



BL O/360/06

13 December 2006

PATENTS ACT 1977

BETWEEN

Leisure Pleasure Products Ltd

Claimant

and

Raymond Robert Britner

Defendant

PROCEEDINGS

Reference under section 37 in respect of patent number GB 2370525

HEARING OFFICER

D J Barford

DECISION

Introduction

- 1 Patent application number GB 0124618.0 was filed on 15 October 2001, claiming priority from UK application number GB0027376.3 dated 9 November 2000. It was published on 3 July 2002 and granted on 12 March 2003 as GB2370525 ("the patent") with the title "Blast cleaning system". The application was made in the name of Mr Raymond Britner who was also named as sole inventor. The address for service was given as Mr William Hebden.
- 2 These proceedings were launched by Leisure Pleasure Products Ltd ("LPP") on 23 March 2005, with an amendment to the original statement being filed on 11 August 2005. Mr Britner responded in a counterstatement filed on 2 September 2005 and both parties subsequently filed evidence. Neither party has been professionally represented and a number of issues have been raised and a great deal of evidence filed not relevant to these proceedings. Also much of the evidence is unsworn and has not been tested under cross-examination. It has also proved difficult to identify just what has been claimed and what relief has been sought.
- 3 That said, the nub of the dispute relates to a licence agreement between the parties. In its statement, LPP, by way of its directors Mr Hebden and Mr F Latham, claims that Mr Britner is working the patent in contravention of a

licence held by LPP. In his counterstatement, Mr Britner responds that he complied with the licence, but that it lapsed on 28 April 2004.

- 4 The parties have agreed that the dispute should be decided on the papers.

Preliminary issues

- 5 There was a dispute as to whether certain evidence submitted by Mr Britner should be admitted; LPP objecting on the grounds that it was privileged. In a preliminary decision dated 30 May 2006, it was held that the evidence was not entitled to privilege and should be admitted.
- 6 Still outstanding however is the question of whether certain evidence filed by LPP should be admitted. The period for LPP to file its evidence in reply was originally set to expire on 11 May 2006, and then extended, by agreement, to 22 May 2006. In the event LPP submitted its evidence – a letter - on 23 June 2006, stating that it was late because it had been lost. Mr Britner has objected to this evidence being admitted; and, if it is admitted, requests the opportunity to respond.
- 7 The letter, which is dated 1 April 2004, is from a company called Enterprise plc. The claimant seeks its admission on the grounds that “it conclusively shows that financial help was provided by Enterprise to LPP Ltd to assist in the design, manufacture and development of the LPP Ltd blast-gun and system”. The letter comprises a single sheet providing an estimate of the cost of work undertaken by Enterprise in developing the blast cleaning system on behalf of LPP. As far as I can see there is nothing in the letter which refers to, or has any bearing on, the existence of any licence agreement between the parties, or what the terms and conditions of any licence agreement might be; and LPP has not shone any light on this.
- 8 Admission of this evidence is a matter for the comptroller’s discretion, and guidance is provided by rule 3.9 of the Civil Procedure Rules which sets out a number of factors to be taken into account. Not all are relevant in the present circumstances. Given that the evidence was filed a month later than the date set, itself an extension of the original date, and more importantly that it appears to have no relevance to the matter in dispute, it seems to me that there can be no question of the claimant’s case being prejudiced and the administration of justice affected if I refuse to comply with LPP’s request. Accordingly, having taken account of all the circumstances, I refuse to admit this evidence.

Chronology

- 9 On 1 May 2003 a request was received on form 21/77 to register under section 33 a licence in favour of LPP. Section 33 deals with the registration of rights in or under patents and patent applications. The form was dated 29 April 2003 and signed by Mr Britner and also by Mr Hebden acting as Mr Britner’s agent. It was duly recorded on the register on 28 May 2003.

- 10 On 12 October 2004, Mr Britner contacted the Office claiming that the form 21/77 had been altered after he had signed it, to extend the period of the licence from one to five years. After further correspondence with the Office, on 15 October 2004 Mr Britner filed a request on form 51/77 seeking to replace Mr Hebden as address for service by himself. This change was recorded on the Register on 18 October 2004.
- 11 In January and February 2005, Mr Britner corresponded with the Office on the question of removing the licence from the register on the grounds that it had not been signed by LPP and that LPP had ceased trading, and a formal notice of termination was filed on 3 May 2005. In response, LPP launched these proceedings on 23 March 2005.

