



BL O/137/04

17 May 2004

PATENTS ACT 1977

APPLICANT	B.W.N. Live Oil Pty Ltd
ISSUE	Whether patent GB2231602 should be restored under section 28
HEARING OFFICER	M C Wright

DECISION

- 1 The renewal fee in respect of the thirteenth year of the patent fell due on 5 April 2001. The 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 5 April 2001. The application for restoration of the patent was filed on 4 October 2002, within the 19 months prescribed under rule 41(1)(a) for applying for restoration. After considering the evidence filed in support of the application for restoration an official letter was sent to the proprietor on 16 April 2003 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 proprietor did not accept this preliminary view and requested a hearing.
- 2 The matter came before me at a hearing on 29 October 2003 when Mr Anthony Frances of Howard Kennedy represented the proprietor of the patent. Mr Noel Carroll, the Managing Director of the proprietor company, was also present. Mr Ian Sim attended on behalf of the Patent Office.
- 3 The evidence filed in support of the application consists of two affidavits by Mr Carroll dated 3 October 2003 and 10 February 2003, one undated witness statement by Mr Carroll and two witness statements by Mr Keith Leslie of Davies Collison dated 23 and 27 October 2003. With my agreement, two further witness statements were submitted by Mr Carroll after the hearing one undated and one dated 26 April 2004 and two witness statements by Maria O'Connor dated 19 February and 26 April 2004. Mr Carroll also gave evidence under oath at the hearing.

Facts

- 4 The Australian patents law firm, Davies Collison Cave (DCC) was employed by the proprietor to send reminders to Mr Carroll when a patent renewal fee was due to be paid.

On receipt of a reminder Mr Carroll would place an entry in his business diary to remind him to pay. Early in 2001 Mr Carroll took on a temporary assistant, Ms Rebecca Snell, who was responsible for carrying out certain administrative duties which included paying patents and related fees.

- 5 In the case of the thirteenth year renewal fee on the subject patent, which amounted to , 210, DCC sent Mr Carroll two reminders, one before and one after the renewal due date. Mr Carroll said he gave Ms Snell the reminders with instructions to prepare a cheque for him to sign. He also instructed her to prepare a cheque for , 200 for a trade mark he was intending to pursue. Later, when he was away from his office, he telephoned Ms Snell and asked her to make sure the cheque for the renewal fee on the patent was ready for his signature on his return to the office. He also told her that it had been decided not to pursue the trade mark and so it was no longer necessary for her to prepare a cheque in respect to the fee for the trade mark application. On returning to his office, Mr Carroll says in his witness statement of 10 February:

AThere was only one cheque presented to me but not the accompanying paperwork that normally should be there. I, in the rush of matters did not take the time to ensure that the cheque was for the Patent in question, instead it was for the Trade Mark. Many cheques were signed that day before I left and in the confusion the correct cheque was not signed for the Patent in question.@

- 6 This statement implied that Ms Snell should have provided certain documents with the cheque she prepared for Mr Carroll's signature. However, when I asked Mr Carroll at the hearing to explain what these papers were, he said it was only in respect of credit card payments that he would expect to be presented with any documentation. Therefore, he did not expect any papers to accompany the cheque.
- 7 In his witness statement of 27 October 2003, Mr Leslie says that after DCC sent its reminders, Mr Bob Carroll (Mr Noel Carroll's brother) informed DCC by telephone in September 2001 that Mr Noel Carroll had advised him that the fee had been paid. Presumably this was because as far as Mr Noel Carroll was aware he had signed a cheque to cover the fee which Ms Snell would then have sent to the Patent Office.
- 8 After receiving the fee of , 200 in respect to the trade mark, the Patent Office sent Mr Carroll a filing receipt with a covering letter dated 24 July 2001 referring to the trade mark. At the hearing Mr Carroll said that he was away from his Office and so did not see the letter and accompanying payment receipt when they arrived. He said that, in accordance with standing instructions in respect to any trade mark correspondence, his new assistant, who replaced Ms Snell after she returned to Australia, forwarded the letter and receipt to the proprietor's offices in Los Angeles which deals with trade mark matters. Mr Carroll says the letter and receipt were not brought to his attention until he got back to his office in October 2001 by which time it was too late to take action to pay the renewal fee on the patent.
- 9 With regard to the official renewal reminder notice the Patent Office is required to issue under rule 39(4), Mr Carroll confirmed that Reddie & Grose, to whom it was addressed,

