

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

BETWEEN

(1) NORTHERN LIGHT MUSIC LIMITED
(2) SENSE-SONIC LIMITED

Claimants

- and -

(1) THE COMPTROLLER GENERAL OF PATENTS
(2) ELITESOUND LIMITED
(3) CONVERSOR PRODUCTS LIMITED

Defendants

SKELETON ARGUMENT OF THE COMPTROLLER

1. The author apologises for the late filing of this skeleton due to the short notice given to the Comptroller in respect of this application.

This Application

2. This appears to be an application for the summary determination of whether the Register of Patents ought to be rectified by the removal of an entry recording an assignment of a patent dated 15 September 2003. Having said this, no Claim Form or Particulars of Claim has been received by the Comptroller.
3. The Comptroller / UKIPO has been named as a defendant to the application.

Background – the Register of Patents etc.

4. Patents are statutory monopolies granted, insofar as this jurisdiction is concerned, by the Comptroller of the United Kingdom Intellectual Property Office (a trading name for the Patent Office).¹
5. One of the Comptroller's functions is to maintain a register of patents ('the Register'). [s32(1) Patents Act 1977] The Register is open to public inspection² (now via the internet) and its purpose is to inform the public of various details in respect of those patents on the Register. Examples of the details recorded include the name and address of the proprietor, the filing date of the patent, its status and the like.
6. These details also include "the registration of transactions, instruments or events affecting rights in or under patents". [s32(2)(b) Patents Act 1977] Indeed the failure to register such transactions may prejudice a person's rights in a patent (for example against *bona fide* purchasers without notice who acquire inconsistent rights). [s33 Patents Act 1977]
7. The effect of registration is also that "... the register shall be *prima facie* evidence of anything required or authorised by this Act or rules to be registered..." [s32(9) Patents Act 1977]
8. There are various rules governing how a person must apply to put something on the register. These are set out in the Patents Rules 1995 (and its various amendments).
9. In order to register a transaction or instrument relating to a patent a person must file the appropriate form and fee (together with evidence sufficient to establish the transfer in the event that the form is not signed by the assignor of the patent). [r46 Patents Rules 1995]

¹ Or via the European Patent Office – this is not relevant for the instant proceedings.

² s32(5) Patents Act 1977.

10. Before entering a transaction on the Register, the Comptroller must satisfy himself that the relevant stamp duty has been paid.³ [s17 Stamp Act 1891]
11. In practice, the stamping of documents is seldom now an issue following the abolition of the requirement to pay stamp duty on intellectual property transactions in March 2000.⁴ However, the relevant form for registering a transaction includes a declaration which must be signed by the person seeking registration. The declaration includes the statement that “any necessary stamp duty has been paid”. A declaration once made is considered sufficient for the Comptroller to register the transaction without further enquiry. An incorrect declaration is considered serious (see eg *Woodhouse v Aquila* [2006] RPC 1) and may constitute a criminal offence under s109 Patents Act.
12. *En passant*, Mr Hall of the Claimants has asked UKIPO to investigate and pursue criminal proceedings against the other defendants in this action. The matter has been referred to UKIPO’s lawyers at the Department of Business Enterprise and Regulatory Reform (formally the Dti).
13. In conclusion the currently adopted practice, as published in the Manual of Patent Practice is as follows:

“The requirement for stamp duty to be paid on an instrument for the sale, transfer or other disposition of intellectual property was removed with effect from 29 March 2000... If the applicant or other party enquires as to whether stamp duty is payable in any other circumstances, eg. in respect of transactions outside the UK, it will normally be necessary to advise that the enquiry should be referred to the Inland Revenue.”⁵

³ This obligation is not peculiar to the Comptroller, the Stamp Act requires this of any person whose office it is to register chargeable instruments.

⁴ S129 Finance Act 2000

⁵ Manual of Patent Practice §32.09

Further background – entitlement proceedings etc.

