

## NOVEMBER 2004 – PAPER P2 EXAMINER'S COMMENTS

### General

In this paper candidates are presented with a number of different situations that they are expected to assess and respond to by giving advice to their client. As always, what is required is clear, cogent advice, not rambling statements of the law without applying the law to the specific situation. Candidates should always consider the consequence of the advice they are giving.

Candidates should ensure they are giving advice to their clients and not merely making bald statements of fact, repeating the question or reciting the law without applying it. Liberal use of suitable words, such as “because” or “in this case”, in an answer should encourage candidates to give advice.

Candidates are reminded that P2 is not a theoretical legal paper, but a practice paper in which the majority of questions involve a client seeking advice and which require an application of the relevant law and practice rather than simply a knowledge of the law. Candidates who merely recite the law without reaching any conclusions as to how it applies to the question generally fail to come to coherent conclusions. These candidates will always struggle with P2. It is very noticeable that questions requiring analysis of problems and the somewhat more involved Part B questions are invariably answered more poorly than straightforward factual questions. This suggests candidates need to be more organised in the way they analyse problems. In particular, there is a need for candidates to identify and follow through the separate threads of Part B questions.

As usual, a disappointing number of candidates appear to be unable to apply fundamental principles such as those relating to priority, ownership, novelty and inventive step. A shocking number of candidates appear to believe that an interim injunction is one granted pending grant of a patent. The examiners expect potential registered patent attorneys to have a sound understanding of these issues. Candidates who fail often do so as a result of serious gaps in their ability to apply some of the fundamental concepts of the patent law.

Candidates are reminded that they must write legibly, the Examiners try as far as possible to decipher scripts and award marks but one or two make this very difficult.

It is reasonable for candidates to assume that every phrase in a question is there for a purpose. Many candidates clearly fail to answer a question in its entirety, omitting to make points that appear obvious to the Examiners. It is recommended candidates should take steps during the examination to identify those parts of a question they have used in order to draw attention to those they have not.

Although the following comments do not constitute a model answer as such, they provide a brief analysis of each question and then highlight the main issues to be considered by candidates. The most common errors and omissions have also been noted.

A brief analysis of the marks for this paper indicates an average overall mark of about 48, with Part A accounting for around 28 marks and Part B accounting for about 20. Needless to say, the range of marks for any particular question was considerable. Just over 42% of candidates passed this paper, a slightly lower number than in recent years.

## **PART A**

### **Question 1 – 8 marks**

An average score for this question was 5 or 6 marks.

#### Patent A

The Patent Office should send a reminder that payment is overdue within 6 weeks of the due date for payment (Rule 39(4) and (5)). Check the reminder has been sent. If it had not been sent, Rule 100 can be used. Many candidates missed this point.

Otherwise it is necessary to apply for restoration under Section 28. The due date is 19 months from the renewal date, in this case October 2005. Nevertheless, it is advisable to apply for restoration as soon as possible to minimise the time between lapse and restoration and the risk of third party rights arising.

It will be necessary to prove that the proprietor took reasonable care to ensure the renewal fee was paid. The evidence should set out details of the systems employed by the administrator to ensure due dates were met. Were the relevant staff sufficiently experienced and properly trained, and was any action taken to ensure redundancies did not have any impact on the systems? Note, not all these forms of evidence were required by the Examiners.

If Patent A is restored, it will be subject under Section 28A to a condition that third parties who in good faith have begun to do an act which would have constituted an infringement of the patent have the right to continue.

#### Patent B

Under Section 25(4), any person can pay the renewal fee up to 6 months after the due date for renewal, provided an additional fee is paid. The renewal fee and the additional fee must be paid by March 2005.

### **Question 2 – 9 marks**

An average score for this question was 5 or 6 marks.

#### Unregistered Design Right

Community design right will apply for 3 years from the date of first disclosure within the EU.

Consideration needs to be given as to whether the design of the escapement is known in the relevant field. Archaeologists are generally not in the field of clock design. This applies to Community registered designs as well as Community unregistered designs. Candidates did not explain this well.

Provided the design is not commonplace, UK UDR will last the shorter of 10 years from the end of the year of first marketing or 15 years from the end of the year in which the design was made. In either case, licences of right are available in the last 5 years.

