

## **PATENTS ACT 1977**

**PARTIES**                                      Bending Light Limited

**ISSUE**                                        Whether patent number GB 2342726  
should be restored under section 28

**HEARING OFFICER**                      G J Rose'Meyer

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## **DECISION**

### **Introduction**

- 1 This decision concerns whether the patent in suit should be restored following a failure to pay a renewal fee.
- 2 The renewal fee in respect of the seventh year of the patent fell due on 15<sup>th</sup> September 2004. The renewal fee was not paid by that date or during the six months allowed under section 25(4) upon payment of the prescribed additional fees. The patent therefore lapsed on 15<sup>th</sup> March 2005. The application for restoration was filed on 13<sup>th</sup> April 2006, within the nineteen months prescribed under rule 41(1)(a) of the Patents Rules 1995 for applying for restoration.
- 3 After consideration of the evidence filed in support of the application for restoration, the applicant was informed that it was the preliminary view of the UK Intellectual Property 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.
- 4 The matter came before me at a hearing on 30<sup>th</sup> November 2007. The applicant was represented by Mr. Steven Gee of D.W. & S. W. Gee, patent attorneys. Mr. David Willets, Executive Chairman of Bending Light Limited, also attended. I was assisted at the hearing by Mrs. Susan Williams.

### **The evidence**

- 5 The evidence filed in support of the application consists of:
  - a) Three Statutory Declarations of Mr. David R Willetts, Executive Chairman of Bending Light Limited

- b) A witness statement from Mr. David R Willetts
- c) A Supplementary Statement from Mr. David Willetts

## **Background**

- 6 Mr. Willetts is the Executive Chairman of Bending Light Limited, a company formed in 2001. Patent number GB 2342726 was assigned to the company by virtue of an agreement with the inventor Mr. Peter Milner, Mr. Milner being one of the two business founder shareholders of the company. The company has acquired and built up an extensive patent portfolio covering products and processes devised by Mr. Milner.
- 7 Following the death of Mr. Milner towards the end of 2003 and the subsequent resignation of the managing director Mr. Barry Wills, Mr. Willetts assumed responsibility for the company's affairs on a part time basis. This included responsibility for the company's patent portfolio, something he wasn't familiar with and that he needed time to come to terms with.
- 8 Around this time, the company was experiencing serious financial difficulties. Consequently, to help Mr. Willetts in his task, in June 2004, private investors provided the company with a much needed "rescue" round of capital.
- 9 At this time, the applicant was represented by their attorney K R Bryor & Co. and an effective patent renewal system was in operation. In essence, the applicant relied on the timely reminders sent to them by the patent attorney. Although there's a suggestion that the relationship between the firm and Mr. Willetts was tense, the renewal system itself seems to have worked well. Indeed there's nothing to suggest that it did not operate as usual in relation to the renewal fee due in September 2004. However at that time, in order to avoid incurring further costs with K R Bryor & Co, Mr. Willetts took the decision to delay payment of the renewal fee into the six month grace period allowed by the law.
- 10 Around June 2004, a decision was also made to transfer responsibility for the patent portfolio to a new attorney - Mr. Steven Gee of D W & S W Gee - whose priority would be to review the patent portfolio and advise upon the scope of protection of each of the separate families of patents and patent applications. However it was not until February 2005 that Mr. Willetts formally terminated representation by K R Bryor. Rather than engage Mr. Gee at that point as far as renewing their various patents were concerned, the company relied on the reminders from the Patent Office and from overseas attorneys to maintain the portfolio, only instructing Mr. Gee to pay any patent fees and to take the required actions as matters arose.
- 11 In February 2005 the financial situation of the company became critical. One of the consequences of this was that Mr. Gee was not instructed to carry out the review of the patent portfolio and was not instructed to formally represent the company.
- 12 Mr. Willetts was aware of the 15 March 2005 final deadline for renewing the patent in suit, but says the business did not have sufficient funds to pay all the

costs that were due during 2005, particularly all the costs due in March of that year. Consequently, although the applicant wished to maintain the patent in force, Mr. Willetts says he was unable to pay the renewal fees and additional fees that came due on 15 March 2005.

- 13 Various efforts were made from September 2004 onwards to raise additional funding. As well as seeking to increase the share capital for example, efforts also included the engagement of Business Angel Capital Ltd on a non-exclusive basis to provide certain financial advisory services to the company. Fundraising and the latest financial report were just two items regularly discussed at Board meetings around this time.
- 14 The evidence shows some of these fundraising endeavours were successful. For example, the 15 March 2005 Board meeting minutes refer to a cash budget of £49,000 as at the end of February 2005. There is evidence in previous Board meeting minutes that other funding had been secured by the proprietor, but that it was allocated or over-allocated to meet various financial obligations.
- 15 Despite some investment being made, various obstacles and difficulties within the company meant that for example, arranging the private placing of shares became a serious and laborious process. This was eventually carried out in December 2005, raising sufficient funds in January 2006 to take the business forward. As a result, Mr. Gee was formally instructed to take over the representation of the patent portfolio and undertake the required review. The review confirmed that the patent had lapsed and Mr. Gee was subsequently instructed to undertake the necessary action to seek restoration.