14. In addition to its role in granting patents, UKIPO has significant jurisdiction to determine disputes relating to patents (and applications for patents). Some of this jurisdiction is shared with the Court but in certain areas it has exclusive jurisdiction. The Comptroller is given extensive powers in respect of the exercise of this jurisdiction having all the powers of a judge of the High Court save for the power to punish summarily for contempt of court.⁶
15. One matter in which UKIPO has exclusive original jurisdiction is in the determination of entitlement disputes relating to granted patent. [s37 Patents Act 1977] By exclusive original jurisdiction it is meant that proceedings must be commenced in UKIPO but that the Comptroller has a discretion to refer the matter up to the Court: “If it appears to the comptroller on a reference under this section that the question referred to him would more properly be determined by the court, he may decline to deal with it and, without prejudice to the courts jurisdiction to determine any such question and make a declaration ... the court shall have jurisdiction to do so.”⁷
16. The practice adopted by UKIPO as to whether it should “decline to deal” (and so refer the matter to the Court) has very recently been reconsidered and amended following the judgment of Mr Justice Warren in *Luxim Corporation v Ceravision Ltd* [2007] EWHC 1624 (Ch). [Judgment handed down 9 July 2007]
17. In short, UKIPO would not previously “decline to deal” unless this was requested by one or both of the parties (following which it would reach a considered decision on the matter). Following *Luxim* the practice was amended such that the assigned Hearing Officer would consider *of his own volition* whether he should make an order “declining to deal”⁸ applying the principles set out in *Luxim*.

⁶ r103 Patents Rules 1995.

⁷ s37(8) PA 1977.

⁸ See *Luxim* §63.

The co-pending entitlement proceedings

18. There are ongoing entitlement proceedings before the Office relating to Patent number GB 2 267 412 in respect of which the other parties to this application are the opposing parties.
19. In the light of the *Luxim* judgment, UKIPO has considered of its own volition whether it should decline to deal with the case and instead refer it to the court. It has reached the provisional view that it should indeed “decline to deal” and this has been communicated to the parties (by letter dated 13 July 2007). A oral hearing on the issue has been requested and is set down for 14 August 2007 following which a decision will be given.⁹ (It should be noted that the usual practice in respect many issues before UKIPO is to give a provisional view following which any party has the absolute right to an oral hearing.) The decision will be appealable (to the Court).
20. Without in any way pre-judging the matter, the possible outcomes of the “decline to deal” hearing would either be a referral up to the Court (in which case it would be fully seized of the entitlement proceedings) or a decision that the proceedings should remain before the Office. In the latter event, the case would proceed to an oral hearing of the substantive issues of the matter and a decision reached.
21. At any substantive hearing one of the issues would appear to be the effect of (including the admissibility of) the assignment of September 2003. If so, the Hearing Officer will hear the parties’ submissions on these issues and reach a decision. Consequent upon such decision, if appropriate, he will hear the parties on any consequent relief which ought to be granted. This will be no different to the treatment of the matter were such a substantive hearing to be before the Court. (Note that there is no difference in the context of entitlement proceedings in respect of the relief which the Office or the Court can grant).

⁹ Although the decision will most likely be reserved.

Today's application

22. Today's application appears to be an attempt to wrest some (undefined) part of the decision as to the effect / admissibility of the Assignment for summary determination by this Court.
23. The Comptroller opposes this course of action. His view is that the matter is properly to be determined by the tribunal seized of the entitlement proceedings (be that UKIPO or the Court which will be considered next week). These issues should be determined at a time and in a manner determined by the tribunal seized.
24. Moreover, the impact of any decision of this court on the co-pending entitlement proceedings is far from clear. It does, however, appear that the question of the consequences of any finding that the document is liable for stamp duty are inextricably bound up with the various other live issues in the entitlement proceedings.
25. Hence the Comptroller's view is that this application is wholly misconceived and should be dismissed.

Costs

26. The Comptroller has been named as a defendant in the instant action. In the event that the application is dismissed it will be seeking an order for its costs and will serve a schedule of those costs in due course.

RICHARD DAVIS

Hogarth Chambers

8th August 2007

CHAPTER 1 : AN OVERVIEW OF STAMP DUTY & STAMP DUTY RESERVE TAX

Overview

Who We Are

1.1 The Inland Revenue Stamp Taxes Office is the oldest part of the Inland Revenue and celebrated its 300th Anniversary in 1994. We were once responsible for collecting duty on a wide range of activities, covering matters as disparate as medicine bottle labels, playing cards, dice and cheques.

1.2 We are now responsible for the assessment and collection of stamp duty on documents used to effect the sale and transfer of interests in property, mainly land and buildings, and shares and other securities. We also administer the collection of stamp duty reserve tax arising on transactions carried out through electronic share dealing systems, notably CREST. Stamp Duty and Stamp Duty Reserve Tax together yield around £8bn per year.