The Law

- 12 This reference was made under section 37(1)) which reads:

Section 37(1)

37.-(1) After a patent has been granted for an invention any person having or claiming a proprietary interest in or under the patent may refer to the comptroller the question -

(a) who is or are the true proprietor or proprietors of the patent,

(b) whether the patent should have been granted to the person or persons to whom it was granted, or

(c) whether any right in or under the patent should be transferred or granted to any other person or persons;

and the comptroller shall determine the question and make such order as he thinks fit to give effect to the determination.

- 13 This dispute is under section 37(1)(c) and, as already noted, concerns a licence. Relevant to whether this needs to be in writing and to have been signed are section 30(6) and rule 46.

Section 30(6) reads:

30.(6) Any of the following transactions, that is to say –

(a) any assignment or mortgage of a patent or any such application, or any right in a patent or any such application;

(b) any assent relating to any patent or any such application or right;

shall be void unless it is in writing and is signed....

Rule 46 reads:

46.-(1) An application to register, or to give notice to the comptroller of, any transaction, instrument or event to which section 33 applies shall be made on Patents Form 21/77.

(2) An application under paragraph (1) shall-

(a) ...

(b) where it relates to ... the granting of a licence or sub-licence ... be signed by or on behalf of the .. grantor of the licence ...

or be accompanied by documentation establishing the transaction, instrument or event.

(3) ...

The licence

- 14 Both parties confirm that there is no written form of the licence outside the wording given on the form 21/77, dated 29 April 2003 and filed on 1 May 2003. This reads:

“I Robert Britner hereby confirm agreement of a sole licence for manufacture sales & distributorship of the “blast cleansing system”, protected by the above patent No 2370525B, to Leisure Pleasure Products Ltd, for a period not exceeding five years from the date of application.

Clauses

1. The option of first refusal by mutual agreement of LPP Ltd directors and Raymond Robert Britner for renewal of licence after five years.
2. If LPP Ltd go into receivership or cease trading or go into insolvency then the licence will cease.”

The dispute

- 15 As well as the dispute over whether the licence was to run for one year or five years, there are differences over the signing of Form 21/77, what consideration was involved in the agreement, and what is meant by a “sole licence”.
- 16 To dispose of the signing issue first: under rule 46(2)(b), quoted above, where a transaction relates to the granting of a licence it may be signed by or on behalf of the licensor; there is no requirement for the licensee to sign. Consequently, it is not necessary for LPP to have signed the form 21/77 for the licence to be registered. Thus there is no breach here of any formal requirement which would render the licence invalid.
- 17 I turn now to the substantive issues. Both parties confirm that in their view there was an agreement, and that its terms go beyond what is written on the Form 21/77. I note in this context that a licence is a right under rather than in a patent, it is not therefore governed by section 30(6) quoted above and so does not need to be in writing. Again then, the fact that not all of the terms of the agreement are in writing does not itself make the agreement invalid.
- 18 It is well established law that a licence passes no proprietary interest in anything; it only makes lawful what would otherwise have been unlawful. It is a form of contract, and for a contract to be enforceable several elements must be present. In particular there must be a clear offer by one party and a clear

and unconditional acceptance by the other, and (unless the contract is by deed) there must be valuable consideration.

- 19 Both parties have made submissions as to the meaning of the agreement in terms of what was written down and what was agreed but not written down. Given the differences between their submissions, I take the task before me to be to determine, to the extent that it is possible from what the parties have submitted, what the parties themselves understood to have been agreed; to decide whether or not that represents a complete agreement; and if not whether the agreement is still workable or is too uncertain to be enforced; and, if it is workable, the consequences of that.
- 20 In respect of the period of the agreement, there is the particular issue of Mr Britner's accusing LPP of altering the period from one year to five years without his consent. It is convenient to start with that.

