

## **PATENT ACT 1977**

IN THE MATTER OF applications  
under section 28 for restoration of  
patents EP0597558, EP0594268 and  
EP0429660 by Omnicell.com

### **DECISION**

#### **Background**

1. The renewal fees in respect of the eleventh year for each of the patents fell due on 25 May 2000. 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 25 May 2000. The applications for restoration of the patents were filed on 12 April 2001, within the 19 months prescribed under rule 41(1)(a) for applying for restoration. After considering the evidence filed in support of the applications for restoration an official letter was sent to the proprietor's patent agents, A. A. Thornton & Co., informing them 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, Omnicell.com, did not accept this preliminary view and the matter came before me at a hearing on 27 June 2002.
2. The applicant was represented by Mr Giles Fernando of counsel, instructed by Mr Martin Hedge of A. A. Thornton & Co. Mr Des Williams attended on behalf of the Patent Office.
3. The evidence filed in support of the application consists of witness statements by Mr Andrew Birkly Crawford dated 18 June 2001, Mr Earl Fry dated 22 June 2001, Mr John Higham dated 9 July 2001, Mr Robert Newell dated 11 July 2001, Mr Kijoshi Muraki dated 16 July 2001, Mr Francis Kowalik dated 20 July 2001 and three witness statements by Ms Nina Jezic dated 9 July 2001, 25 October 2001 and 17 January 2002.

#### **The Facts**

4. The patents were originally granted to Baxter International Inc. on 14 January 1998. Prior to grant, initially the Japanese firm of patent agents, Matsubara, Muraki & Associates (MMA), were under instructions to send Baxter reminders about when annual renewal fees had to be paid to the European Patent Office and to pay the fees when instructed to do so by Baxter. However, in April 1997, Baxter transferred responsibility for paying renewal fees from MMA to a computer annuity service company though MMA was instructed to forward to Baxter any notices they might receive relating to the patents, including official renewal reminder notices. Baxter notified the Patent Office that A. A. Thornton should be recorded on the register of patents as the address for service in the UK, in accordance with rule 30.

#### *Acquisition of the patent*

5. Omnicell.com acquired the patents from Baxter as part of an Asset Purchase

Agreement dated 18 December 1998 which took effect on 29 January 1999. Mr Fry, who was the Chief Financial Officer at Omnicell until January 2000, says in his witness statement that he negotiated the terms of and acquisition of the intellectual property acquired under the agreement. However, no request has been filed with the Patent Office to record the assignment of the three patents to Omnicell on the register of patents which still shows Baxter as the proprietor. Following this transfer of the patent rights, Baxter instructed the computer annuity service company to stop paying renewal fees on the patents. However, despite receiving these instructions, the computer annuity service company went ahead and paid the tenth year renewal fee on each of the patents which fell due on 25 May 1999.

6. Omnicell used the firm Townsend and Townsend and Crew LLP, to handle all its patent renewals. Ms Jezic, Omnicell's Corporate Counsel, says in her witness statement of 25 October 2001 that Townsend would pay renewal fees either automatically or by contacting Omnicell directly before payment. However, she says that no one at Omnicell notified Townsend of the transfer of the patent rights and so Townsend was unaware of the acquisition. Ms Jezic goes on to say "it was the first time that Omnicell had ever acquired patents from another entity, and as such, a system was not in place to ensure that information regarding the European patents was transferred to Townsend and Townsend and Crew LLP".
7. Mr Higham, Vice President of Engineering and Chief Technical Officer at Omnicell says in his witness statement:

"I was aware that Omnicell acquired from Baxter International Inc. . . . European patents . . . However, since my duties were limited to involvement with US patent matters, I did not have any reason to enquire regarding whether arrangements had been made to monitor renewal matters for the European patents. It was my honest belief and expectation that Omnicell's Corporate Counsel would supply details of the European patents to Townsend . . . and I had no reason to suspect that Townsend . . . had not been informed of the acquisition . . . and were not, therefore, attending to annuity payments due on those European patents."

8. In light of Mr Higham's reference to Omnicell's Corporate Counsel, the Office wrote to A. A. Thornton on 3 September 2001 asking that, if responsibility for decisions about renewals and for establishing a systematic procedure for ensuring that renewal fees were paid, fell to Omnicell's Corporate Counsel, then Ms Jezic and her predecessor Mr Peter McGoff should provide statements explaining their actions. In the event, two further witness statements were furnished by Ms Jezic but no statement was forthcoming from Mr McGoff.
9. In her witness statement of 25 October 2001, Ms Jezic says:

"Executive responsibility for renewals and establishing systematic procedures within Omnicell.com to ensure that patent renewals take place are shared by the Chief Technology Officer and the Corporate Counsel. In respect of those responsibilities, the Chief Technology Officer and the Corporate Counsel are both empowered to act independently of the other."

