



BL O/269/05

30 September 2005

PATENTS ACT 1977

BETWEEN

Mastermover International Limited

Claimant

and

Matthew Joseph Smith and Steve Mather

Defendants

PROCEEDINGS

Reference under section 8 in
respect of patent application number GB
0226233.5

HEARING OFFICER

D J Barford

DECISION

Introduction

- 1 Patent application number GB 0226233.5 entitled “Steering and handling device for moving roll cages” (“the earlier application”) was filed jointly in the names of Matthew Joseph Smith and Steve Mather on 11 November 2002 claiming priority from US patent application number 10010874 filed on 9 November 2001. The application was published on 14 May 2003 as GB 2381777A. No request for substantive examination was filed and the application was duly announced as terminated in the *Patents and Designs Journal* published on 25 February 2004.
- 2 The claimant filed its own patent application number GB 0316179.1 on 10 July 2003, claiming no earlier priority, and first became aware of the defendants’ application when it was cited by the Patent Office examiner in a search report issued under section 17. Application number GB 0316179.1 was published on 19 January 2005 as GB 2403933.
- 3 On 27 May 2004, the claimant filed a reference under section 8(1)(a) in respect of the

earlier application seeking relief under section 8(3). In a letter dated 26 May 2004 accompanying the reference, the claimant states that the defendants, Matthew Joseph Smith and Steve Mather, were at one time employed by Mastermover and contributed to inventions in the course of their duties as senior employees and officers of the company. The claimant states that the defendants' terms of employment were such that inventions were expected to result from the carrying out of their duties and/or that the defendants had particular responsibilities arising from the nature of their duties such that they had a special obligation to further the interests of Mastermover. On this basis the claimant submits that any inventions made by the defendants during their employment belong to Mastermover under section 39.

4 Attached to the statement is a letter dated 7 May 2004 signed by the defendants confirming that the claimant is entitled to the invention of the earlier application.

5 In an official letter dated 10 August 2004, it was noted that an order under section 8(3) would adversely affect any third party who had begun, in good faith, to work the invention having seen that the defendants' application had been terminated. With this in mind it was proposed that any order under section 8(3) should be subject to third party terms; a course of action which the claimant has opposed.

6 The issues I have to decide then are whether and what relief is appropriate in the circumstances, and whether any order should be subject to third party terms.

The law

7 Section 8(3) specifically applies *inter alia* to applications "withdrawn before the comptroller has disposed of the reference" and therefore is the relevant provision in the present case. The section provides that in such circumstances

.. the comptroller may order that any person by whom the reference was made may within the prescribed period make a new application for a patent for the whole or part of any matter comprised in the earlier application .. subject .. to section 76 below, and .. that, if such a new application is made, it shall be treated as having been filed on the date of filing the earlier application.

8 The prescribed period is set out in rule 10 which reads as follows:

10. The prescribed period for the purposes of sections 8(3) and 12(6) shall be three months calculated from the day on which the time for appealing from an order made under either of those subsections expires without an appeal being brought or, where an appeal is brought, from the day on which it is finally disposed of.

Findings

- 9 The defendants have not resisted this reference; indeed they have confirmed in writing that the claimant is entitled to the invention of the earlier application. The earlier application was published prior to the date of filing of the claimant's patent application and forms part of the state of the art under section 2(2). The claimant's application cannot therefore proceed without limitation of its claims to distinguish them from the subject matter in the defendant's application resulting in significant disadvantage to the claimant.
- 10 Taking all of this into account, I think it is right to exercise the discretion provided by section 8(3) in the claimant's favour and to allow it to file a new application for the whole or part of any matter contained in the defendant's application; with any such new application taking the filing date of the defendant's application.
- 11 Turning to the issue of third party terms, the earlier application was announced as terminated in the Journal on 25 February 2004. Any third party was then free to begin working the invention on the basis of this announcement. If a new application were made by the claimants under a section 8(3) order and a patent granted on it, then such a third party would be open to an infringement action. However if the third party had acted in good faith upon termination of the defendants' application, arguably it should have the right to continue to work the invention free of the threat of infringement. The issue here is to balance the rights of the claimants and those of third parties.
- 12 The claimant opposes the imposition of such terms and seeks to distinguish the circumstances of the present case from those in *Stafford Rubber Company's Application* (O/SRIS/02). In that case, an order under section 8(3) allowing the claimant to make a new application was made subject to third party terms based on section 28A, which relates to the effect of orders for restoration of patents.
- 13 The claimant's argument runs as follows. The product to which the patent application relates is protected by UK Design Registration number 3009821 granted 5 November 2003, by Community Design Registration number 48350-0001 dated 14 October 2003 and by unregistered design right running from January 2004 when the product was first placed on the market. It follows that any third party sufficiently aware to know about the earlier application would also be aware of the claimant's designs protection. Moreover any third party would have been extremely unlikely to have been aware of the invention other than by having seen Mastermover's product, and this product - which has been on the market since before to the date the earlier application was as terminated in the *Patents and Designs Journal* - was marked as being the subject of patent and design rights.
- 14 The claimant also contrasts the present circumstances, where it is in no way at fault,

with those dealt with under section 28A, where the patent proprietor has failed to file a renewal fee.