#### Registered Designs

A UK or Community RDA can be filed at any time up to 12 months from the date of first disclosure. Nevertheless, if the grace period is used, it should be noted there is a risk a third party could file an application for registration before the client.

The duration of a registered design is initially 5 years from application with the possibility of up to 4 further periods of 5 years.

A registered design for a component part of a complex product, such as the escapement mechanism of the clock, can only cover aspects of a design that are visible in normal use. This should not be a problem in the present situation because the case is transparent.

The clock face and the escapement are different designs and should be protected separately. Few candidates actually gave advice as to what should be protected.

Note the client is interested in the United States. Priority can be claimed if the US application is filed within 6 months of a corresponding UK or Community application. There is also a grace period in the US, but it is rather different to the UK and EU. A US design patent can be filed within 12 months of first disclosure in the US or the first appearance anywhere of the design in a printed publication (such as distribution of literature at a trade fair). Few candidates deal well with the US situation.

For the record, because the client is seeking to defer costs it is also important not to file early in the UK or EU and not to postpone US too long. EU and particularly UK designs are registered very quickly and a US design patent will be invalid if there is a corresponding registration in another country and the US application is not filed within 6 months of the date of filing of that earlier registration. US design patents last 14 years from issue and there are no renewal fees. The Examiners were not expecting candidates to provide this information this year, but these are matters of practice candidates should be aware of.

### **Question 3 – 7 marks**

An average score for this question was a disappointing 2 or 3 marks.

It is important to establish all the circumstances surrounding the disclosure by the employee to the Chief Engineer. What was disclosed? If the disclosure was not made in confidence, then all the resulting applications will be invalid. In any case, did it contravene the employee's obligations to his employer. Few candidates discussed this. Many thought that the "grace" allowed following wrongful disclosure also applied to the other company's applications and that, therefore, EP/04Appl had a bad priority claim and should not be transferred to the client.

EP/04Appl may be citable under Section 2(3) against GB/03August even if the UK designation fee is not paid (Section 78(5A)). Most candidates missed this point.

Check whether GB/03March is still alive because it could also pose a problem under Section 2(3). Few realised that this could be citable if published.

Section 2(4) could resolve the problem if GB/03March and EP/04Appl were filed as a result of a disclosure in breach of confidence as would appear to be the case. Few appreciated this point and thus failed to realise that this would allow GB03/Aug to proceed.

Alternatively or additionally, seek a declaration of ownership and inventorship under Sections 8, 12 and 13.

Seek suspension of proceedings in respect of EP/04Appl. If the application under Sections 8 and 12 is successful, the EP/04Appl and GB/03March (if still alive) can proceed in the name of the client.

The answers to this question indicated that there is a lack of understanding about entitlement proceedings and suspension. Suspension does not happen automatically as a significant number of candidates suggested.

#### **Question 4 – 10 marks**

An average score for this question was a disappointing 4 or 5 marks.

The client can inspect documents relating to the unpublished application under Section 118(4), but the Comptroller may impose restrictions under Rule 93. Few candidates made these points, even though the question pointed strongly in this direction.

Although the client states that the new product is an obvious improvement, why is this so and what prior art does the client have? Carry out a prior art search.

The client must have been developing the product for some time, so may have rights under Section 64.

The prior art could be used as the basis for observations under Section 21 or, when the patent is granted, as the basis for an application for revocation.

However, it may not be a good idea to disclose the prior art to the rival because of the greater possibilities for amendment before grant as compared with post-grant proceedings. Very few candidates made this point.

The mere notification of a patent application is not a threat. In any event the client is a manufacturer.

If the patent is granted, and the product infringes both the patent as granted and the application as filed, damages may be awarded back to the date of publication of the application. However, no action can be taken before grant, around 20% of candidates thought otherwise.

Because the client has a worldwide market, a watching search should be maintained for equivalent applications which may be published in other countries. Publications are likely from March 2005. The information can be used to assess the territories covered by the rival's patent applications.

It is possible to search the UK OJ to identify any priority applications. This would help with establishing the relevant date for prior art and for the publication of equivalent applications. Again very few candidates made this point.