*Official reminder notices*

10. On 8 June 2000, the Patent Office, in accordance with rule 39(4), sent renewal reminder notices for each of the three patents to A. A. Thornton & Co., which was still shown on the register of patents as the UK address for service, alerting them to the fact that the eleventh year renewal fees for the patents, were overdue and that the patents would lapse if the fees were not paid with extension fees within six months from the renewal due date. A. A. Thornton then sent the notices to Computer Patents Annuities (CPA) who handle all renewal matters for them. The notices were subsequently forwarded to MMA who passed them on to Baxter on 4 July 2000. In accordance with the terms of the Asset Purchase Agreement between Baxter and Omnicell, Mr Kowalik, Baxter's in house counsel, forwarded the notices to the Omnicell's Chief Financial Officer, who he understood to be Mr Fry who had been involved in negotiating the terms of the Agreement. The renewal notice for patent EP0597558 was sent to Omnicell under cover of Mr Kowalik's letter dated 26 July 2000. However, inexplicably, Mr Kowalik did not send the notices for patents EP0594268 and EP0429660 until more than two months later under cover of his letter dated 3 October 2000. In her final witness statement, Ms Jezic says that Mr Kowalik's letter of 26 July 2000, concerning patent EP0597558, was not received by Omnicell until 10 October 2000, while his letter of 3 October 2000, concerning patents EP0594268 and EP0429660, was received on 12 October 2000.
11. At the hearing Mr Fernando said that there is no evidence that Mr Kowalik copied the reminder notices to Mr Robert Brigham of the lawyers Cooley Goddard, which he was also required to do under the Asset Purchase Agreement, though Mr Fernando said he was not entirely sure that the notices were not copied to Mr Brigham.
12. When he sent his letters, Mr Kowalik was unaware that Mr Fry had left Omnicell and had been replaced by Mr Newell as Chief Financial Officer. Mr Newell says that he did not receive the letters until December 2000, i.e. after the deadline for paying the renewal fees with extension fees. He says he then passed them to Ms Jezic.
13. Ms Jezic, who joined Omnicell on 14 August 2000, says she was not made aware that renewal fees were due on the patents. However, in her first witness statement, she confirmed that Mr Newell passed her Mr Kowalik's letters. She says she received them in the "Fall" of 2000 which Mr Fernando said was actually in December 2000 which was when Mr Newell says he received them and passed them to her. In her final witness statement Ms Jezic says she did not take immediate action on receipt Mr Kowalik's letters and the attached notices because she assumed that Townsend was handling all renewal payments for Omnicell.
14. In her witness statement of 25 October 2001, Ms Jezic says:

"The events that should have taken place in the case of the renewal of the European patents are that (a) Omnicell and/or its counsel should have taken affirmative steps to notify the European patent authorities of its acquisition of the European patents from Baxter so that notices would be sent directly to Omnicell and/or its counsel, rather than to Baxter's counsel, then to Baxter and eventually to Omnicell; and (b) Omnicell should have provided information on

the European patents to Townsend and Townsend and Crew LLP so that they could handle these patent renewals in the same manner as other Omnicell patents.”

15. In the event, because no instructions had been issued to Townsend and because no action was taken in response to the official reminder notices issued by the Patent Office, the eleventh year renewal fees for each of the patents remained unpaid and the patents consequently lapsed.

### **Assessment**

16. Section 28(3) provides:

“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”

17. The proprietor of the patent at the time the eleventh year renewal fee could have been paid on each of the patents was Omnicell.com. Therefore, I need to decide whether Omnicell took reasonable care to see that the renewal fees were paid.
18. In assessing this case, I am mindful of the following comment 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.”

