

PATENTS ACT 1977

IN THE MATTER OF an application
under section 28 for restoration of
patent GB2176409 in the name of
Sumitomo Rubber Industries Limited

DECISION

Background

1. The renewal fee in respect of the sixteenth year of the patent fell due on 5 June 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 June 2001. The application for restoration of the patent was filed on 17 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 an official letter was sent to the proprietor on 9 June 2003 explaining 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. The matter came before me at a hearing on 24 September 2003.
2. Mr S. N. Rackham of Gill Jennings & Every, represented the proprietor Sumitomo Rubber Industries Limited, which I shall refer to as Sumitomo. Mr Mike Hewlett attended on behalf of the Patent Office.
3. The evidence filed in support of the application consists of three witness statements by Mr Masayuki Kato of Sumitomo dated 12 September 2002, 16 January 2003 and 30 April 2003 and one witness statement by Mr Tsutomu Iseki dated 21 October 2003 which I allowed to be filed after the hearing.

The Facts

4. Mr Tsutomu Iseki, the General Manager of the Intellectual Property, Legal & Intellectual Property Department of Sumitomo, issued standing instructions that renewal fees should be paid automatically on all Sumitomo's overseas patents unless the corresponding parent Japanese patent was rejected or abandoned. The only exception is when an overseas patent is licenced in which case renewal fees must continue to be paid for the life of the patent notwithstanding the fact that parent Japanese patent has been rejected or abandoned. When a Japanese patent is abandoned, the Intellectual Property Department is under instructions to seek the opinion of the business division responsible for the product covered by the patent as to whether any corresponding overseas patent should also be abandoned, taking into account the commercial viability of the overseas patent. Even if the business division concludes that the patent is not commercially important, the IP Department is required to pay the renewal fees if the patent is licensed.
5. When a licence agreement is entered into by a division of Sumitomo, that division is required under standard procedures to forward the agreement to Mr Morinaga in the IP

Department who would inform Mr Kato. Mr Kato would then take note of the agreement and instruct Mr Morinaga to record it on the Department's computer database.

6. A periodic check is made by the IP Department of the database to identify any overseas patent that corresponds to a Japanese patent which has been rejected or abandoned. If such a patent is identified and no licence agreement is shown on the database for the patent and the responsible business department is content for it to be abandoned, the IP Department will instruct NGB Corporation, which handles renewal fee payments for Sumitomo, that the patent is not to be renewed. On receipt of such an instruction NGB would cease issuing renewal reminders on the patent to Sumitomo.
7. In the case of the subject patent, Mr Kato explained in his first witness statement that the corresponding Japanese parent patent was rejected in July 2000. This was picked up when the next periodic check was made of the database in November 2000. The check revealed that the next renewal fee was due on 5 June 2001. In accordance with standard practice the IP Department checked with Sumitomo's Sports Goods Technical Department (Sports Department), which was responsible for the product covered by the patent, to see if the renewal fee should be paid. Mr Kuniyasu Horiuchi of that department, who was responsible for the product in question, confirmed that the patent should be abandoned and informed the IP Department accordingly using a standard form.
8. On receiving the confirmation from Mr Horiuchi, Mr Osamu Morinaga of the IP Department checked the database to see if any licences had been recorded against the patent. On seeing that the database had no record of any licence on the patent, he duly informed Mr Kato that there was no reason to override the preliminary decision by the Sports Department that the patent should be abandoned. Mr Kato then confirmed that the patent should be abandoned which he says was then acknowledged by the Department Manager.
9. In February 2002 Mr Kato undertook a review of all patent licence agreements relating to sports products. He says he compiled a list of all the licence agreements without using the computerised database and compared it with the database list. It was then that he noticed that the lists did not agree as the list he had compiled showed that the patent was licenced while the database list did not. Further checks confirmed that the patent was licenced which caused him to check its status. On realising it had been abandoned, he immediately instructed NGB to take steps to apply for restoration.
10. Mr Kato says that when a business division of Sumitomo is asked to confirm that an overseas patent, for which the corresponding Japanese patent has been abandoned, should also be abandoned, the division will only consider the commercial aspects and will not take account of any licences that may have been granted as that is a matter for the IP Department to check using its database. Hence, in the case of the subject patent, because the Sports Department did not consider the patent to be of commercial value, it did not object to its abandonment.
11. It is unclear why the licence agreement was not entered on the IP Department's

database though Mr Kato says he believes the Sports Department omitted to forward information about it to his department in accordance with standard procedures. He also indicates in his third witness statement that although the IP Department would normally handle licence agreements and so be aware of their existence, in the case of the licence agreement relating to the subject patent, it was prosecuted solely by the Sports Department as part of a “Technical Aid Agreement” and so would not have been known to the IP Department unless that Department had been notified by the Sports Department.