#### **Question 5 – 9 marks**

An average score for this question was a somewhat disappointing 4 or 5 marks.

Part a

According to Section 74, the client cannot institute proceedings to seek a declaration of validity. Over a quarter of candidates did not deal with this even though a response to the point was specifically required by part a.

Part b

a) Review the claims of GB5B in view of the prior art cited against EP5 and amend now if necessary to avoid the risk of unnecessary delay.

b) EP5 is said to be “related” to GB5B, but does it relate to the same invention? It is necessary to investigate this. Most candidates missed this.

Nevertheless, insofar as the claims of GB5B and EP5 are based on the priority document and relate to the same invention, the Comptroller could revoke GB5B under Section 73 after EP5 is granted and the opposition period has expired, or any opposition has been finally concluded.

c) Both EP5 and GB5B have the same priority date, so anything in GB5B that is entitled to priority cannot lack validity in view of EP5. However, any new subject matter not in the priority document but disclosed in EP5 both at filing and at publication could be used against GB5B under Section 2(3). The fact that the declared priority date might apply to only part of the subject matter was not usually explained with the result that the second point was missed.

Part c

Consider withdrawing the GB designation of EP5. This must be done before grant (the timing was often missed), otherwise it would not save GB5B. Alternatively, if the designation of GB is not to be withdrawn, amend the claims in GB5B following the review under Part a. to exclude common subject matter.

### **Question 6 – 7 marks**

The average score for this question was 3 or 4 marks.

Part a

Yes, there is a problem because AB Limited is not the entity entitled to the patent.

This is because the inventor was employed by Dropabrik Limited, so the right to apply belonged to Dropabrik Limited under Section 39.

Invalidity on this ground can only be raised by Dropabrik Limited, but at present this is unlikely to be an issue because the two companies are under common ownership. This was missed by most candidates.

However, if Dropabrik Limited is sold the new management could apply for revocation.

Part b

The problem can be overcome by an equitable assignment from Dropabrik Limited to AB Limited. It may also be appropriate to advise any prospective purchaser of Dropabrik Limited of the situation and of the assignment to put them on notice.

Alternatively, Dropabrik Limited could apply now under Section 37 to rectify the situation.

As a further alternative, the error could be corrected under Section 117 and Rule 91 or under Rule 47. It will be necessary to provide proof of the error. If either the Section 37 or 117 option was followed, Dropabrik could then assign its rights to AB.

Candidates tended to suggest the first solution that came to mind, rather than considering the options available. The first solution is not necessarily the best.

## **PART B**

The great majority of candidates answered Question 8. Questions 7 and 9 were answered in almost equal numbers. The marks were revealing with the average for Question 7 being 6 or 7 marks, for Question 8 being 11 or 12 marks, and for Question 9 being 9 or 10 marks.

### **Question 7 – 25 marks**

#### Notes to self

##### Surrender

In the UK, the court will probably not accept surrender, but will revoke the patent. The consequence of this is that the patent will be considered never to have been in force. There is, therefore, a possibility that USR could take action to recover royalties paid under the UK patent, although whether this could be successful is a moot question. In any event the client will not be able to recover the royalties that should have been paid under the licence. Many thought that surrender would be preferable to revocation because of the *ex nunc* effect but did not consider that surrender was unlikely to be accepted in litigation where validity was in question..

Revocation of patents in USA is only effective from the date of revocation. Alternatively, candidates should recommend seeking advice from a US attorney. However, if the brochure is not covered by the 12 month grace period there could be a risk of inequitable conduct.

In general, this part was answered particularly poorly. A reasonable number of candidates noted that revocation is *ex tunc*, and a few discussed the recovery of royalties paid, but it was by no means clear that such candidates really understood the impact of this point.

##### Prospects and damages

##### *Impact of brochure*

The actual publication date of the brochure should be checked. If the publication date is earlier than the earliest date of GB7B, it is novelty destroying in respect of claim 1.

Check claim 2. Does claim 2 have an inventive step over the brochure and is SF777 covered by claim 2?

