

PATENTS ACT 1977

IN THE MATTER OF a reference to the
Comptroller under Section 37(1) by R W
Hartley and E R Livesey in respect of patent
No. 2271755 in the name of Advanced
Extrusion Developments Limited

FURTHER INTERIM DECISION

Introduction

1. In my interim decision of 20 May 1998, which was made on the papers, I made a number of findings in respect of entitlement to patent No 2271755. It seemed to me for reasons I gave in the decision that before I made any order or orders to give effect to my findings the parties should be given an opportunity to make submissions to me regarding appropriate orders consistent with my findings. It was in this respect that the decision was an "interim" one and it is principally to that issue, namely the order or orders to be made, to which this further interim decision relates. The matter of costs is a secondary one also remaining to be settled.
2. My findings in the interim decision were that (a) the two referrers, Robert W Hartley and Edward R Livesey, trading as Earl Plastics, had not shown themselves to have joint proprietorship rights in or under the patent, and (b) the assignment of 8 November 1994 from Paul Lever, the sole inventor and one of the original five applicants, but from early 1994 the sole applicant following deletion of the other four names, to the opponents Advanced Extrusion Developments Limited was invalid in view of an existing agreement made on 29 September 1992, the day the priority application was filed, between the original five applicants, which were Paul Lever, Colin Pate, Anthony R Lonsdale and the two referrers.
3. An appeal was lodged against my findings in the interim decision on 2 July 1998 by patent agents, Urquhart-Dykes & Lord, on behalf of the referrers, but the Patent Office was subsequently informed by Urquhart-Dykes & Lord on 13 January 1999 that the appeal had

been withdrawn and that they were looking forward to receiving the final decision. Earlier, on 17 July 1998, after they had filed an appeal, Urquhart-Dykes and Lord wrote to the Patent Office making various comments about my findings. No submissions were filed by the opponents and, Boote Edgar Esterkin, solicitors acting for the opponents, informed the Patent Office by letter on 24 September 1998 that " Advanced Extrusion Developments Limited is now a dormant company and we have no instructions to take any further part in the proceedings."

4. The comments made in the letter of 17 July 1998 on behalf of the referrers seem to me to amount more to arguments relevant to an appeal against the decision rather than to submissions over what appropriate orders I should make which are consistent with my findings in the interim appeal. The only part of the letter which I think can conceivably be said to relate to submissions over appropriate orders reads -

" With reference to the Decision, the Superintending Examiner has found the Agreement of 29 September 1992 to be effective and thereby prevented Lever from assigning the Patent to Advanced Extrusion Developments Limited. If this is the case, then it would seem that the Agreement of 29 September 1992 confers some rights upon the four remaining applicants which of course includes the present Referrer's.

However, the Superintending Examiner has found that the four applicants apart from Lever did not have any rights in the Patent or the original patent application. This would appear to put an inconsistent finding upon the effect of the 29 September 1992 Agreement.

If Lever was the only party who was entitled to make the patent application then the Agreement has no effect and Lever is entitled to assign the Patent to whoever he wishes. This means in effect that the Agreement has no effect at all.

If, on the other hand, the Agreement is effective, since it has been found that the Agreement prevented Lever from assigning the Patent to any other party, then the Agreement is also effective in showing that the four other original applicants were entitled to make the application and therefore the Patent should be assigned back to the original five applicants."

5. It seems to me that this above quoted part of the letter of 17 July 1998 indicates that the referrers' patent agents may not have fully understood my findings. To reiterate, I concluded under section 37(1) that Lever was correct in his view in January 1994 that he had sole applicant rights to the patent application notwithstanding the 29 September 1992 agreement between the five original applicants because, firstly, no agreement had been entered into before the making of the invention, which is a requirement of section 7 (2)(b), section 7 being the section of the Patents Act which governs the right to apply for an obtain a patent, and, secondly, no exploitation agreement having ever been signed, the referrers had failed to show entitlement under section 7(2)(c), there being no agreement which could be said to make them (part) successors in title to Lever.

6. However, I also found that, although the 29 September 1992 agreement did not have effect with regard to any one of the other four original applicants having the right to be an applicant of the patent application, the 29 September 1992 agreement was not meaningless in every respect. It was an agreement willingly entered into by all five, including Paul Lever, and so I found that it prohibited Paul Lever from selling or assigning his (whole) share in the patent application without the agreement of the other four parties. Since there is no positive evidence that such agreement was obtained, I found the assignment of the patent application on 8 November 1994 to Advanced Extrusion Development Limited, to be invalid.

7. It is not clear to me what orders the referrers are suggesting I make, bearing in mind my findings and that they stand since the appeal against them has been withdrawn. I do however agree with the statement made by the referrer' in their letter of 17 July 1998 that "the agreement of 29 September 1992 confers some rights upon the four remaining applicants" is correct and in line with my findings.

Matters to be considered in making orders

8. In view of the continuing existence of the 29 September 1992 agreement, which currently still holds, I am aware that Paul Lever may have difficulty in exploiting his invention or assigning his invention if I do not make any further orders other than to return the proprietorship of the patent to him as sole proprietor. Acting for the Comptroller, I have the

authority under Section 37 to make such further orders as I deem fit as long as they are consistent with my findings. As stated above, I consider that the referrers have some rights, but not patent proprietorship rights, under the 29 September 1992 agreement and thus I have to carefully consider how best to reflect these rights in my orders.

