



BL O/231/04
5 August 2004

PATENTS ACT 1977

APPLICANT	Mr Timothy Carl Stammitz
ISSUE	Whether European patent (UK) 0371660 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 17 November 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 17 November 2001. The application for restoration of the patent was filed on 18 March 2003, 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 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 proprietor did not accept this preliminary view and requested a hearing.
- 2 The matter came before me at a hearing on 29 June 2004 when Mr Richard Doble of the firm Langer Parry represented the proprietor of the patent. Mr Michael Hewlett attended on behalf of the Patent Office.
- 3 The evidence filed in support of the application consists of three affidavits by the proprietor, Mr Stammitz, dated 24 February, 23 June and 8 October 2003 and one affidavit by Ms Lucy A. Demian dated 6 March 2004. With my agreement, a further affidavit by Mr Stammitz, dated 28 July 2004, was provided after the hearing.

The Facts

- 4 Mr Stammitz says he instructed the Finance Department of a company he set up, Global Photon (Photon), to take on responsibility for seeing that renewal fees on the patent were paid. The Finance Department would issue appropriate payment instructions to the UK firm of patent agents, Ladas & Parry (parent firm of Langner Parry) after receiving renewal reminders from that firm. In 2001 Global West Network Inc., a wholly owned subsidiary of

Photon, started experiencing problems with the contractors and suppliers it was using to install an undersea, fibre optic cable system connecting the major coastal cities of California. Also in 2001 the World Trade Centre disaster affected customer take up of the service, while the collapse of Enron, which operated the metropolitan fibre optic networks in the cities to which the Proton system would be linked, also created serious difficulties for the company. As a result, Deutsche Bank AG, which provided much of the loan finance for the Global West project, froze all lending to the company. To compound matters Mr Richard Garcia, Photon's Chief Financial Officer, who was responsible for instructing Ladas & Parry to pay the renewal fees on the patent, unexpectedly resigned on 28 November 2001.

- 5 As a consequence of these problems Mr Stamnitz says he was forced to lay-off half of Photon's workforce in December 2001 and the remainder in February 2002. This left him and Ms Lucy Demian, the cofounder of the company, to run operations themselves.
- 6 In the case of the thirteenth year renewal fee, Mr Stamnitz says that Ladas & Parry issued a renewal reminder on 18 June 2001 which would have been received by Mr Garcia. However, no instructions were issued to Ladas & Parry to pay the fee. Mr Stamnitz says that, before leaving the company, Mr Garcia never told him about the reminder or that the fee had not been paid.
- 7 Ladas & Parry also sent two further renewal reminders on 1 November and 26 December 2001 together with email reminders on the same days. However, Mr Stamnitz says that they were never brought to his attention by employees in Proton and were not among the e-mails in his in-box when he returned to his office in late December 2001.
- 8 Mr Stamnitz says Ladas & Parry sent him two further faxed reminders before the expiry of the six months allowed for paying the renewal fee with extension fees. These were dated 13 February and 7 March 2002. However, he says he only received the 13 February reminder. That reminder included the following sentence:

“The final date to pay the fines is May 17 2002 for Italy and the United [United Kingdom] and May 30, 2002 for France, Germany and the Netherlands.”
- 9 In his e-mail response to that reminder Mr Stamnitz informed Ladas & Parry that he intended to pay the renewal fees in all countries before the end of the six month “grace period”. He says he made a note of the deadlines in his ‘Microsoft Outlook Calendar’ diary, but dated it incorrectly as 30 May 2002. Mr Stamnitz puts his error down to the fact that he thought the deadline for paying renewal fees was consistent throughout Europe. Moreover, at the time he was experiencing considerable stress and severe migraine due to the various pressures he was under. He says that in April 2002 he and Ms Demian were forced by Deutsche Bank to hand over management of Proton to the firm CXO Consultants LLC and had the added pressure of training personnel at that firm. He was eventually compelled to resign from his post as Chief Executive on 30 April 2002.
- 10 The renewal reminder notice, which the Patent Office was required to send to Mr Stamnitz, in accordance with rule 39(4), was sent c/o Langner Parry, the registered UK address for

service, on 1 December 2001. The notice was duly forwarded, via Ladas & Parry to Mr Stammnitz's home postal address in Idyllwild, California which, because it was in a rural area, was a P.O. Box. However, when Mr Stammnitz returned to this address in late January 2002 to collect his mail he discovered that because he had not responded to the monthly notice for payment of the P.O. Box fee, the Postmaster had shut down the box and disposed of his mail. Mr Stammnitz was unaware of this because the business crisis he had to deal with had kept him away from his home and so he had not seen the P.O. Box payment demands. Consequently he never saw the rule 39(4) reminder notice which was forwarded to him. He subsequently instructed Ladas & Parry to send all future reminders to his San Diego home address or fax them to him.

