Intellectual Property Office

BL O/378/13
17 September 2013

**PATENTS ACT 1977**

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| CLAIMANTS | Duncan Riach & Anthony Brown |
| RESPONDENT | Fulcrum Systems Ltd |
| ISSUE | Application under section 13 and reference under section 37 in respect of GB2350989 |
| HEARING OFFICER | H Jones |

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## PRELIMINARY DECISION

### Introduction

1 This preliminary decision concerns a reference by Mr Duncan Riach and Mr Anthony Brown (the claimants) under section 37(1) of the Patents Act 1977 (the Act) in which they claim a proprietary interest in GB2350989 (the patent) and request that ownership of any rights in the patent be transferred to them. The patent was granted to Fulcrum Systems Ltd (Fulcrum) on 25 April 2001. The reference under section 37 was received on 9 April 2010, around nine years after the grant of the patent and beyond the two-year deadline specified in section 37(5) for making such a reference.

2 Both sides have submitted evidence in support of their case under both sections 13 and 37, and have said that they are content for the issue to be decided on the basis of the papers filed. The claimants have now asked for a preliminary decision on the single question of whether the reference under section 37 has been made in time, and the respondent is content for me to do so.

### Background

3 The details of the case can be summarised very briefly as follows. The claimants were students at Reading University from October 1992 to July 1995. As part of their final year dissertation project, the claimants were tasked with developing an electronic system to cancel background noise entering telephone handsets in stock exchange rooms. The task was defined by Fulcrum, and the two students met with representatives of the company in May 1994 to discuss requirements. At the end of their project, they reported their findings separately and concluded that the system they had developed was not able to cancel out background noise completely. Mr Brown noted in his report that the system was particularly good at cancelling repetitive signals such as sine waves, and suggested that it would likely be able to cancel other noise such as car engines, machinery hum and emergency service sirens.

4 Fulcrum filed a patent application relating to background noise reduction on 12 March 1999. The application named David Townsend and Simon Sherratt as the inventors, and Fulcrum claimed the right to grant of a patent by virtue of contracts of employment and rights arising under an agreement of 3 July 1998. At the time of this agreement, both inventors were employees of Reading University. The agreement itself is concerned with the rights to intellectual property developed as part of a collaboration project between Reading University and Fulcrum under the government-funded "Teachning Company Scheme" (TCS). The agreement is signed by representatives of Reading University (dated 8 July 1998) and Fulcrum Systems Ltd (dated 1 July 1998). There is no dispute about whether this agreement is the one referred to in the statement of inventorship submitted as part of the patent application.

5 The initial aim of the collaboration project set out in the TCS grant application form was to design and develop microphone and complementary interface products that address the problems of speech intelligibility in high noise environments. The project ran from May 1997 through to November 1999. The scope of the project was revised over time, as evidenced by various executive reports and notes of meetings between Fulcrum and Reading University. In an executive summary of the TCS project produced by David Townsend dated November 1998, the aim of the project was described as the design and development of a product that will allow suppression of siren noise transmitted over a two-way radio link in emergency vehicles.

6 The claimants argue that they are the inventors of the noise reduction system set out in the patent and say that the patent specification is mostly a summary of the contents of their final year dissertation reports. The respondents deny this: they say that the invention covers developments made as part of the TCS collaboration project and that they were entitled to grant of the patent. They argue that in order for a late-filed reference under section 37 to succeed, the claimants must show that Fulcrum knew at the time of grant that they were not entitled to the patent. They argue that the claimants have failed to satisfy this requirement and that the reference under section 37 should be dismissed.

**Right to grant of patent**

7 Section 7 of the Act states that the right to grant of a patent belongs primarily to the inventor, but this may be overridden by any rule of law or any legally enforceable agreement existing at the time the invention was made. Section 39 of the Act specifies the circumstances in which inventions made by an employee belong to the employer. Questions concerning rightful ownership of a patent can be referred to the comptroller under section 37 within a period of two years from grant, or later if it can be shown that the patentee knew at the time of grant that he was not entitled to it. The relevant parts of sections 7, 37 and 39 are set out below:

> *7(1) Any person may make an application for a patent either alone or jointly with another.*
>
> *7(2) A patent for an invention may be granted –*
> *(a) primarily to the inventor or joint inventors;*
> *(b) in preference to the foregoing, to any person or persons who, by virtue of any enactment or rule of law, or any foreign law or treaty or international convention, or by virtue of an enforceable term of any agreement entered into*

*with the inventor before the making of the invention, was or were at the time of the making of the invention entitled to the whole of the property in it (other than equitable interests) in the United Kingdom;*
*(c) in any event, to the successor or successors in title of any person or persons mentioned in paragraph (a) or (b) above or any person so mentioned and the successor or successors in title of another person so mentioned; and to no other person.*

*7(3) In this Act "inventor" in relation to an invention means the actual deviser of the invention and "joint inventor" shall be construed accordingly.*