was still acting as his company's address for service in the UK so it was correct to address it to them. In his affidavit of 3 October 2002, Mr Carroll says that the reminder notice was received by DCC who forwarded their own reminders to him.

10 When I asked Mr Carroll why he thought Ms Snell had prepared a cheque of £200 for the trade mark and not £210 for the patent he said that at the time there was an awful fluster and she was travelling back to Australia the following day. As this was key to the failure to pay the renewal fee, I said it would help matters if Ms Snell could provide a statement covering, in particular, her previous experience in performing similar clerical duties; the training, guidance and advice she received from Mr Carroll in handling renewal fees and why she failed to carry out the instructions he gave her in respect to the thirteenth year renewal fee due on the patent. As Ms Snell had returned to Australia and given the fact that she was getting married and Christmas was fast approaching I allowed a period of three months for Mr Carroll to obtain a statement from Ms Snell which I later agreed to extend to four months.

11 In his subsequent undated statement, Mr Carroll said that he had been unable to secure a statement from Ms Snell. However, he said that, although he had previously indicated that the failure to pay the renewal fee was due to an error by Ms Snell, he now realised that another assistant had been dealing with the renewal, namely Maria O'Connor. In her witness statement of 19 February 2004 Ms O'Connor says that before leaving the UK, Ms Snell left her with numerous tasks one of which was to pay the thirteenth year renewal fee on the patent. She says she can recall seeing the paperwork for the patent renewal cheque and the trade mark cheque on the table and recalls there was a mix up and a mistake occurred whereby the cheque for the trade mark application was posted instead of the patent renewal fee cheque.

12 To clarify the situation, I proposed that the hearing be reconvened so that I could put various questions to Ms O'Connor in order to clarify matters. Unfortunately, due to ill health, it was not possible for Ms O'Connor to attend a hearing. I therefore invited her to supply a further witness statement responding to a number of questions. These questions were answered in her witness statement of 26 April 2004. In that statement Ms O'Connor says that among other things she was responsible for collating and arranging bills and invoices to be paid and the requisite documentation to be completed and organised. She says that Ms Snell handed her the relevant documents for both the patent renewal fee and the trademark application. However, she was told by Ms Snell to pay the patent renewal fee but not the trade mark fee which she understood was to be left in abeyance for the time being. She says she made a simple error in forwarding the documents and cheque for the trademark, rather than the patent renewal. Although she does not recall the exact events on the day, she does recall that the fees for the patent renewal and the trademark application were similar.

Patent Office's preliminary view

13 Although the Patent Office was satisfied that the proprietor had set up a reasonable system for paying renewal fees on the patent, it was not satisfied that Mr Carroll, who had overall responsibility for seeing that renewal fees were paid, took reasonable care in the actual operation of that system in respect to the thirteenth year renewal fee. In particular, the Office

took the view that Mr Carroll omitted to ask his assistant Ms Snell for the supporting paperwork when she presented him with the cheque for , 200 and did not read or check with sufficient care the letter and filing receipt which the Office sent to him which clearly showed that the , 200 he paid was for the trademark and not the patent.