### *Renewal system*

19. The system used by Omnicell to ensure that renewal fees were paid was to simply delegate all responsibility for renewals to the patent agents Townsend who would either pay the fees automatically or after first consulting Omnicell. It is accepted that the placing of responsibility for renewal fees in the hands of a professional advisor, such as a firm of patent agents, amounts to taking reasonable care to see that renewal fees are paid. However, the proprietor must, of course, tell the agent in the first place what patents have to be renewed and issue whatever instructions may be necessary, e.g. whether to pay all the fees automatically or to consult the proprietor before paying individual fees. It is essential that the proprietor takes reasonable care in carrying out that task if such delegated arrangements are to work.
20. In the case of the three subject patents, Townsend was not involved in the purchase of the patents. It was therefore doubly important that care was taken to ensure that Townsend was provided with information about the patents and were given any necessary instructions if there were options on how they paid renewal fees on Omnicell’s behalf.
21. As we know, Townsend was not told about the patents. In determining whether that

was because Omnicell failed to take reasonable care, I shall endeavour to establish who effectively represented Omnicell in having ultimate responsibility for seeing that the patents were renewed and, in particular, for taking the first step in that process, i.e. providing Townsend with the necessary information. In other words, with reference to the comments made by Lord Oliver in *Textron Inc.'s Patent* [1989] RPC 441, who was the 'directing mind' with regard to renewal of the patents?

22. Ms Jelic says that responsibility for renewals and for establishing systematic procedures to ensure renewal fees are paid is shared between the Chief Technology Officer and the Corporate Council. At the time the patents were acquired, Mr Higham was Omnicell's Chief Technical Officer, and Mr Peter McGoff the Corporate Counsel.
23. In view of Mr Higham's comments, which I have reproduced at paragraph 7 above, there seems little doubt that he had no responsibility whatsoever for the three patents and particularly for seeing that they were renewed. Nor is there anything to suggest that he issued instructions to anyone in Omnicell to carry out such responsibilities. I would not therefore regard him as the 'directing mind'.
24. In the absence of any sworn statement from Mr McGoff, I have no evidence as to what part, if any, he played in the renewal process and, in particular, whether he in fact had ultimate responsibility for seeing that the renewal fees were paid. This said, from the statements made by his successor Ms Jelic, particularly in her final witness statement where she lists her responsibilities and actions as Corporate Counsel, it does not appear that renewals played a significant, if any, part in the duties of the Corporate Counsel. I am not therefore inclined to view Mr McGoff as the 'directing mind'. Even if he were to be regarded as holding that position, I have no evidence that he took steps to ensure that Townsend was supplied with the necessary information about the patents or to instruct anyone else in Omnicell to provide Townsend with such information. In other words, I have no proof that he took reasonable care to see that the eleventh year renewal fees were paid.
25. At the hearing Mr Fernando was quite definite in his view that Mr Fry was the 'directing mind', at the time Omnicell acquired the patents. Mr Fry says that it was his practice to forward any communications, which he received relating to patent renewals, to Townsend. This, together with the fact that he negotiated the terms and acquisition of the patents from Baxter, suggests to me that Mr Fernando is correct in his belief that Mr Fry should be viewed as the 'directing mind' when Omnicell acquired the patents. What I find surprising is that Mr Fry's successor as Chief Financial Officer, Mr Newell, says he (i.e. Mr Newell) had no responsibility for renewal matters. This is even more surprising given the fact that the Asset Purchase Agreement required Baxter to forward annuity notices to Omnicell's Chief Financial Officer.
26. Mr Fernando said that Mr Fry thought he had notified Townsend about the acquisition of the patents. However, Mr Fry does not actually say this in his witness statement and in fact gives no explanation as to why he did not carry out this vital task. Mr Fernando referred to Mr Fry's failure to inform Townsend about the acquisition as an isolated oversight which should not displace the fact that reasonable care had been taken by setting up a system whereby it was Mr Fry's standard practice to pass everything to do with renewals to Townsend. In pursuing this argument Mr Fernando implied, as I

understand it, that when reasonable care has been taken to set up a system for renewing patents, where the part played by the ‘directing mind’ is to regularly pass everything relating to renewals to a patent agent, an isolated failure to carry out that simple routine task should not be viewed as a failure to take reasonable care.