*37(5) On any such reference no order shall be made under this section transferring the patent to which the reference relates on the ground that the patent was granted to a person not so entitled, and no order shall be made under subsection (4) above on that ground, if the reference was made after the end of the period of two years beginning with the date of the grant, unless it is shown that any person registered as a proprietor of the patent knew at the time of the grant or, as the case may be, of the transfer of the patent to him that he was not entitled to the patent.*

*39(1) Notwithstanding anything in any rule of law, an invention made by an employee shall, as between him and his employer, be taken to belong to his employer for the purposes of this Act and all other purposes if -*
*(a) it was made in the course of the normal duties of the employee or in the course of duties falling outside his normal duties, but specifically assigned to him, and the circumstances in either case were such that an invention might reasonably be expected to result from the carrying out of his duties; or*
*(b) the invention was made in the course of the duties of the employee and, at the time of making the invention, because of the nature of his duties and the particular responsibilities arising from the nature of his duties he had a special obligation to further the interests of the employer's undertaking.*

*39(2) Any other invention made by an employee shall, as between him and his employer, be taken for those purposes to belong to the employee.*

8 The claimants argue that Fulcrum knew, or reasonably should have known, at the time of grant that it was not entitled to the grant of the patent. This argument is based on the fact that Fulcrum knew at the time of grant that David Townsend and Simon Sherratt were employees of Reading University during the time period they claim to have devised the invention. Since section 39 of the Act says that any invention made by an employee in the course of normal duties is taken to belong to the employer, then, in the case of David Townsend and Simon Sherratt, the invention would have belonged to Reading University. Since Fulcrum applied for the patent and listed people who were not its employees at the time of either the claimed invention or the application, and since no relevant agreement existed between David Townsend, Simon Sherratt and Fulcrum, then Fulcrum must have known that it was not entitled to grant of the patent.

9 They say that their argument is further supported by the fact that the collaboration agreement between Reading University and Fulcrum was not signed by both parties until after the invention was made. They say that according to section 7(2)(b), an inventor's right to grant of a patent is only overridden when a rule of law or legally

enforceable agreement existed at the time the invention was made. In the present case, the collaboration agreement was not completed before the invention was made, so Fulcrum must have known that they were not entitled to grant.

10 I can deal with these arguments without having to consider the detailed counter-arguments put forward by Fulcrum. The argument that the collaboration agreement signed by Reading University and Fulcrum was signed by the parties after the date the invention was made is irrelevant to the question of whether the right to grant of a patent was transferred from the inventor under section 7(2)(b). David Townsend and Simon Sherratt were not a party to the collaboration agreement between Fulcrum and Reading University, and the agreement is not concerned with the transfer of inventor rights envisaged by section 7(2)(b). If David Townsend and Simon Sherratt had devised the invention as Fulcrum believed, then their right to a patent would have transferred to their employer, Reading University, by virtue of section 39 of the Act at the time the invention was made. The University was then at liberty to transfer this right in full or in part to another party at a later date, and the collaboration agreement between Reading University and Fulcrum dated July 2008 sets out to achieve precisely that for any intellectual property created as part of the TCS project.

11 The fact that David Townsend and Simon Sherratt were not employees of Fulcrum is irrelevant to the question of Fulcrum's entitlement; as I have explained above, the inventors' right to grant of a patent would have transferred to Reading University by virtue of their employment, and the collaboration agreement between Reading University and Fulcrum provided Fulcrum with the basis upon which it believed it was entitled to apply for and be granted a patent.

12 The claimants do not question whether Fulcrum knew or should have known that David Townsend and Simon Sherratt did not devise the invention set out in the patent application. The claimants may not have done so here because it strays into their application under section 13 to be named as inventors in the patent. For completeness I should say that on the basis of the large amount of evidence presented in this case, in particular the executive reports and notes of meetings between Fulcrum and Reading University as part of the TCS project, I am satisfied that David Townsend and Simon Sherratt were involved in the development of a noise reduction system as part of the TCS collaboration project with Fulcrum, and that it would have been reasonable for Fulcrum to believe that David Townsend and Simon Sherratt had played a part in devising the invention. I should stress that I make no finding here with regard to who actually devised the patented invention; all I am saying is that, on the basis of the evidence before me, Fulcrum were entitled to believe that David Townsend Simon Sherratt had made an inventive contribution as part of the TCS project.

**Conclusion**

13 The claimants have been unable to prove that Fulcrum knew, or reasonably should have known, at the time of grant that it was not entitled to the grant of the patent. Since the reference under section 37 was made after the period specified by section 37(5) for doing so, no order can be made to transfer the patent on the grounds that it was granted to a person not so entitled. The reference under section 37 is dismissed.

## Costs

14 I am deferring an award of costs to Fulcrum until the claimants have decided whether to pursue their application under section 13. I shall give the claimants a period of one month from the date of this decision to inform the office of their intention.

## Appeal

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

**H Jones**
Deputy Director acting for the Comptroller