In USA, if the date of publication of the brochure is less than 12 months before the US application it will not be prior art. Since payment of royalties under the US patent was terminated deliberately there is the possibility of exemplary damages.

##### *Entitlement to priority and consequences*

Check whether GB98 was still active at the date of filing GB99. Check also the content of GB98 and in particular whether it described only SF100 or whether the description was more extensive. These steps are necessary to decide whether GB99 was the first application and consequently whether PCT/GB7 is entitled to the priority date of GB99. It seems likely that claim 1 is not entitled to priority, but that claim 2 is.

Were the negotiations with USR prior to the licence in confidence? If not, and if claim 1 lacks priority, then claim 1 lacks novelty in the UK. In USA, if claim 1 lacks priority, is the invention still patentable?

Very few of these issues were considered by candidates. Although the majority of candidates suggested the publication date of the brochure should be checked, few discussed the scope and patentability of claim 2 and simply assumed the claim had inventive step and covered SF777. The significance of GB98 was seldom appreciated by candidates and the situation in USA was all but ignored.

How to improve the situation in the UK

Need to consider whether amendment would be allowed in view of the brochure or whether the delay would preclude amendment. The best way forward, rather than seeking amendment of claim 1, might be simply to delete claim 1 (with consequential amendment of claim 2).

Most candidates questioned the allowability of the amendment, but very few suggested deletion of claim 1.

Any other step in the UK

There will be UK unregistered design right in the design of the trainer which USR is almost undoubtedly infringing. This should be incorporated into the proceedings and could eliminate any difficulty regarding recovery of damages that might be associated with amendment of the patent.

Less than 30% of candidates considered this possibility, even though it appeared at the same place in the examination as last year, and mentioned in examiners comments then. .

#### Memo to Chief Executive

Candidates should note the memo should be brief and to the point. For example, the following points could be mentioned:

It is not advisable to surrender the UK patent: the potential gains could well exceed the costs and risks of continuing.

The UK patent should be restricted to the subject matter of claim 2 by deleting claim 1.

The company may be able to recover damages for the period subsequent to termination of the licence.

Unregistered design right should be added to the UK litigation.

Because candidates had not come to grips with the issues raised in this question, they found it difficult or impossible to draft a clear and concise memo. A very few well written memos were seen.

#### **Question 8 – 25 marks**

Validity of EP8B and the right to sue in the UK

WX appears to be entitled to the priority of JP/A (filed 12 September 1999) because its preparation and use as a dye was fully described and claimed in that application.

WY appears to be entitled to the priority of JP/B (filed 12 December 1999) because its preparation and use as a dye was fully described and claimed in that application.

WZ, its preparation and use as a dye was described and claimed in JP/B (12 December 1999), but the chemical structure was shown incorrectly. Additionally, WZ was described and claimed in JP/C (filed 21 February 1999) with the indication it could be useful as a dye. PCT/JP8 (and therefore EP8B) correctly describes WZ and was filed 12 September 2000.

There are therefore two possible priority dates for WZ, 12 December 1999 or 12 September 2000.

WZ may have a priority of 12 September 2000 because JP/C was filed before JP/B and consequently JP/B may not have been the first application.

WZ may have a priority of 12 September 2000 because the structure was wrong in JP/B. Consider whether the error and the correction were obvious. If obvious, JP/B may be enabling for WZ. If not obvious, then JP/B is not enabling and the priority for WZ is 12 September 2000.

Many candidates asserted the priority dates for WX and WY, but few explained why. Most candidates considered one of the reasons why WZ may not be entitled to priority, but few discussed both aspects.

JP/C was published on 21 August 2000, which is before the priority date of WZ if the subject matter only has the priority date of PCT/JP8 (12 September 2000). Consequently, if WZ is not entitled to priority, then JP/C is prior art for novelty and inventive step.

A disappointingly high proportion of candidates appeared to believe JP/C could be novelty-only prior art under Section 2(3) or Art 54(3) EPC.

WX was already well known, so consideration should be given as to whether the use of WX as a dye is patentable.

Investigate whether the research by Cambourne Textiles was published. If it was published, the use of WX as a dye lacks novelty. WY has a similar structure so it may lack inventive step. This should be investigated.