The period of the licence

- 21 It is perfectly clear from a quick inspection of the Form 21/77 filed at the Patent Office that it was amended before filing at the Patent Office. The form is printed on pale blue paper and it is obvious that correction fluid has been applied to the details of the licence set out at part 5 of the form and the word "five" entered twice where it appears in the wording quoted above. Both of these changes are in close proximity to the initials "BH" in brackets. Correction fluid also appears in three other places: below the letter "s" at the first occurrence of "five years", appearing to delete a comma; between the "a" and "s" in the first occurrence of "cease", and before the start of "trading" in clause 2.
- 22 Mr Hebden's explanation of how the form came to be amended is set out in a letter of 17 November 2005 as follows. He states that on 28 April 2003 he completed the form in accordance with Mr Britner's verbal instructions, specifying a term of one year. This was in preparation for a meeting the following day attended by Messrs Britner, Hebden and Latham. At this meeting LPP would not agree to Mr Britner's initial request for a directorship or shares in LPP in return for a one year licence. However, agreement was subsequently reached on the basis of a five year term. To that end, Mr Hebden altered the wording on the form, the reverse was signed and dated by both Mr Hebden and Mr Britner and copies were made for Mr Britner and LPP. Mr Hebden subsequently initialled the amendments in response to a request by Mr Latham.
- 23 Mr Latham confirms this in a letter dated 20 May 2006, where he notes that "Mr Britner stated at that time that he appreciated what was being done and that the five year license would be automatically renewed on the same terms and conditions at the cessation of the first five year period".
- 24 LPP has put in a letter dated 30 April 2003 from Mr Latham as Managing Director of LPP to Mr Britner, confirming Mr Britner's appointment to the Board of Directors of LPP. The penultimate paragraph of this letter includes the

comment “I am personally pleased that you have taken the view that it is the right thing to put your patent into L.P.P. Ltd. on a five year license.” Mr Britner denies receiving this letter.

25 For his part, Mr Britner states that Mr Latham asked for a longer licence term but that “I never agreed to a five year term at any stage”. Mr Britner says that he did not check his copy of the form, stating that “I received my copy of Form 21/77 some two days after it was signed which remained unopened but filed away with other paper work due to work ongoing inside my home, I had no reason at this point to question the agreements contents.”

26 Mr Britner has put in a copy of form 21/77 which shows the amendment to five years, but does not include the “(BH)” initialling. Mr Britner also (correctly) points out certain other differences between the amended form 21/77 and the photocopy he received – for instance the way the first “five” is underlined. He argues that this shows that the form was changed after he signed it. Mr Hebden states that the form was copied after it was amended to a five year term and signed by Messrs Britner and Hebden, but before Mr Hebden had initialled the changes. There is no explanation for the other differences noted by Mr Britner, but they are not in any case material to the wording of the agreement.

27 It is legitimate to ask why, if LPP intended to register a licence to which Mr Britner had not agreed, they would do it so clumsily. The changes made to the form 21/77 are immediately apparent on even a cursory inspection. Moreover a copy of the amended form – albeit not initialled – was posted to Mr Britner; a fact which he does not dispute. Whether or not Mr Britner took the trouble to look at his copy – and he maintains that he didn’t – is to my mind immaterial. The point, it seems to me, is that LPP’s admitted actions – openly amending the form and then sending off a copy to Mr Britner – are wholly consistent with its version of events concerning the period of the licence. On the other hand, these actions make no sense at all if the object of the exercise was to change the terms of the licence against Mr Britner’s wishes. Mr Britner also denies receiving the letter of 30 April 2003 from Mr Latham which refers to a period of five years, but whether or not that is the case does not alter this conclusion.

28 In the light of the above, I conclude that the parties agreed that the licence would run for five years.

Consideration

29 The wording on form 21/77 is silent on the matter of consideration. It states that, for a period which is in dispute, Mr Britner will grant a licence to LPP. There is no mention of what Mr Britner gets in return.

30 The parties agree that there was a consideration; but they disagree as to its details. In particular there is dispute over whether or not (i) a directorship of LPP and (ii) shares in LPP were offered and accepted in consideration.

31 In their statement on behalf of LPP, Messrs Hebden and Latham say that Mr

Britner joined the Board of Directors of LPP as a 24% equity shareholder in consideration for granting the licence.