### **The relevant law**

- 16 Because the patent ceased to have effect before 1<sup>st</sup> January 2005, the relevant law is contained in section 28(3) of the Patents Act 1977 as it stood at that date. It reads:

*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 the 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.*

- 17 In accordance with this provision, I have to decide whether or not Mr. Willetts took “reasonable care” to see that the renewal fee in question was paid. In deciding this, it is helpful to bear in mind that words of Aldous J in *Continental Manufacturing and Sales Inc.’s Patent* [1994] RPC 535:

“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.”

### **The applicant's case in summary**

- 18 At the hearing, Mr. Gee argued that the applicant had taken reasonable care to ensure that the renewal fee for the GB patent was paid within the prescribed deadline.
- 19 He pointed out that the reason the patent was not renewed was not because a positive decision had been taken by Mr. Willetts not to renew it, but quite simply there were no funds available which could be used to pay the renewal fee. He argued that Mr. Willetts did his utmost to raise funds and in so doing he took reasonable care. However he failed in his efforts and it was ultimately this failure that caused the patent to lapse.
- 20 Mr. Gee also referred to the various funds available to the company during the period the renewal fee could have been paid and argued that these were used appropriately. The various financial pressures facing the company meant Mr. Willetts had to make business decisions with very little funds. There were legal obligations to meet under the Insolvency Act and also other business costs outstanding which needed to be paid. In the circumstances, Mr. Willetts made the best decisions he could on a day to day basis given the funds available in order to keep the business going.
- 21 In regard to the office's reference to *Convex Ltd's Patent* [1980] RPC 423, Mr. Gee argued that this case does not suggest that a patent proprietor should pay the renewal fees on his patent because they are more important than commercial debts; rather the case illustrates that the controls concerning payment of patent renewal fees should be greater than for commercial debts. Commercial debts will look after themselves to some extent but an applicant must look after the patent renewal fees. In this context the situation Bending Light Limited was in was quite different from that in *Convex*. The applicant had a renewal system in place. Mr. Willetts knew about the renewal fee and the latest date it needed to be paid by, but the date was missed for good and valid commercial reasons.

### **The Office's case**

- 22 The Office's case for refusing the application for restoration is that reasonable care has not been shown. Mr. Willetts was aware that the final date for payment of the renewal fee with the additional fee was 15 March 2005. At that time, evidence from Board meetings shows the company had funds available to cover the renewal fees due. Some of the funds were used to pay creditors, several in March 2005. In summary, the applicant knew the final date for payment of the late fees; there were funds available but a decision was made to use these elsewhere rather than pay the renewal fee.

### **Assessment**

- 23 At the hearing I agreed with Mr. Gee that the renewal system operated by the applicant and its former patent attorney is not in question. Rather the main issue here is concerned with funding - more specifically the raising of money or the

attempt to raise money for commercial reasons, including maintenance of the patent. Does this show the applicant exercised reasonable care in ensuring the patent was renewed on time even if he didn't then use the money raised to renew the patent?

- 24 Before I start to consider this, I think it's important to clarify the relevant period in which the patent could be renewed. Under rule 39(1) of the Patents Rules 1995, the relevant period is the period in which the patent can be renewed early from three months before the due date for renewal – in this case that was from 15th June 2004 - until the period allowed under section 25(4) in which the renewal fees can be paid up to six months later with fines - in this case that is 15th March 2005.
- 25 For much of this period, the evidence shows that the applicant faced serious pressures and challenges, including significant financial ones. For his part, Mr. Willetts was regularly called upon to make difficult commercial decisions in order to keep the company afloat and I entirely accept and sympathise with the position he found himself in.
- 26 However, the evidence clearly shows that at various periods from June 2004 onwards throughout and until the end of the relevant period, funds were available to the applicant. These however were used to keep the company solvent and to stay on top of other business costs. In the circumstances Mr. Willetts found himself in, on a practical basis I can certainly appreciate why this was a sensible commercial approach to take.
- 27 However to my mind, I regret to say that it does not show that reasonable care was taken with regard to ensuring the renewal fee was paid on time.

### **Reasoning**

- 28 The evidence in this case clearly shows that Mr. Willetts decided not to renew patent in September 2004, when the renewal fee became due. This was a conscious decision not to pay renewal fee on time. Of course there is nothing wrong with this approach in terms of the legal position with regard to the restoration. The 6 month grace period allows for commercial decisions of this type. All the evidence and Mr. Willetts own submissions at the hearing shows that he was perfectly aware of the time frame he was operating in concerning renewal or late renewal of the patent and his decision making accounted for this.
- 29 The evidence and submission at the hearing paint a very vivid and unfortunate picture of the proprietor going through a traumatic time with internal organisational wrangling, huge financial difficulties and legal obligations simply to stay in existence. Mr. Willetts was at the epicentre of all of this and there is no doubt that he was ideally qualified to manage it.
- 30 My finding that ultimately reasonable care has not been demonstrated is in no way a reflection of his qualification to act or indeed his commercial actions during the relevant period. To use his own words, he had "invidious choices" to make and he made them with all good personal and commercial reasons in mind.