- 11 Mr Stammnitz also says that in the weeks of 8 May and 17 May 2002, Photon's email system broke down and he did not have access to the company's fax machines at that time. It was not until he set up an independent account on 23 May 2002 that he received a further faxed reminder from Ladas & Parry in response to which he issued instructions to pay. However, this was six days after the deadline for paying the renewal fee for the UK patent.

Assessment

- 12 In accordance with section 28(3), I have to determine whether or not Mr Stammnitz took reasonable care to see that the thirteenth year renewal fee was paid. 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 in ensuring that the fee is paid”.

- 13 I need to decide therefore whether the action taken by the proprietor was reasonable in the circumstances that existed at the time. In this regard, I do not believe it is right to simply dismiss altogether the possibility of allowing restoration if a proprietor made a fatal error which leads to the non-payment of the renewal fee. However, determining whether reasonable care was taken will require an assessment of the relevant circumstances and the nature of the error.
- 14 It is clear that Mr Stammnitz established a system for paying renewal fees which operated successfully in respect to the fees payable in previous years. However, when it came to paying the thirteenth year renewal fee the system failed. The reason it broke down was that Mr Garcia, the person who was responsible for seeing that the fee was paid by responding to reminders from Ladas & Parry, unexpectedly resigned. Nevertheless, Mr Stammnitz acted promptly by creating a simple replacement reminder system by recording the final due date for paying the renewal fee with extension fees in his personal electronic diary. It could be argued that the crucial error he made in entering the wrong date in his diary constituted a failure to take reasonable care. While there is little doubt that it was a very stressful time for Mr Stammnitz, given the enormous burden he had to shoulder, he was nevertheless coping with many other very demanding business pressures. On the other hand he would not have been familiar with patent renewals, as that was Mr Garcia's responsibility, particularly the

fact that, unlike most other countries, the due date for paying the renewal fee on the UK patent was not the end of the month but the anniversary of the filing date.

- 15 The situation could have been retrieved had Mr Stammnitz received the rule 39(4) reminder notice which clearly indicated that the last date for paying the renewal fee with extension fees was 17 May 2002. The main purpose of that notice, which is sent out after the renewal due date has passed if the fee has not been paid, is to act as a failsafe should the proprietor's renewal system break down for any reason. Unfortunately, Mr Stammnitz was deprived of the benefit of that safety net because of the action by his local Postmaster's Office. Presumably the action taken by the Postmaster was consistent with the contractual arrangements under which a P.O. Box was provided and that Mr Stammnitz should have realized the consequences if payments for that facility were not kept up. However, while, in retrospect, it is easy to say this, I suspect that Mr Stammnitz never expected to be away from his home for a lengthy period and was probably genuinely unaware of the action that would be taken if payments for the PO Box remained unpaid.
- 16 It is also possible that had he seen the later reminder sent by Ladas & Parry on 7 March 2002 it may have prompted him to realise that the deadline for paying the renewal fee on his UK was earlier than for other countries.

Conclusion

- 17 Mr Stammnitz had set up an effective system to ensure renewal fees on the patent were paid. The system was run by an experienced and reliable employee whose duty it was to instruct a UK firm of patent agents to pay each renewal fee, including the renewal fee for the thirteenth year, after receiving reminders from that firm. When Mr Stammnitz realized that the system had broken down in the case of the thirteenth year renewal fee he acted promptly by establishing an alternative system using his diary. He made an isolated slip in recording the wrong date in that diary. However, because of a unique set of circumstances, which he could not have foreseen, he was denied the opportunity of seeing certain critical correspondence which could have made him realize he had made a mistake which he needed to rectify if he was to ensure that the renewal fee was paid in time.
- 18 I am satisfied that Mr Stammnitz exercised the degree of care to see that the renewal fee was paid which I consider would have been reasonable under the circumstances relevant to this particular application for restoration. I am therefore satisfied that the requirements in section 28(3) have been met and that restoration should be allowed.
- 19 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 any unpaid renewal fee. The effect of the order will be as specified in section 28A.

M C Wright
Assistant Director acting for the Comptroller