1.3 We provide advice which is used to advise Ministers when they consider changes in the law.

1.4 In October 1999 the Stamp Office became a Business Stream of Capital & Savings Division known as IR (Stamp Taxes). It is under the control of a Business Director who reports to the Director of Capital & Savings.

Stamp Duty

1.5 Stamp Duty is under the care and management of the Board of Inland Revenue (See the Inland Revenue Regulation Act 1890 and Section 1 of the Stamp Duties Management Act 1891).

Stamp Duty is a Tax on Documents

1.6 Stamp duty is a tax payable on documents which transfer certain kinds of property, and on some other legal documents. 'Property' means all items capable of being owned, not just land or houses, but not all transfers of property are dutiable. When property can merely be handed over (the legal term for this being 'passing by delivery'), for example a car, furniture etc., there is no charge to stamp duty because there is no document executed on which to charge the duty. Some property, such as houses, land, shares in a company and goodwill of a business, may be transferred only in a prescribed legal form.

"A" 1.7 The Stamp Act 1891 provides that documents liable to stamp duty may not be registered or used unless they have been duly stamped. Since owners want to be able to demonstrate their title to property they are effectively required to have their document stamped if they want anyone, including a Court, to take notice of it. These are the documents we deal with and upon which we impress stamps.

Gilts

1.12 Gilts and most loan capital are exempt from duty except for loan capital which is in some way equity-related, e.g. convertible into equity or carrying a return related to the profits of a business, unless the return bears an inverse relationship to results.

Stamp Duty Threshold in Sales of Land or Property

1.13 For sales of other property there is a scale of rates depending on the price paid. It is not a "slice" scale. A single rate is charged on the total price. The rate is nil on sales for £60,000 or less. The £60,000 point is normally referred to as the "threshold". Sales over £60,000 but not over £250,000 are charged at 1%; sales over £250,000 up to £500,000 are charged at 3%; and sales over £500,000 are charged at 4%. In all cases the amount which results is rounded up, if necessary, to the nearest multiple of £5.

Leases

1.14 On the grant of a new lease, duty is charged by reference to the premium paid (if any) and the average annual rent. The premium is charged at the same rate as a sale but if the rent is more than £600 a year the premium is liable to duty even though it might be £60,000 or less. So if the rent is significant the £60,000 threshold does not apply. Rent is charged by reference to a separate scale of rates which depend on the length of the lease. (See Chapter 5 for full instructions regarding the assessment of Leases.)

Administration

Unstamped Documents

1.15 Documents are sent to a Stamp Office (or brought to the public counter) for stamping. An unstamped document cannot be relied upon nor can it be used for legal purposes, such as registering a transfer of ownership or production as evidence in Court, except in a criminal case. (Section 14(4) Stamp Act 1891)

1.16 There are penalties for presenting a document for stamping more than 30 days after the date it was executed (or after the date on which it was first brought into the UK, if it was executed overseas). There is also interest payable if the stamp duty due on a document is not paid within 30 days of the date the document was executed, regardless of where it was executed. See Chapter 3 for full instructions on penalties and interest.

Adjudication

1.17 There is a procedure known as "adjudication" (See Chapter 6 for full instructions regarding adjudication) under which the Board can be asked to give an opinion on the liability to duty of any document which has been executed. The duty can then be calculated and our decision notified to the applicant, and there is a right of appeal to the Courts against our decision. Apart from the adjudication process, there are no powers to assess stamp duty or enforce its collection thus we do not have assessments in the income tax sense. We rely on the general legal disabilities which follow from leaving a document unstamped. The position is quite different where Stamp Duty Reserve Tax is involved.

Stamp Duty Reserve Tax

Paperless Transactions in Shares

1.18 Stamp Duty depends upon there being a document which can be stamped. It is not apt to cope with paperless transactions. For that reason, Stamp Duty Reserve Tax (SDRT) was introduced in 1986 to cater for paperless transactions in shares. At the time, company law required a paper transfer document for the registration of a transfer of ownership of shares but there were some transactions which did not produce a paper document. In particular transactions within the same Stock Exchange accounting period escaped stamp duty because there was no need for a transfer document.