Assessment

12. 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”

13. In assessing this case, I shall bear in mind 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.” Therefore, it is important to take into account all the surrounding circumstances and decide in light of those circumstances whether reasonable care has been taken.
14. The Office’s reason for its preliminary decision not to allow restoration was that Mr Kato, who the Office viewed as having the appropriate authority to decide whether or not to maintain the patent in force, took a conscious decision not to renew the patent. Notwithstanding the fact that the decision stemmed from an error in the database, the Office concluded that because the proprietor decided not to pay the renewal fee, it could not be said that they took reasonable care to see that the fee was paid.
15. In support of the application for restoration, Mr Rackham said that care was taken by the proprietor by establishing a system whereby standing instructions were issued that all renewal fees should be paid automatically on licensed patents. He also said that care was taken when operating the system in the case of the subject patent, notably in checking whether the patent was licensed. He accepts that a decision was taken to abandon the patent but that was not intended as it was based on an error in the information contained in the company’s database which Mr Kato was not aware of. Consequently, the decision to abandon the patent conflicted with the proprietor’s standing instructions which, if they had been properly applied, would have resulted in the renewal fee being paid.
16. In considering this application for restoration, it would be helpful if I start by establishing who had overall responsibility for deciding whether the renewal fee should be paid and for seeing that it was paid. In other words, who effectively represented the proprietor with regard to maintaining the patent in force. Lord Oliver

of Aylmerton in *Textron Inc's Application [1989] RPC 44*, which was also an application for restoration under section 28, referred to such a person as the “directing mind” and made the following statement:

“Realistically, I do not find it insuperably difficult to read “the proprietor” . . . as meaning, in the case of a corporate proprietor, “the proprietor, by its directing mind . . .”. Nor is it, I think, an insuperable objection that there is no clear-cut test for determining what is and what is not for this purpose the directing mind, for that seems to me to be a question of fact which is capable of resolution rather by the application of a robust common sense than by precise legal definition.”

17. In his witness statement, Mr Iseki says he had overall responsibility for intellectual property matters in Sumitomo. He also confirms that he issued the standing instructions that renewal fees should be paid for the life of any overseas patent which was licenced, regardless of whether the Japanese parent patent had been rejected or abandoned. In view of this, I believe that Mr Iseki's position and responsibility in the company, together with his ability to issue such an overriding instruction about paying renewal fee places him firmly in the position of the “directing mind”.

18. Having established that Mr Iseki effectively represented the proprietor has having ultimate responsibility for the patent, I now need to decide whether the failure to pay the renewal fee arose because of a failure by him to take reasonable care. In determining this, I am mindful of the following comments by Lord Templeman in *Textron*:

“It is within the control of the proprietor to ensure that an agent or servant is 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.”

19. The following statement by Lord Oliver in *Textron* is also relevant in this regard.

“No 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.”

20. The standing instructions Mr Iseki issued to pay renewal fees on all overseas patents, which were licenced, meant that, because the subject patent was licenced, he effectively instructed the 16th year renewal fee to be paid. The question is, was the

failure to carry out that instruction attributable in any way to a failure by him to take reasonable care?

21. As I have explained, the reason the fee was not paid was that the patent was not shown on the IP Department's database as being licenced. Mr Kato believes this was because the Sports Department omitted to follow standard practice and inform the IP Department about the licence agreement. This was an isolated and unpredictable mistake by someone in the Sport Department which is not something Mr Iseki could be expected to have foreseen. Moreover, there is nothing to suggest that the error stems from a failure on Mr Iseki's part to issue clear and unambiguous instructions or in failing to ensure that whoever omitted to report the licence agreement to Mr Kato was properly trained and competent. I note in this regard that in his second witness statement, Mr Kato says that Mr Horiuchi of the Sports Department, who was responsible for the product covered by the patent, had spent over 13 years in that department and was well trained, very reliable and responsible.
22. Although Mr Kato says his confirmation of the Sports Department's preliminary decision to allow the patent to be abandoned was "acknowledged" by the Department Manager, who I take as a reference to Mr Iseki, there is nothing to suggest that Mr Iseki was required to undertake any further checks himself. Nor is there anything to suggest that he should have been aware that the patent was licenced and that the decision to abandon it was contrary to his standing instructions.

Conclusion

23. The patent renewal system established by the proprietor was effective and successfully resulted in renewal fees being paid on the patent up to and including the fifteenth year. I do not believe the reason it broke down in the case of the sixteenth year renewal fee was attributable to a failure by the proprietor, represented by Mr Iseki, to take reasonable care. It would be unreasonable to expect him to supervise the carrying out of every elementary administrative function committed to employees of the company involved in operating the system including those in the Sports Department responsible for reporting the licence agreement to the IP Department.
24. I am satisfied, on my analysis of the case, that the proprietor, represented by Mr Iseki, took reasonable care to see that the renewal fee was paid. It follows that I am satisfied that the requirements of section 28(3) have been met and that restoration should be allowed.
25. 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 Patents Form 53/77, together with Patents form 12/77, duly completed, and the amount of the unpaid renewal fee. The effect of the order will be as specified in section 28A.

Dated this 14th day of November 2003

M C Wright

Assistant Director, acting for the Comptroller

THE PATENT OFFICE