- 32 On the directorship, Mr Britner says that “The directorship was offered verbally and did not form any portion of the agreement...”. It is clear that Mr Britner was made a director of LPP, a position he resigned from on 9 June 2004, but there is no evidence as to any conditions governing that appointment.
- 33 On the shares, the parties agree that Mr Britner would receive a 24% shareholding in LPP, but again there is a dispute over the details. Mr Britner states that he was asked to pay for the shares, and contrasts what Mr Latham says in a letter dated 17 June 2004 that his “...24% equity shareholding is in no way affected by your decision to resign your Directorship, as the 24% equity share holding was given to you by Leisure Pleasure Products Ltd as a quid pro quo for the assignment [licence?] of the Patent No GB2370525 “Blast Cleaning System” to Leisure Pleasure Products Ltd”, with what Mr Latham says in a subsequent letter dated 17 February 2005 that “... you have not yet paid for the 24 shares .. that have been issued to you...”. This is consistent with Mr Britner’s statement that a demand was made by LPP for payment, but conflicts with LPP’s statement that the shares were awarded as consideration for the licence.
- 34 Mr Britner has raised two other issues in the context of consideration – firstly what was meant by a 24% shareholding, and secondly has he in any case forfeited his shareholding through non-payment? On the first point Mr Britner states in his counter-statement that “The intended agreement was to return me a 24% share of all profits made by way of sales ..No form of payment has been received or offered to date despite sales of the system being made.” On the second point, Mr Britner states that since he did not pay for his shares he has forfeited his shareholding.
- 35 Both points it seems to me are based on misconceptions on Mr Britner’s part and are not material to the central issue. On the first point, in the light of the share certificate exhibited by Mr Britner himself, his shareholding has to be taken as being in LPP not in sales of the patented product; and on the second point, whether he paid for his shares might be relevant to whether the terms of a contract were complied with, but not to whether or not a contract was actually made in the first place.
- 36 Despite these uncertainties, it does seem to me that the parties both intended to enter a contract – based on Mr Britner’s granting a licence to LPP in exchange for (at least) a 24% shareholding. There is nothing on the form regarding consideration, but as already noted the terms of the licence do not have to be in writing. In terms of consideration, I think the agreement can be viewed as incomplete but perhaps not unworkable. There are differences over whether the consideration was seen through in terms of what Mr Britner actually received, but that is a matter of complying with a contract rather than agreeing its terms. However before reaching an overall conclusion I need to consider the form of the licence.

The form of licence

- 37 The agreement refers to a “sole licence”, an expression which has a particular and accepted meaning amongst practitioners. A *sole licence* is generally understood to be a licence under which the licensor can continue to use the licensed rights as well as the licensee, with the condition that the licensor cannot grant licences to anyone else. A sole licence is to be distinguished from an *exclusive licence* under which only the licensee can use the rights ie to the exclusion of everyone else including the licensor.
- 38 Did the parties mean what they said when they used this expression, because that is what counts here? If they attached a different but agreed meaning to that term then that is how the agreement must be interpreted. In particular, what rights did the parties think the licence gave to Mr Britner and what is the position regarding sub-licences?
- 39 Mr Britner in his counter statement dated 1 September 2005 and witness statement dated 30 March 2006 refers to the differences between a sole licence and an exclusive licence. He states that only an exclusive licence would give LPP the right to grant sub-licences without informing him; and that the sole licence agreement in place would “allow myself as the licensor and proprietor of the patent the right to exploit the patent should the agreement have been renewed“. He also states that “a sole licence would prevent any further forms of licence ... being entered into by both LPP and myself ..though still believing that this would also give me the right .. to also exploit the granted patent“. He has put in - by way of further explanation - a short (four page) document published by Messrs Mewburn Ellis LLP, intellectual property attorneys, entitled “Introduction to technology licensing“. This document includes concise definitions of what is meant by exclusive license, sole licence and non-exclusive licence.
- 40 Despite this, the claimant subsequently submitted that “It could be considered that the words “sole” and “exclusive” have little or no difference in their meaning, unless patent law insists that “exclusive” (a privilege denied to others) be used on such documents as a form 21/77. But in any case, Mr Britner was fully aware in every respect with both the licence to DNS Limited and contacts within the USA”.
- 41 Under a sole licence, conventionally interpreted, Mr Britner would enjoy rights; under an exclusive licence he would not. There is no evidence that Mr Britner actually did work the invention during the first undisputed year of the agreement, which would support his interpretation. He says that he complied with the licence during that period, but does not enlarge on that. LPP argues that Mr Britner is currently infringing the patent, and so must I think be taken to be looking on the agreement as an exclusive licence.
- 42 As to sub-licences, under both a sole licence and an exclusive licence the licensor cannot grant any other licences, but what conditions apply to the licensee?