27. If, as Mr Fernando says, Omnicell discharged all responsibility to Townsend for renewing its patents, it is unclear to me what it was that Mr Fry routinely passed to them as I assume that all renewal reminders and notices would have gone directly to Townsend. That said, even if Mr Fry was forwarding such correspondence as a matter of course to Townsend, I would not view the task of informing them about the acquisition of the three patents as falling into such a routine practice. Mr Fry would have known that it was the first time Omnicell had acquired patents from another company and that Omnicell therefore had no established procedures for notifying Townsend when patents were acquired in that way. Therefore, it was incumbent on him to ensure that Townsend was provided with the necessary information. It was the crucial initial step that Mr Fry, as the ‘directing mind’, had to perform to see that renewal fees on the patents were paid. Mr Fry offers no explanation as to why he did not carry out that simple task and I have no evidence from him which would persuade me that he failed to do so despite taking reasonable care.
28. Mr Fernando also indicated that by establishing a system, whereby responsibility for paying renewal fees was assigned to a firm of patent agents, Omnicell had discharged its responsibility for taking reasonable care. The requirement in section 28(3) is for the applicant to “take reasonable care to see that the renewal fee is paid”. While I can accept that setting up a reasonable system is an important step in seeing that renewal fees are paid, if a patent is not included in that system in the first place it cannot be said that reasonable care has been taken to see that renewal fees for that patent are paid. In this regard, although Omnicell may well have had a reasonable system for paying renewal fees, the fact that the three subject patents were not included in that system meant that a system had not been established to see that renewal fees, and in particular the eleventh year renewal fees, on the patents would be paid.
29. I cannot accept that Mr Fry’s failure to notify Townsend about the acquisition of the patents should be excused by simply dismissing it as an isolated oversight. The action he was required to take was certainly not routine and was a fundamental first step in ensuring the patents would be renewed. Failure to carry it out displayed a lack of reasonable care by the person who effectively represented the proprietor in having ultimate responsibility for seeing that the renewal fees were paid.

*Official reminder notices*

30. On acquisition of the patents, besides establishing arrangements to ensure the patent fees were paid in time, it is important that the proprietor ensures that the Patent Office is provided with a dependable address in the UK to which renewal reminder notices should be sent in accordance with rule 39(4). Those notices effectively provide a backup or safety net should there be a breakdown in the proprietor’s own arrangements for paying renewal fees. Omnicell should have notified the Patent Office that the patents had been assigned to them and should have furnished the Office with an address for service in the UK in place of the address for service provided by the

previous owner, Baxter. If Omnicell wanted to retain the same address for service as Baxter then they should have issued instructions to A. A. Thornton to forward any official reminder notices to an appropriate person at Omnicell or to Omnicell's patent agents Townsend. The omission by Mr Fry or his successor Mr Newell or anyone else who should be regarded as the 'directing mind', to provide the Patent Office with this information, indicates a lack of reasonable care by the proprietor which contributed to the failure to ensure that the renewal fees were paid.

31. If it was normal for Townsend to furnish the Patent Office with a UK address for service after being provided with information and instructions about the patents, then that would be a further reason why it was crucial for the 'directing mind' to take reasonable care to ensure that Townsend was made aware of the acquisition. It is a further reason why I believe it is unreasonable to view such a critical action as part of any routine practice followed by Mr Fry and why I find it unacceptable to simply dismiss his inaction as an isolated oversight which should not be regarded as a failure to take reasonable care.
32. If the Patent Office had been provided with a UK address for service, it is quite likely that the reminder notices issued under rule 39(4) would have been forwarded from that address direct to Omnicell or Townsend and would have reached the appropriate person for action well before the expiry of the six-month period in which the renewal fees could have been paid with extension fees. As it happened, they took the somewhat circular route via A. A. Thornton, CPA, MMA and Baxter which contributed to the delay in reaching Ms Jezic.
33. This said, I am not convinced that prompt and appropriate action would necessarily have been taken by Ms Jezic even if the reminder notices had reached her before the end of the six-month period. As she says in her final witness statement, when she received the reminder notices from Mr Newell, she assumed Townsend was handling renewal payments and so did not take immediate action. In fact she did not contact Townsend until January 2002. This is a little surprising given the fact that it would have been clear from the notices that the fees were overdue which suggested that Townsend had not paid them and so something was amiss and required prompt action. Mr Fernando himself said, at the hearing, that "if a renewal notice comes to your attention and you do nothing about it then you have not taken reasonable care".
34. Mr Fernando suggested that the reason why Mr Kowalik's letters and the accompanying notices did not reach Mr Newell until December 2000, despite being received at Omnicell in October 2000, was because Mr Kowalik had addressed them to Mr Fry who no longer worked for Omnicell. I am surprised that the letters took so long to find their way to Omnicell's Chief Financial Officer, Mr Newell, for although they included the words "for the attention of Mr Fry" they were nevertheless addressed to the Chief Financial Officer. There is also the point I mention at paragraph 25 above that Mr Newell says he had no responsibility for renewal matters, which suggests that he did not take on those responsibilities when he took over from Mr Fry. Therefore, it would have been incumbent on Mr Newell, or whoever was the 'directing mind' at the time, to have instructed Baxter to forward renewal notices to an appropriate person in Omnicell so that they could be dealt with expeditiously.