1.19 Stamp Duty Reserve Tax (SDRT) on purchases of shares is an integral part of the overall Stamp Duty regime, running alongside the Stamp Duty charge on share transfers.

CREST

1.20 In 1986 SDRT did no more than fill a few gaps. With the introduction of the CREST system for electronic share transfers SDRT has grown in importance very significantly and the greater part of the yield from share transfers now comes in the form of SDRT, most of which is collected through CREST. In order to cater for the introduction of CREST, the Treasury made company law regulations relaxing the general rule that a transfer must be made by a paper document. The regulations permit a paperless transfer of shares to be registered, provided it is made through an electronic system approved by the Treasury under the regulations. A number of changes to the stamp duty and SDRT rules were made in the Finance Act 1996 to cater for electronic transfers. The SDRT regulations were amended to impose an obligation on the operator of CREST (or any other Treasury approved electronic transfer system) to collect SDRT on transfers going through its system.

Scope

Section 14 of the Stamp Act 1891

1.29 The effect of Section 14(4) of the Stamp Act 1891 is that an unstamped document cannot be used for legal purposes (except as evidence in a criminal action) if it is executed in the UK or if it relates to property in the UK or anything done or to be done in the UK such as registration of a transfer of ownership by a Land or Company Registrar.

Territorial Scope of SDRT

1.30 SDRT applies to shares in UK companies and to shares in foreign companies if they are held on a UK register or if they are "paired" with UK shares. It applies whether the deal is done in the UK or overseas and whether the people involved are UK resident or not. The 1.5% charges on depositary receipt schemes, etc., apply to UK shares, but not to foreign shares even if they are on a UK register.

Reliefs

1.31 There are various reliefs from stamp duty or SDRT or both. For example :-

- transfers and leases to charities;
- transfers to Registered Social Landlords
- group relief (stamp duty only) for transfers and leases between members of a group of companies;
- relief for certain company reconstructions without change of ownership;
- relief for share purchases by "intermediaries" who are members of an EEA exchange or a recognised foreign exchange;
- relief for on-exchange stock lending transactions;
- temporary relief upon the amalgamation of an authorised unit trust and an open-ended investment company; and
- relief upon the conversion of an authorised unit trust into an open-ended investment company.

The History of Stamp Duties

Origins

1.32 The existence of a form of Stamp Duty may be traced back to Roman times when it was decreed by Emperor Justinian in the middle of the 6th century that there must be certain inscriptions on legal forms, with a penalty for defacing any of them.

CHAPTER 6 : STAMP DUTY : ADJUDICATION AND STAMP DUTY RELIEF CLAIMS

Overview

6.1 This Chapter gives detailed information about the adjudication procedure which is most commonly used either for settling stamp duty disputes or in cases where a formal adjudication is required by law as a condition for the granting of a stamp duty relief.

6.2 This Chapter does not cover the appeals procedure where the only matter in dispute is the level of penalty charged on the late presentation of a document for stamping. For instructions relating to the appeal procedure in that type of case see Chapter 3.

6.3 There is no appeal procedure relating to the interest charged on the late payment of stamp duty.

General Adjudication Procedure

Adjudication Means The Mouth of the Revenue is Shut Forever

6.4 The following extract is from a judgment of the Lord President of the Court of Session in a Scottish Stamp Duty case known as Lord Advocate v Caledonian Railway Co [1908] SC 574/5. It succinctly sums up the current situation so far as the assessment of Stamp Duty is concerned. It reads as follows :-

"We have had a long enquiry in this case, which I do not think I need detail, but it comes to this, that for the convenience of everybody - and I have no doubt it is most convenient and a perfectly proper plan - the Inland Revenue are in the habit of allowing persons to bring their deeds which are going to be stamped, and to have a sort of provisional opinion given as to what the stamp should be. It is only a provisional opinion, because everybody knows that it does not carry finality. If a person wants to be perfectly certain of the amount, and to be perfectly certain that that amount will never be questioned thereafter by the Inland Revenue, there is a well-known and statutory way of doing it, namely, by asking for an adjudication stamp, and, of course, if he gets an adjudication stamp, then the mouth of the Inland Revenue is shut forever upon the question of the amount of the stamp. But side by side with that which is the method when it is wanted to make the thing absolutely certain, there is the very convenient method which I have described."