- 15 The claimant concludes that the particular circumstances described above it is extremely unlikely that any third party would be adversely affected by an order under section 8(3), that third party terms should only be imposed where there is a significant, objectively determined risk; and that to apply them in the present circumstances would be disproportionate in tying the patentee's hands in future commercial operations. It argues that any supposed advantage it would gain if it were to file a new application taking the earlier filing date of the defendants' application, is insignificant when set against the effective loss of its own priority date which it wished to use to pursue rights in other jurisdictions.
- 16 The claimant has strongly rested the imposition of such terms as disproportionate in the circumstances. In contrast to the situation arising under section 28 no fault attaches to the claimant. However the fact remains that blameless as the claimant is in the circumstances, a third party who acted in good faith on the basis of the announcement of termination would be equally blameless, and though the likelihood of there being such a third party is low, it is finite.
- 17 Taking all of the facts and arguments into account, I conclude that it is right to make any order under section 8(3) subject to third party terms and I order accordingly below. In the unlikely event that these terms are invoked, then it seems to me that the claimant may have a case for damages against the defendants.

Order

- 18 Whilst maintaining its opposition to the imposition of third party terms, the claimant has put in a number of detailed written submissions concerning the wording of any such terms. I have taken all of these submissions into account.
- 19 In particular, the claimant proposes that the order should include a specific reference to the defendants by name, should exclude acts which would have constituted an infringement of the claimant's design rights, and should state that the right to of a third party to continue to do an act that would otherwise infringe excludes the right to repeat such acts on future occasions.
- 20 I have to a large extent accepted the claimant's points. However, I have not qualified "continue" as requested. I note that section 28A(3)(b) refers to "continuation or repetition of an earlier infringing act" in the context of what is unlawful and that section 28A(4) refers to "the right to continue to do the act" in the context of what is lawful, and I propose to follow the same line. Whether or not "continue" should be construed to exclude "repeat" in the context of what is lawful seems to me a point best

argued before the court in the unlikely event that it becomes an issue.

21 As to the window of opportunity for such a third party, it opens when the earlier application was announced as terminated in the Journal on 25 February 2004. This reference under section 8 was made on 27 May 2004 and entered into the register on 3 June 2004, but it was not announced in the Journal until 12 January 2005. Given this undue delay it seems to me right to regard the window as closed on 3 June 2004 when the reference was registered.

22 I therefore order as follows:

(1) that the claimant may - within three months from the day on which the period for appealing this decision expires if no appeal is brought, or where an appeal is brought, within three months from the day on which the appeal is finally disposed of - make a new application for a patent for the whole or part of any matter comprised in patent application GB 0226233.5 (hereafter “the earlier application”), subject to section 76, and that if such a new application is made, it shall be treated as having been filed on the date of filing of the earlier application

(2) that the following conditions shall apply:

(i) if such a new application is made and a patent is granted thereon, then if, between 25 February 2004 (the date that the earlier application was announced as terminated) and 3 June 2004 (the date that this reference under section 8 was registered), a person who in reliance on the said announcement of termination -

(a) began in good faith and without information or assistance from the defendants, Matthew Joseph Smith and Steve Mather, to do an act which would have constituted an infringement of the patent, but which would not have constituted an infringement of the claimant’s UK or Community unregistered or registered design rights in existence during the above period, or

(b) made in good faith effective and serious preparations to do such an act,

he has the right to continue to do the act, notwithstanding the grant of the patent, but this right does not extend to granting a licence to another person to do the act. Furthermore anything done during the above period which would have constituted an infringement shall be treated as an infringement if it was a continuation or repetition of an earlier infringing act.

(ii) if the act was done, or the preparations made, in the course of a business, the person entitled to the right conferred by sub-paragraph (i) above may -

- (a) authorise the doing of that act by any partners of his for the time being in that business, and
- (b) assign that right or transmit it on death (or in the case of a body corporate on its dissolution), to any person who acquires that part of the business in the course of which the act was done or the preparations were made
- (iii) where a product is disposed of to another in exercise of the rights conferred by sub-paragraph (i) or (ii) above, that other and any person claiming through him may deal with the product in the same way as if it had been disposed of by the registered proprietor of the patent
- (iv) the above provisions apply in relation to the use of a patent for the services of the Crown as they apply in relation to infringement of the patent.

Costs

- 23 The claimant has indicated that it does not wish to pursue an order for costs, and accordingly I make no order in that respect.

Appeal

- 24 Under the Practice Direction to Part 52 of the Civil Procedure Rules, any appeal must be lodged within 28 days.

DAVID BARFORD

Deputy Director acting for the Comptroller