9. It seems to me that I should bear in mind that Paul Lever stated in his statutory declaration dated 31 January 1994, filed in connection with the deletion of the other four original applicants, that he had financial assistance for his invention from all four of the other original applicants. The relevant paragraphs of his statutory declaration read -

"3. Colin Pate, Edward Richard Livesey, Robert William Hartley, and Anthony Robert Lonsdale are Directors in a plastics company, Earl Plastics Limited, and since I knew these persons, I asked whether they would be able to provide any financial assistance in my development of the invention. These persons indicated an interest in exploiting the invention and were willing to provide me with the financial assistance I required.

4. Since these persons had indicated an intention to exploit the invention and it had been agreed that an agreement would be drawn up between us concerning such exploitation, and given the financial assistance these persons had provided me with, I agreed to allow these persons to be named as joint applicants in relation to my UK Patent Application since it was envisaged that the exploitation agreement would provide a basis for these persons having a right to apply for a Patent as required by section 7, Patents Act 1977."

10. It has been clearly established that no exploitation agreement was ever drawn up and I also note that Robert Hartley, for the referrers, disputes that Colin Pate and Anthony Lonsdale were ever directors of Earl Plastics Limited or that they had any financial interest in Earl Plastics, stating in paragraph 7a of his affidavit of 25 March 1997 -

"Lever, in his Declaration... states in paragraph 3 that these persons, e.g. Pate, Livesey, Hartley and Lonsdale were Directors of a company called Earl Plastics Limited. That is not correct, myself and Livesey have always traded as Earl Plastics. Further, Pate and Lonsdale had no financial interest in Earl Plastics."

11. No evidence in reply was filed by the opponents to back up the assertion in their counterstatement that they have "advanced Lever and invested substantial monies in the progression of the patent* and are thus "fully entitled to the Assignment given by Lever", which on its face value transfers the invention for £1 only. Further, although both parties originally suggested they could find support for their assertions from Messrs Colin Pate and Anthony Lonsdale, evidence from these two gentlemen (in the form of substantially identical affidavits) was later filed by the referrers only. These two affidavits are silent with regard to the matters referred to in the above paragraph from Robert Hartley's affidavit and also with regard to any aspect of any financial assistance Colin Pate or Anthony Lonsdale made to Paul Lever.

12. Although the papers imply that Colin Pate and Anthony Lonsdale probably gave financial assistance to Paul Lever with regard to another of his inventions, the "bed-in-a-box" (paragraph 2a of Hartley's affidavit and paragraph 7 of the counterstatement), the papers do not indicate what degree of financial assistance (if any) was made by Colin Pate and Anthony Lonsdale to Paul Lever in connection with the pallet invention of the patent in suit. However, there is no dispute that Earl Plastics (rather than the referrers personally) contributed financial assistance with regard to the pallet invention. The exhibits associated with an affidavit filed by one of the referrers, Robert Hartley, indicate that £973.39 was paid by Earl Plastics in connection with the priority application of the patent. Also, a receipt shows that a further £2079.74 was paid in 1995 by Earl Plastics on behalf of Paul Lever for unpaid council tax for which Paul Lever was liable. However, since it seems from paragraph 2b of Robert Hartley's affidavit that in early 1992 Earl Plastics was involved in both the bed-in-a-box and the pallet projects, although it later, at an unspecified time, "withdrew from the bed project and injected £30,000 to keep the Bed in a Box in business", it could be argued that only a portion of this £2079.74 was paid by Earl Plastics because of its involvement in the pallet project. In this connection I also note that in paragraph 7 of their counterstatement the opponents contend that:

"any moneys advanced to Lever in respect of the pallet were minimal and may extend only to the initial patent fees. Any other moneys advanced were in respect of a completely separate product being a "bed-in-a-box" which has no relationship whatsoever to this particular patent".

They have failed to supply evidence in support of that contention, however. On the other hand, the exhibits do show that an invoice for £5000 was sent to Earl Plastics in connection with a market survey of pallets and Robert Hartley states in paragraph 9c of his affidavit, without giving explanation, that this invoice was paid but the market survey was never obtained. This seems strange to me. If no survey was obtained it might have been possible to obtain a refund and I feel that I must regard this payment for the market survey with some caution. But it does seem to me that the evidence points to some financial assistance from Earl Plastics to Paul Lever in connection with his pallet invention for which it should be recompensed in some way.