- 43 LPP clearly understands the agreement to give it the right to grant sub-licenses; Mr Britner disagrees and the agreement is silent on the matter. In the event, LPP did grant a sub-licence to DNS Distribution Limited (“DNS”), a company which went into liquidation in September 2005. Both Mr Britner and LPP have confirmed (November 2006) that no other sub-licences have been granted.
- 44 Mr Britner himself has submitted a copy of a letter dated 22 October 2004 from Mr Stephen Holden, Managing Director of DNS. In this letter Mr Holden states that LPP and DNS signed a contract on 7 April 2004 for DNS to distribute the blast cleaning system, and that “all directors of LPP Ltd were aware of this contract at the date of signing”. Mr Britner states that the contract was signed without his consent and that his request for a copy was refused by Mr Latham.
- 45 To summarise, it appears from the above that in the view of LPP the agreement constitutes an exclusive licence with the licensee having the right to sub-licence; whilst in the view of Mr Britner the agreement constitutes a sole licence with the licensee having no right to sub-licence.
- 46 On what the parties thought were Mr Britner’s rights, it seems to me that there is insufficient evidence to enable me to reach a conclusion one way or the other.
- 47 On the issue of sub-licensing, clearly if Mr Britner were a party to any licence between LPP and DNS then his argument that sub-licensing is precluded would not stand up. Messrs Hebden and Holden both state that all the directors of LPP were aware of the contract when it was signed in April 2004. Mr Britner denies that. LPP has submitted a copy of an email from Mr Britner to Mr Holden dated 23 March 2004 seeking advice on marketing in Europe and North America, but there is no explicit reference to any proposed agreement between LPP and DNS, although the agreement between LPP and DNS is referred to.
- 48 Mr Britner has also put into evidence a transcript of a telephone conversation with Mr Hebden which took place on 9 June 2004, the day Mr Britner resigned his directorship. Mr Britner submitted the transcript as evidence of his concerns over sales of the blast cleaning system in Europe without patent protection. I note that amongst other topics, there is a discussion of DNS as sales distributors, with Mr Britner remarking on the professionalism of DNS. There is no discussion of any formal agreement with DNS however, and more significantly perhaps, LPP has not taken the obvious step of submitting in evidence a copy of any contract or any details of its terms to support its argument. In the absence of any specific authorisation in the agreement that allows LPP to sub-licence, it seems to me that it has no intrinsic right to do so. I note that neither side has drawn my attention to any authority that would lead me to conclude otherwise.
- 49 For completeness I note that although this conversation is outside the one year period from the signing of the agreement between Mr Britner and LPP, there is

no mention of the agreement's expiring, which I take to be consistent with my finding that the agreement was for five years rather than one.

Conclusions and order

- 50 I have concluded amongst other things that the parties did intend to reach an agreement; and that the agreement was for a period of five years and not for one; but that there are uncertainties over consideration. The agreement is silent on matters about which it might be expected to be specific, and although that can be expected to lead to difficulties, it is not necessarily fatal. However, taken all in all, I have to conclude that the terms of the agreement are uncertain to the extent that the licence is not workable – in particular as regards the form of the licence. By this I mean that, setting aside the accepted meanings of sole and exclusive licence, and looking only to what the parties understood in terms of who could do what under the licence, I do not find it possible to bridge the gulf between them and attach an unambiguous meaning to what they intended.
- 51 In fact to my mind the most likely scenario by far is that at the time the agreement was drawn up, the parties themselves were far from clear as to its implications. This conclusion is supported by the fact that Mr Britner states that he has sought advice both from the Patent Office and from patent attorneys as to what is meant by a “sole licence”; and as noted above, LPP continues to see “little or no difference” between a sole licence and an exclusive licence.
- 52 I conclude that these uncertainties are such as to make the agreement unworkable. I find therefore that there is not and never has been a valid licence between the parties in respect of patent number GB 2370525 and order that the register be amended accordingly.

Costs

- 53 Although these proceedings were launched by LPP, this action was made in response to, and to an extent was inevitable in the light of, Mr Britner's claim that LPP had altered the period of the agreement without his authority and his seeking removal of the licence from the register. On the particular issue of period – one or five years - I have found in favour of LPP. Moreover, my finding that no valid licence exists or has existed falls outside the submissions of both sides. Taking all of this into account, I am, on balance, inclined to make no award for costs.

Appeal

- 54 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