates (DKA), agents for Rocky Mountain Traders Limited (RMT);
- d. two witness statements dated 7 August 2004 and 22 November 2004 from Ms Wendy Henderson, a Chartered Patent Attorney from the firm of Fitzpatrick's Limited, agents for Medea;
- e. a witness statement dated 31 January 2005 from Mr Stanley Grossman, a director of RMT.

The Facts

- 5 When the seventh-year renewals of these patents fell due on 26 February 2003, the proprietor of the patents was RMT. The evidence indicates that RMT was in financial difficulties at the time. This led their patent attorneys, DKA, to write to them saying they would not effect renewal of the patents at that time, but would defer payment until such time as their finances improved. DKA informed RMT that they had until 25 August 2003 to pay the late renewal fees, subject to surcharges.
- 6 RMT's financial plight became such that on 29 May 2003 they entered into an agreement to sell their business and their intellectual property rights (including these two patents) to Medea. On 4 June 2003 RMT changed its name to 55 College Street Limited (55CSL) and on 10 June 2003, 55CSL went into voluntary liquidation. On 11 June 2003, Mr John Alexander and Mr Melvyn Carter of Carter Backer Winter, the appointed liquidators, signed a Confirmatory Assignment which *inter alia* assigned the two patents to Medea.
- 7 Mr Okhai in his affidavit of 7 November 2003 explained that during his negotiations with RMT to purchase the business and assets and subsequently in his dealings with the liquidator, he was advised that all the patents he was acquiring, including the two subject patents, were in force. The liquidators subsequently denied that they advised him on the renewal status of the patents. Mr Okhai also said that through his previous experience of managing a patent portfolio, he was aware that patent renewal fees are generally payable annually and on the anniversary of the filing date of the patent. As these two patents were filed in February 1997, and with the understanding that all the patents he had acquired were in force, he believed the next renewal fees were payable in February 2004.
- 8 Mr Okhai's preferred method of managing his previous patent portfolio was to issue standing instructions to his patent attorneys to renew all patents automatically as they became due, without further reference to him. In October 2003 in order to instigate this process for these patents after acquisition, Mr Okhai instructed DKA via his lawyers Dickson Minto to renew the patents on Medea's behalf as they became due in future. DKA had formerly represented RMT in connection with the two patents.
- 9 It was at this time, on 21 October 2003, that Mr Okhai was first notified in a report from Ms Caldwell of DKA that the patents Medea had acquired had lapsed because of the non-payment of the renewal fees due in February 2003. Mr Okhai states that he was shocked to hear this because he had been led to believe that the renewals on the patents were not due until February 2004. Ms Caldwell's report to Mr Okhai stated

that on 17 June 2003, she had written to the liquidators to say that RMT's patents were due to lapse in August 2003 if the renewal fees and relevant surcharges for late payment were not paid. She added that the liquidators had replied to her saying that a copy of her letter had been sent to the purchasers of the business, i.e. Medea. Mr Okhai states that he never received a copy of Ms Caldwell's letter even though the liquidators confirm they had Medea's correct address.

- 10 In October 2003, as soon as Mr Okhai became aware that the patents had not been renewed, he began the restoration process.
- 11 In July 2004, Medea appointed the firm of Fitzpatricks to handle their affairs in relation to these patents.

Applicant's case

- 12 Medea's position has been set out in the evidence and correspondence on the official file and in the submissions by Ms Wendy Henderson of Fitzpatricks at the hearing. Medea's position can be summarised as follows:
 - a. Medea had formally acquired the business and the patents from 55 CSL (formerly RMT) in June 2003, part way through the grace period of six months allowed by section 25(4) in which to effect late renewal. They had been assured by RMT during negotiations for the business that the patents had been renewed. This was confirmed after the purchase in an e-mail dated 17 July 2003 from Mr Stanley Grossman, a director of RMT.
 - b. No due diligence review of the status of the patents had been possible because of time pressures associated with the acquisition of the business and the imminent liquidation of RMT, and in any case Medea had assurances that no renewals were due until February 2004.
 - c. They had had a good working relationship with RMT since June 2001, so had no reason to doubt the assurances about the status of the patents.
 - d. They had taken over the whole business of RMT, not just the patents. From the time Medea acquired the business and patents from 55 CSL (formerly RMT) i.e. on 11 June 2003, to the time when it was still possible to renew the patents i.e. 25 August 2003 was only a period of some 12 weeks or so – a period in which Mr Okhai had been very involved in other pressing business. In particular, Mr Okhai was charged with integrating the business of RMT into that of Medea.
 - e. They had not been notified of the non-payment of the renewal fees within the time when they could have acted upon it because they had never received a copy of Ms Caldwell's letter of 17 June 2003 from the liquidators. These were circumstances beyond Medea's control.
 - f. It could be seen that reasonable care had been taken to ensure the renewal fees for the two patents were paid in good time for 2004, as they had instructed patent attorneys (DKA) four months prior to the due date. This was in October

2003, at the time when Medea was as yet unaware the patents had not been renewed in 2003. As soon as they became aware of the reality of the situation, they acted immediately to begin the restoration process.