The Reasons For Adjudication

6.5 Adjudication is an important part of the Stamp Duty machinery. It may be necessary where :-

- the customer disputes our calculation of duty and wishes to appeal; or
- the customer wishes to satisfy a third party that the document is regarded as duly stamped; or
- the Land Registry or a company registrar has demanded that the customer have the document adjudicated before it is registered to ensure there will be no breach of Section 17 of the Stamp Act 1891.
- the Stamp Duty is charged by reference to the value of some stocks or shares and submission for adjudication will allow us to agree this value with the customer, in certain cases through Shares Valuation Division;

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Charge of Duty upon Instruments

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Facts and
circumstances
affecting duty
to be set forth
in
instruments.

5. All the facts and circumstances affecting the liability of any instrument to duty, or the amount of the duty with which any instrument is chargeable, are to be fully and truly set forth in the instrument; and every person who, with intent to defraud Her Majesty,

- (a) executes any instrument in which all the said facts and circumstances are not fully and truly set forth; or
- (b) being employed or concerned in or about the preparation of any instrument, neglects or omits fully and truly to set forth therein all the said facts and circumstances;

shall incur [^{F1} a penalty not exceeding £3,000].

Annotations:

Amendments (Textual)

F1 Words in s. 5(b) substituted (27.7.1999 with effect in relation to penalties in respect of things done or omitted on or after 1.10.1999) by 1999 c. 16, s. 114, Sch. 17 Pt. I para. 3(2)

| Attributes of: 5. Facts and circumstances affecting duty to be set forth in instruments. | | | | | |
|--|------------|----------|------------|---------------|-------------------|
| Version no | Start date | End date | Extent | Confers power | Blanket amendment |
| > 2 | 27/07/1999 | | E+W+S+N.I. | N | N |

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PART I REGULATIONS APPLICABLE TO INSTRUMENTS GENERALLY

Adjudication Stamps

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Adjudication
by
Commissioners.

[F1 12. — (1) Subject to such regulations as the Commissioners may think fit to make, the Commissioners may be required by any person to adjudicate with reference to any executed instrument upon the questions—

- (a) whether it is chargeable with duty;
- (b) with what amount of duty it is chargeable;
- (c) whether any penalty is payable under section 15B (penalty on late stamping);
- (d) what penalty is in their opinion correct and appropriate.

(2) The Commissioners may require to be furnished with an abstract of the instrument and with such evidence as they may require as to the facts and circumstances relevant to those questions.

(3) The Commissioners shall give notice of their decision upon those questions to the person by whom the adjudication was required.

(4) If the Commissioners decide that the instrument is not chargeable with any duty, it may be stamped with a particular stamp denoting that it has been the subject of adjudication and is not chargeable with any duty.

(5) If the Commissioners decide that the instrument is chargeable with duty and assess the amount of duty chargeable, the instrument when stamped in accordance with their decision may be stamped with a particular stamp denoting that it has been the subject of adjudication and is duly stamped.

(6) Every instrument stamped in accordance with subsection (4) or (5) shall be admissible in evidence and available for all purposes notwithstanding any objection relating to duty.

Annotations:

Amendments (Textual)

F1 S. 12 and s. 12A substituted (27.7.1999 with effect as mentioned in s. 109(4) of the amending Act) for s. 12 by 1999 c. 16, ss. 109(3)(4), 122, Sch. 12 para. 1

Modifications etc. (not altering text)

- C1** s. 12(6) excluded (retrospective to 28.3.2000 and with effect as mentioned in s. 116(2) of the affecting Act) by 2000 c. 17, s. 116(2)(3), Sch. 32 para. 4(3)(a)
s. 12 applied (with modifications) (retrospective to 28.3.2000 and with effect as mentioned in s. 116(2) of the affecting Act) by 2000 c. 17, s. 116(2)(3), Sch. 32 para. 7

| Attributes of: 12. Adjudication by Commissioners. | | | | | |
|---|------------|----------|------------|---------------|-------------------|
| Version no | Start date | End date | Extent | Confers power | Blanket amendment |
| > 2 | 27/07/1999 | | E+W+S+N.I. | Y | N |

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PART I REGULATIONS APPLICABLE TO INSTRUMENTS GENERALLY

Adjudication Stamps

Version 1 of 1

F1 Adjudication: supplementary provisions.