35. Mr Fernando said if the computer annuity service company used by Baxter had not paid the tenth year renewal fees after the patents had been sold to Omnicell, the rule 39(4) reminder notices, which would have issued in respect to those fees, would no doubt have reached Mr Fry who was still working for Omnicell at the time. Mr Fry would then have realised that Townsend had not paid the fees and would have taken appropriate action to ensure they were paid and that Townsend was made aware of the acquisition. Whilst that may well have happened, it does not detract from the fact that Mr Fry failed to inform the Patent Office of the assignment of the patents, failed to furnish the Office with a UK address for service and failed to provide information and instructions to Townsend about the patents. I cannot accept that the fact that the tenth year renewal fees were paid by Baxter's computer annuity service company can be said to have contributed to these failures.
36. With reference to the decision by the House of Lords in *Textron Inc.'s Patent* [1989] RPC. 441, I would not regard Mr Fry as a mere employee or servant directed to carry out tasks relating to patent renewals by someone else in Omnicell who effectively held the position of 'directing mind'. There is no evidence that he was issued with instructions or received training in tasks such as informing Townsend about acquired patents and notifying the Patent Office of changes in ownership and address for service. It appears that he had sole responsibility to act on his own initiative in representing the company in such matters. Nor have I any evidence that any other employees or servants of Omnicell had been instructed and trained to carry out such tasks. Hence, I would not view the failure to provide the necessary information to Townsend and the Patent Office as attributable to an error by a trusted and hitherto reliable employee which the person representing the proprietor in respect to renewal of the patents could not have foreseen.
37. I think it is also appropriate to take into account the decision in *Sony Corporation's Patent* [1990] RPC 152 for although the circumstances were different, there are some notable similarities with the present case. The patent, which *Sony* was seeking to restore, was acquired from another company. A letter was received by one of two officers in *Sony* with responsibility for seeing that patents were renewed and ensuring the necessary information was provided to outside patent agents who handled renewals for *Sony* but were unaware of the particular acquisition. That officer then passed the letter to a *Sony* engineer, Mr Ono, who was expected to take appropriate action to ensure that it was renewed by slotting it into the normal system, which crucially involved telling the renewal agents about the acquisition. However, Mr Ono omitted to do that and so the fee was never paid. Referring to the principles established in *Textron*, Mr Justice Aldous, in his decision, concluded that the fee was not paid because a competent employee, Mr Ono, failed to take appropriate steps which was contrary to his duties and therefore outside *Sony's* control.
38. The key difference between *Sony* and the present case is that in the case of Omnicell the failure to notify the agents, who were responsible for paying renewal fees, was not made by someone whom I would regard as a mere employee or servant of the proprietor but by someone who represented the proprietor in seeing that patent renewal fees were paid, i.e. the 'directing mind'. As I have already indicated, I believe that person was Mr Fry who was perhaps more akin to the officer in *Sony* who it seems had overall responsibility for seeing that patents were renewed, rather than Mr Ono to



whom that officer effectively issued instruction to take appropriate action.

39. Finally, Mr Fernando raised a point of construction with regard to section 28(3). He suggested that the section only required the proprietor to take reasonable care within the prescribed period, i.e. the three months immediately preceding the renewal due date, and the six months immediately following that date. On this interpretation, he implied that Omnicell did not fail to take reasonable care within that nine-month period as the rule 39(4) renewal reminder notice did not reach the appropriate person in Omnicell in time for them to take action within that period to see that the renewal fees were paid. I am not persuaded that this is the correct construction to place on the section. As I read it, the reference to taking reasonable care to pay the renewal fee within the prescribed period or the following six-month period merely reflects the fact that the renewal fee and any extension fees can only be paid in that period. Even if Mr Fernando's interpretation were to be accepted as the true construction, there is still no evidence that Omnicell took reasonable care within the nine-month period. To the contrary, no action was taken by Omnicell in that period to set up a system to see that the eleventh year renewal fees on each of the three patents were paid, bearing in mind that the patents had not been included in the company's standard renewal system. Moreover, Omnicell's failure to provide the Patent Office with a UK address for service within that period contributed to the delay in the rule 39(4) reminder notice reaching the appropriate person in time.

### **Conclusion**

40. Taking all these factors into account, I am not persuaded that the proprietor took reasonable care to see that the eleventh year renewal fees on each of the three patents were paid. It follows that I am not satisfied that the requirements for restoration, as set out in section 28(3), have been met and accordingly must refuse the application for restoration. Any appeal against this decision must be lodged within six weeks of the date of this decision.

Dated this 8<sup>th</sup> day of August 2002

M C Wright  
Assistant Director, acting for the Comptroller