- 31 However, I can have all the sympathy in the world at the reality of the situation Mr. Willets found himself in, but I cannot let that influence my assessment of the legal position in relation to the restoration case before me.
- 32 To do that, I must examine the facts of the case and I have to say the facts to me are quite clear.
- 33 The evidence clearly shows that certainly during periods within the 9 month window in which the patent could have been renewed, significant sums of money were secured by various means and potentially at least were available to pay the renewal fees (with penalties as appropriate) if Mr. Willet chose to do so.
- 34 During examination of this application, the office made enquiries about the cash budget of £49,000 available to the proprietor as at the end of February 2005 according to the evidence. Mr. Willets detailed in evidence how these funds were to be fully allocated toward the payment of various commercial and contractual debts. His witness statement of 18 April 2007 shows that the amount owed to creditors at that time totalled some £35,043 and that some of these creditors were paid in March 2005.
- 35 That evidence also showed a contractual commitment totalling £15,000 with a particular firm, but the evidence also shows that the invoice for that sum was not received until June 2005, outside the last date of 15<sup>th</sup> March 2005 on which the late renewal could have been paid.
- 36 The submissions at the hearing centered heavily around how and why Mr. Willets decided to act in the way that he did because of the difficulties he was facing. The point was made in submissions that the company took reasonable care to overcome those difficulties. I have accepted the commercial propriety of Mr. Willets actions, but unfortunately this is not what the law requires.
- 37 The law asks that the comptroller be satisfied that the proprietor took reasonable care to see *the patent* was renewed on time or within the period of grace. I understand the distinction Mr. Gee argued for strongly at the hearing, that there would have been no point in using funds to pay for renewal of the patent if this meant the business failed, but with respect, that is not the legal test.
- 38 The proprietor argues that difficult, invidious decisions had to be made on a daily basis, including legal obligations regarding the solvency of the company. One of these obligations as Mr. Willets explained it to me at the hearing is to show that you can meet your liabilities as they fall due. So his financial strategy was to a great degree informed by this. He paid, or endeavoured to pay, as many of the company's liabilities as he could as and when they fell due. The evidence certainly supports this.
- 39 However, during the relevant period, on the 15<sup>th</sup> March 2005 the final renewal fees also became due. Unfortunately for Mr. Willets, he took the decision not to follow this practice with regard to the patent renewal fees.
- 40 At the hearing Mr. Gee sought to draw distinctions between his view of how previous case law referred to by the office differed from the office interpretation of

it. That case was *Convex Ltd's Patent* [1980] RPC 423. Mr. Gee said the office supported its preliminary view to refuse the application to restore the patent in suit by inferring the judges' views in that case meant that patent fees are somehow more important than everyday bills.

41 He argued that the circumstances in this present case and in that were not on all fours at all and that certainly it was not to be inferred from that case that payment of patent renewal fees are more important than payment of commercial debt.

42 I accept that submission in so far as it goes, but I do believe one of the principles to come out of *Convex* is that patents must be given a high priority in business considerations.

43 Through all the difficulties faced by the proprietor in this case, many debts and obligations were met. The proprietor did a remarkable job in many ways. However, the ultimate thrust of the proprietor's argument is that the failure to pay the renewal fees was caused by a lack of funds, not by prioritising the payment of those fees below others.

44 I simply cannot find this from the evidence before me. It is clear funding was available during the relevant period, notably in the early part of 2005 and up to and including the final deadline date of 15<sup>th</sup> March 2005.

45 Other debts were paid. The patent fees were not. With good commercial reason no doubt, but at the point when Mr. Willetts was aware the final date was upon him (and there is never any suggestion that he was not aware of that date), to choose *not* to pay the fee, knowing full well the consequences of his decision, cannot in my consideration be regarded as *reasonable care* within the meaning of the Act.

### **Conclusion**

46 In short, Mr. Willetts took a conscious decision to delay payment of the patent until the end of the 6 month period of grace. He was aware of the 15 March 2005 deadline but when funds were available he chose to use them for other purposes.

47 Based on the facts of this case I am not satisfied that the applicant exercised reasonable care to see that the renewal fee for the patent was paid in time or during six month grace period.

48 I therefore refuse application for restoration.

### **Appeal**

49 Under the practice Direction to Part 52 of the Civil procedure Rules, any appeal must be lodged within 28 days

**G J Rose'Meyer**  
Hearing Officer

Acting for the Comptroller