13. I consider that I should also bear in mind that a settlement was nearly reached and also the nature of the offer made but finally rejected. In the period April 1996 to mid July 1996 meetings and telephone conversations took place between the two sides with a view to reaching an agreement. Robert Hartley states in his affidavit that an offer was made by the opponents on the basis that a 35% share held by Paul Lever in Advanced Extrusion Developments Limited would be equally distributed between the original five applicants and that although this offer was initially accepted by the referrers, conditional on them taking legal advice, this offer was later rejected and the referrers proposed that a 50% share, rather than a 35% share, of Advanced Extrusion Developments Ltd should be redistributed equally between the original applicants. This was rejected by the opponents, and at a preliminary hearing held on 21 January 1997, concerned with the allowance of the late filing of the counterstatement, Mr Cantor, a solicitor with Boote Edgar & Esterkin, confirmed that the opponents had thought that an agreement had been reached, only to subsequently break down. He also confirmed that Paul Lever held 35% of the shares of the company and so the offer would not have impinged on the 65% held by individuals within the company, for whom he also acted.

14. However, I am not in a position to know whether or not Lever currently still holds 35% of the shares. Companies House cannot advise me as they do not have information regarding share holdings that is any more up to date than 1997. Also, since then Advanced Extrusion Developments Limited has been identified as a dormant company. For these reasons, I am not attracted to revisiting the prospective settlement offer when making my orders.

15. Taking all this together, I consider that in making my orders I should bear in mind that (a) Robert Hartley and Edward Livesey trade as, and are directors of, Earl Plastics but dispute that Colin Pate or Anthony Lonsdale ever were directors, (b) it was apparently Earl Plastics, rather than Robert Hartley or Edward Livesey personally, which provided financial assistance to Paul Lever in connection with his pallet invention, (c) Paul Lever in his statutory declaration stated that he had received financial assistance from all four of the other original applicants but I have no information regarding the level of financial assistance provided by either of Colin Pate or Anthony Lonsdale, (d) the assignment agreement indicates that Advanced Extrusion Developments Limited made a payment of merely £1.00 to Paul Lever as part of the assignment, (e) Paul Lever held 35% of the shares of Advanced Extrusion Developments Limited in 1996 and an agreement was very nearly reached in mid-1996 between the parties which involved redistributing this 35% share holding equally between the five original applicants, but (f) I am ignorant with regard to his current holdings in Advanced Extrusion Developments Limited and as to his present overall financial situation, and further Advanced Extrusion Developments Limited is presently a dormant company.

Proposed orders

16. Taking all these points into consideration, it seems to me that I should order that :-

- (i) the assignment of 8 November 1994 being invalid, the register shall be corrected to reflect this and to return the patent to Paul Lever as sole proprietor;
- (ii) the agreement of 29 September 1992 shall be deemed to be terminated, leaving Paul Lever free to assign his patent, if he so wishes to whoever he wishes, without the agreement of the other four named individuals;
- (iii) and, Earl Plastics should be granted a royalty-free, non-exclusive licence in respect of Patent number 2271755.

17. I defer making these three orders for two months from the date of this interim decision to provide the parties and also Messrs Lever, Pate and Lonsdale with an opportunity to make submissions on the proposed orders. After this time I shall make such orders as I deem appropriate in the circumstances.

COSTS

18. In their statement of case the referrers asked for costs. However, the counterstatement filed on behalf of the opponents Advanced Extrusion Developments Limited is silent as to costs and the papers on file do not mention any request for costs by the opponents, neither did Mr Cantor make any submissions on costs in connection with the preliminary action.

19. The referrers asked for five points of relief, apart from costs, in their reference under Section 37(1) and they have been unsuccessful in three of these, points (i), (ii) and (iv), which concerned their proprietorship of the patent or assigning the patent to all five original applicants. However, I am upholding point (iii) which asks for relief in the following terms "that the assignment dated 8 November 1994 between Lever and the opponents is invalid and that the entry on the register dated 21 February 1995 be struck off " and also upheld point (v) which asks for "Such order or orders that the Comptroller deems fit." Thus, the referrers have only been successful in part in their reference.

20. I note that Urquhart-Dykes & Lord asked in their letter of 17 July 1998 that costs should be made in favour of the referrers since the opponents both failed to file a counterstatement within the time allowed and subsequently failed to file any evidence.

21. As far as the late filing of the counterstatement is concerned the referrers did not attend and were not represented at the preliminary hearing which concerned this late filing but I accept that the preliminary hearing involved them in expense because it was necessary for them to prepare and file three letters dated, respectively, 19 September 1996, 3 October 1996 and 14 January 1997. In addition I must bear in mind that although I allowed the late filing of the counterstatement nevertheless I conferred some blame on the opponents since I stated that "the opponents had acted somewhat unwisely in not getting written confirmation of the acceptance

of the 35% share offer and, in the absence of any firm confirmation that the section 37(1) reference had been withdrawn, in allowing the matter of filing the counterstatement to drift".

22. With regard to the non-filing of any evidence by the opponents, this had the result of limiting the expenses of the referrers since they did not have to peruse any evidence in answer or file further evidence in reply.

23. In the circumstances I believe the referrers are due a small contribution to their costs, to be paid to them by the opponents Advanced Extrusion Developments Limited. I shall make a decision with regard to the exact sum to be awarded at the same time as I make my final decision over orders.

Appeal

24. This being a decision other than on a matter of procedure, any appeal against this decision shall be filed within six weeks after the date of this decision.

Dated this 25th day of February 1999

G M BRIDGES

Divisional Director, acting for the Comptroller

THE PATENT OFFICE