If the research by Cambourne Textiles has remained secret, it will not be available to attack WX and WY.

Most candidates discussed this group of issues. However, few considered the need to provide evidence of lack of inventive step for WY and few considered that fact that WX was already well known.

Dresden has the right to sue because it is an exclusive licensee. Alternatively, Gifu has the right to sue, or Gifu and Dresden can take action together.

Most candidates noted that Dresden can sue, but few considered other options.

Other issues

Halifax has the right under Section 64 to continue to do acts which, before the priority date of the invention, it had made in good faith effective and serious preparations to do. Candidates were expected to discuss whether Halifax had indeed made effective and serious preparations

and would satisfy the requirements of Section 64 or whether it had simply been planning at some future date to import WX dyed cloths and consequently did not satisfy the requirements of Section 64. Marks were awarded here for the discussion, not for a bald assertion that Section 64 applied.

In the event the preparations were effective and serious, this would give the right to import WX dyed cloth, but not WY.

Few considered whether the importation of cloth dyed with WX, WY or WZ would be an infringement. If the dye is not modified during the dyeing process, importation would be an infringement, but if it is modified there may not be infringement.

An amendment to change the category of claim to a process for dyeing cloth would probably be permitted and would potentially improve the patentability of the claim. Similarly, an amendment to split claim 1, for example to avoid the problems with WZ, would probably be permitted.

Potential amendment of the claim was overlooked by most candidates.

Actions Halifax should take and deadlines

Consider filing an opposition to EP8B by 9 May 2005.

### **Question 9 – 25 marks**

Options open to Luxamp

The administrator for Luxamp could take action under Sections 8 and 12 to acquire the rights to the invention. If successful, both the UK and PCT applications could be transferred to Luxamp. Luxamp would also need to challenge Mrs Smith's inventorship under Section 13. Although most realised that Mrs Smith may not have been a true inventor, few explained that Luxamp would have to prove this during entitlement proceedings if they wanted to avoid joint ownership. Otherwise, even if Luxamp is successful against Joe Smith, Mrs Smith's part will still belong to her. Any decision can be applied to the PCT application while in the International phase with the exception of the United States where the inventor is the applicant. Any decision after the International phase must be applied country-by-country or region-by-region.

Candidates tended to suggest action under Section 8 and often overlooked Section 12. The problem with Mrs Smith was seldom considered.

Questions to ask Joe Smith

Was Joe Smith an employee of Luxamp; did he have a contract of employment or a contract for services? The term "laid off" suggests he was an employee, but "consulting designer" suggests he was not an employee. If he was a consultant, did the terms of the consultancy spell out ownership of inventions? Was the nature of the consultancy such that inventions were anticipated and was there any consideration as to ownership.

An invention made by an employee in the normal course of his duties belongs to the employer in cases where an invention might reasonably be expected to result.

Alternatively, did Joe Smith as founder and major shareholder have a special obligation to his employer. If so, the invention belongs to Luxamp.

The patent application was filed some 2 months after Joe Smith left Luxamp. Where and when was the invention made?

Was Joe Smith's wife truly an inventor? This seems unlikely given the circumstances. Need to pursue this with Joe Smith.

This part was answered reasonably well, although many candidates omitted the fact that Joe Smith may have a special obligation to Luxamp.

General advice to Joe Smith

If it is concluded that Joe Smith owns the invention, then consideration should be given to taking action under Sections 8 and 12. This would clarify ownership and allow Joe Smith to approach potential investors with a realistic proposal for funding.

If Mrs Smith is not an inventor the UK and PCT applications should be corrected.

The new chip improves the performance of amplifiers and is presumably related to work Joe Smith did previously for Luxamp. Does Luxamp have patent protection on existing designs that might impinge on the new design? If so Joe Smith is unlikely to be able to take his new design elsewhere unless he can buy out the interests of Luxamp or secure a licence.

Novelty and infringement searches should be conducted and Joe Smith should provide any information he may have regarding prior art and infringement.

A validity and clearance report should be prepared for distribution to potential investors.

This part was not well answered even though similar questions have been asked in previous years. Candidates often gave very little advice other than to recommend correction of inventorship.