Applicant=s arguments

- 14 Mr Frances= submitted that the proprietor took reasonable care to see that the renewal fee was paid by establishing a satisfactory reminder system. With regard to the actual failure to pay the thirteenth year renewal fee, Mr Frances= referred to *Textron Inc=s Patent* [1989] RPC 44 which was also an application for restoration under section 28. In that case Lord Templeman stated:

ASection 28 clearly applies to exonerate the proprietor of a patent in a proper case, for the unexpected failure of a third party, against instructions, to perform and observe the duty cast on the proprietor. The failure of an agent or of a servant to obey instructions may be and, in the present case appears to me to be, a supervening and unexpected circumstance beyond the control of the proprietor. It is within the control of the proprietor to ensure that an agent or servant competent and is given clear and unambiguous instructions but it is not within the control of the proprietor to ensure that an agent or servant invariably obeys instructions.@

- 15 Mr Frances= submitted that the situation in the present case was similar to that in *Textron*. Mr Carroll, who represents the proprietor, delegated responsibility for the renewal of the patent to a competent and reliable employee whose inadvertence in failing to carry out the instructions she was given was not something Mr Carroll could reasonably have foreseen.
- 16 At the hearing, Mr Carroll said he had known Ms Snell for around 15 years. Although she did not have any previous experience in patent matters before joining his firm on a temporary basis, he said she had worked for about three years in a secretarial capacity in an Australian law firm dealing with documents similar in nature to the ones she was having to handle as his assistant. Mr Carroll says he gave her brief instructions about paying fees, notably preparing cheques for his signature and sending them off with the appropriate paperwork, such as the Patents Form 12/77 in the case of a patent renewal payment sent to the Patent Office. Although the thirteenth year renewal fee on the patent would have been the first patent renewal fee she would have paid to the Patent Office, Mr Carroll recalls that she had previously arranged payment of a patent renewal fee in respect to a Norwegian patent. He said he found her to be very efficient in whatever she did and he had no reason to doubt her reliability.
- 17 Mr Carroll=s other assistant, Ms O=Connor, says in her second witness statement that she had no direct experience in patent renewal fees but in the previous firm she worked for she was Director of Operations responsible for 150 staff and had extensive experience in dealing with important documentation and matters requiring precision, organisation and detail.
- 18 As an alternative argument in support of the applicant=s request for restoration of the patent,

Mr Frances submitted that the fact that the official reminder notice, the Office is required to issue in accordance with rule 39(4), was never received by the proprietor the Office should exercise discretion under rule 100 and extend the period for paying the renewal fee. In support of this argument, Mr Frances referred to *Mrs Margaret Fleming Somner (2003) GB2314263*.

Assessment

19 Section 28(3) provides:

Alf 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@

20 In assessing this case, I am mindful of the following comment by Aldous J in *Continental Manufacturing & Sales Inc. v Patent* [1994] RPC pages 535 to 545: AThe 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.@

21 It is clear from the evidence that Mr Carroll had overall responsibility for deciding whether the thirteenth year renewal fee should be paid and for seeing that it was paid. He effectively represented the proprietor with regard to maintaining the patent in force. Lord Oliver of Aylmerton in *Textron* referred to such a person as the Adirecting mind@. To assist him in seeing that the renewal fee was paid, Mr Carroll used the services of an established firm of patent agents to send him reminders. He also employed two assistants whose task it was to prepare the necessary cheque for his signature and to then send it to the Patent Office together with the appropriate payment form. The system clearly worked as the renewal fees upto and including the twelfth year were paid. The reason the thirteenth year renewal fee was not paid was because the application fee for a trademark was sent to the Patent Office instead of the renewal fee due for the twelfth year of the patent. The question is, did that error arise because of a failure by Mr Carroll to take reasonable care. In addition to the comments by Lord Templeman in *Textron*, which Mr Frances drew to my attention and which I have reproduced above, I think it is helpful to refer to the following comments by his Lordship:

ANo employer can reasonably be expected to supervise the carrying out of every elementary administrative function committed to an *ex facie* competent employee or agent. An individual proprietor of the patent who arranges with an independent agent of proven reliability to carry out the task of paying renewal fees as they become due, clearly, in my view, takes reasonable care to ensure their payment and if, for some reason, the agent fails to carry out his duties properly, that default would, in the absence of some circumstances indicating actual or presumed knowledge on the part of the proprietor, clearly be beyond the proprietor's control. I can see no reason why the position should be any different if the proprietor, instead of employing an outside agent,

chooses to perform the function of paying renewal fees through an *ex facie* trustworthy and reliable servant.@