Patent Office's case

- 13 The office's view in essence was that Medea, on purchasing the patents from RMT in June 2003, should have taken some steps to check the status of the patents to ascertain whether the renewal fees had in fact been paid. There are several means by which this can easily be done e.g. the Patent Office web site, ringing the Patent Office or by contacting any firm of patent attorneys. Rather Medea had chosen simply to accept the assurances from RMT that they had been paid. The office acknowledged that the purchase of the business and the patents took place part-way through the grace period of six months allowed by section 25(4), but that a period of some 12 weeks or so remained until the final date for late renewal of 25 August 2003. This was enough time to make the necessary inquiries and to effect renewal, even bearing in mind Medea's and Mr Okhai's other business commitments during that time. In fact, Medea had taken no action at all until October 2003.

Assessment

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

“If the comptroller is satisfied that 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”

- 15 In accordance with section 28(3), I have to determine whether or not Medea took “reasonable care” to see that the seventh-year renewal fees were paid on the two patents. In deciding this matter it is helpful to bear in mind the following direction given by Aldous J in *Continental Manufacturing & Sales Inc's Patent [1994] RPC* pages 535 to 545:

“The words “reasonable care” do not need explanation. The standard is that required of the particular patentee acting reasonably in ensuring that the fee is paid”.

- 16 The office's preliminary view that the application for restoration should be refused was based on the evidence presented up to the point when the final official letter of refusal issued, which was on 30 December 2004. That was prior to the filing of the final piece of evidence in these proceedings, which was the witness statement dated 31 January 2005 from Mr Stanley Grossman. In fact that witness statement was only filed in the office via facsimile on 13 May 2005, just a few working days before the date of the hearing. The original indeed was passed to me at the hearing itself. That piece of evidence I find to be crucial and indeed determinative in this case and may well have avoided the necessity for the hearing had it been filed earlier, rather than some four and a half months after the date of the witness statement.

- 17 During the proceedings the office referred to *Advocat Giovanni Gozzo AB's Patent* (BL O/150/95). Argument regarding this during proceedings centered round the material facts of the time periods involved in that and the present case. However, although my view is that even on that point the two cases do bear sensible comparison, the more pertinent point from that case it seems to me stems from the principle that it is the responsibility of a person acquiring a patent to take steps to discover the true position regarding renewals.
- 18 It has been established in my view that *prior* to Medea purchasing RMT's business, they had taken no steps to discover the true position of the patents. Medea's reasons for that and the office's rejection of those arguments are recorded above at paragraphs 12 and 13 respectively. However, the period for Medea to demonstrate that they had taken reasonable care ran from 11 June 2005, when they formally acquired 55CSL (previously RMT), to 25 August 2003, the last date when late renewal was possible: the crucial 12 week period, as it was characterized at the hearing.
- 19 The evidence of Mr Stanley Grossman, filed so late in the proceedings, contained an exhibit which was an e-mail dated 17 July 2003 (i.e. within the crucial period) to Mr Ibrahim Okhai, who is attested to be "of Medea International". He is not Mr Yusuf Okhai who has been party to these proceedings, but, we are told by Mr Grossman, was party to the informal negotiations prior to the selling of the business assets of RMT. The e-mail stated, amongst many other things:
- PATENT PORTFOLIO** Our patents are all up to date and you won't have to look at renewal until 2004, so you will make a saving on the fees for the rest of this year."
- 20 Leaving aside the factual inaccuracy of the statement, it is what *prompted* this e-mail which I think is determinative in this case. Mr Grossman's e-mail was in response to an earlier one from Mr Ibrahim Okhai on the same day, which is contained within the same exhibit and which asks:
- "Stan, I am confused. What is the status of the various patents?"
- 21 It is one small step in determining the true position of the patents, but it does demonstrate that during the relevant period, Medea were minded to enquire further of a former director of RMT what the position was at that point. This and indeed other statements in Mr. Grossman's witness statement to my mind corroborate Medea's position on the earlier assurances they had had.

Conclusion

- 22 Looking at the matter in the round, I have a lot of sympathy with Medea as to why they accepted assurances from RMT prior to the purchase of the business and up until 17 July 2003, the date of the e-mail exchange. However, they could and in my view should have done more to determine the true position regarding the status of the patents. They had many other concerns at the time, but that does not absolve them from the requirement of "reasonable care" in the payment of renewal fees.

- 23 Nevertheless, whatever prompted Mr Ibrahim Okhai's e-mail of 17 July 2003, I regard it as at least an attempt to discover the true position. More could certainly have been done and there are more reliable ways to find out the factual position about the renewal status of a patent, but it was a reasonable step in the circumstances in my view. After all, the statutory test is one of reasonableness and not of perfection. In the light of Mr Grossman's unequivocal response to Mr Ibrahim Okhai's e-mail, and the general level of trust that appears to have existed between the two sides, it is not difficult to see why Medea were persuaded by the earlier assurances they had from RMT and took no further action on the 2003 renewals.
- 24 On the evidence before me I am satisfied that Medea exercised the degree of care to see that the renewal fees were paid which I consider was reasonable under the circumstances relevant to these particular applications for restoration. I am therefore satisfied that the requirements in section 28(3) have been met and that restoration of both patents should be allowed.
- 25 In accordance with rule 41(4) of the Patents Rules 1995, an order for restoration of each patent will be made if, within two months from the date of this decision, the proprietor files a Patents Form 53/77 and fee of £135 for each patent, together with Patents Form 12/77, duly completed, and the amount of any unpaid renewal fee. The effect of the order will be as specified in section 28A.
- 26 The applications to record Medea International Limited as proprietors will then be effected on the register.

DR HUGH EDWARDS
Deputy Director acting for the Comptroller