- 22 It is unfortunate that Ms Snell was not prepared to provide a statement explaining her recollection of events. However, it would appear that the assistant who was responsible for preparing the cheque for signature and for sending it, together with the renewal form, to the Patent Office was Ms O'Connor. She admits that she was aware that Mr Carroll had decided not to pursue the trademark application. She therefore knew that a cheque for that application was not required but that a cheque for the patent renewal fee needed to be prepared. Although Ms O'Connor admits that she did not have experience in paying patent renewal fees, she clearly had an impressive background in clerical and administrative duties. There was nothing to suggest to Mr Carroll that there should have been any reason to doubt her competence in carrying out what was a fairly straightforward task of preparing a cheque for his signature and submitting it as payment to the appropriate body.
- 23 Ms O'Connor says she is unable to explain why she failed to carry out the instructions Ms Snell passed on to her and why she inadvertently presented Mr Carroll with a cheque for the trademark instead of the patent. However, there is nothing to suggest that this occurred because the instructions Mr Carroll issued were unclear or ambiguous.
- 24 When presented with the cheque for , 200 made out to the Patent Office, Mr Carroll had no reason to believe that it was for anything other than the patent renewal fee he had specifically asked should be prepared, particularly as it was very close to the amount due for the patent renewal, i.e. , 210.
- 25 All could have been saved if Mr Carroll had seen the receipt for the trademark payment as he would have realised that something was wrong bearing in mind he had decided to abandon applying for the trademark. The fact that the receipt was directed to the proprietor's trademark office and was not brought to Mr Carroll's attention before it was too late was unfortunate. However, there would have been no reason for Ms Snell's replacement to draw it to Mr Carroll's attention instead of sending it to the firm's trademark office in accordance with standard practice.
- 26 Taking all the new evidence into account, particularly the sworn evidence by Ms O'Connor, which of course was not available to the Office when it made its preliminary decision, I am satisfied that Mr Carroll, who I would view as representing the proprietor, took reasonable care to pay the thirteenth year renewal by establishing an effective renewal reminder system which had operated successfully in the past. The non payment of the thirteenth year renewal fee was due to the inexplicable failure of an experienced, competent and trusted employee to comply with simple, clear and unambiguous instructions which she could be expected to carry out. Her failure to do so was contrary to her duties and it would be unreasonable to expect Mr Carroll to have foreseen that failure and ensure it would not happen.
- 27 With regard to the alternative argument put forward by Mr Frances, where he claims that the Office failed to issue the rule 39(4) renewal reminder notice, the Office's records show that that notice was sent to the registered address for service on 19 April 2001. Moreover, in his

affidavit of 2 October 2002, Mr Carroll acknowledges that it was forwarded to DCC which is clear evidence that it was issued. I can see no case therefore for exercising discretion under rule 100 as suggested by Mr Frances.

Conclusion

- 28 Based on the evidence before me and taking into account the guidance given by their Lordships in the *Textron* judgement, I am satisfied that the requirements in section 28(3) have been met and that restoration should be allowed.
- 29 This said, I feel I cannot conclude this decision without expressing some surprise and disappointment that it has taken Mr Carroll so long to provide evidence from the assistant whose action lead to the failure to pay the renewal fee. Had that evidence been supplied at the outset, this exceptional delay in issuing a decision, pending the further evidence Mr Carroll undertook to obtain, could have been avoided.
- 30 In accordance with rule 41(4) of the Patents Rules 1995, an order for restoration 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, together with Patents Form 12/77, duly completed, and the amount of unpaid renewal fees. The effect of the order will be as specified in section 28A.

M C Wright
Assistant Director acting for the Comptroller