12A. — (1) An instrument which has been the subject of adjudication by the Commissioners under section 12 shall not, if it is unstamped or insufficiently stamped, be stamped otherwise than in accordance with the Commissioners' decision on the adjudication.

(2) If without reasonable excuse any such instrument is not duly stamped within 30 days after the date on which the Commissioners gave notice of their decision, or such longer period as the Commissioners may allow, the person by whom the adjudication was required is liable to a penalty not exceeding £300.

(3) A statutory declaration made for the purposes of section 12 shall not be used against the person making it in any proceedings whatever, except in an inquiry as to the duty with which the instrument to which it relates is chargeable or as to the penalty payable on stamping that instrument.

(4) Every person by whom any such declaration is made shall, on payment of the duty chargeable upon the instrument to which it relates, and any interest or penalty payable on stamping, be relieved from any penalty to which he may be liable by reason of the omission to state truly in the instrument any fact or circumstance required by this Act to be so stated.]

Annotations:

Amendments (Textual)

F1 S. 12 and s. 12A substituted (27.7.1999 with effect as mentioned in s. 109(4) of the amending Act) for s. 12 by 1999 c. 16, ss. 109(3)(4), 122, Sch. 12 para. 1

Modifications etc. (not altering text)

C1 S. 12A applied (with modifications) (retrospective to 28.3.2000 and with effect as mentioned in s. 116(2) of the affecting Act) by 2000 c. 17, s. 116(2)(3), Sch. 32 para. 7

C2 S. 12A(1) restricted (retrospective to 28.3.2000 and with effect as mentioned in s. 116(2) of the affecting Act) by 2000 c. 17, s. 116(2)(3), Sch. 32 para. 5

| Attributes of: 12A. Adjudication: supplementary provisions. | | | | | |
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| Version no | Start date | End date | Extent | Confers power | Blanket amendment |
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- amending Act) by 1999 c. 16, ss. 109(3)(4), 122, Sch. 12 para. 3(4)(a)
- F4** Words in s. 14(3) substituted (27.7.1999 with effect as mentioned in s. 109(4) of the amending Act) by 1999 c. 16, ss. 109(3)(4), 122, Sch. 12 para. 3(4)(b)
- F5** Words in s. 14(4) substituted (27.7.1999 with effect as mentioned in s. 109(4) of the amending Act) by 1999 c. 16, ss. 109(3)(4), 122, Sch. 12 para. 3(5)

Modifications etc. (not altering text)

- C1** S. 14 amended by Finance Act 1931 (c. 28), s. 28(4) and amended (4.11.1996) by 1994 c. 9, ss. 244(5), 245; S.I. 1996/2316, art. 2
- C2** S. 14(1) excluded (retrospective to 28.3.2000 and with effect as mentioned in s. 116(2) of the amending Act) by 2000 c. 17, s. 116(2)(3), Sch. 32 para. 4(3)(b)
- C3** S. 14(4) amended by Finance Act 1984 (c. 43, SIF 114), ss. 109(3), 110(4)
- C4** S. 14(4) modified (retrospectively) (26.3.1985) by Finance Act 1985 (c. 54, SIF 114), ss. 78 (12)(14), 79(12)(13), 80, 82(7), 85(4)
- C5** S. 14(4) amended (retrospectively) (22.3.1988) by Finance Act 1988 (c. 39, SIF 114), ss. 140(3)(6), 141(3)(6)
- C6** S. 14(4) modified (retrospectively to 16.1.1992) by Stamp Duty (Temporary Provisions) Act 1992 (c. 2), s. 1(3)(4)
- S. 14(4) modified (retrospectively to 23.3.1993) by 1993 c. 34, s. 201(3)(4)
- s. 14(4) applied (with modifications) (retrospective to 28.3.2000 and with effect as mentioned in s. 116(3) of the amending Act) by 2000 c. 17, s. 116(2)(3), Sch. 32 para. 6
- S. 14(4) restricted (24.7.2002 with effect as mentioned in s. 115(8) of the affecting Act) by 2002 c. 23, s. 115(5)(a)

| Attributes of: 14. Terms upon which instruments not duly stamped may be received in evidence. | | | | | |
|--|-------------------|-----------------|---------------|----------------------|--------------------------|
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Adjudication Stamps

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Appeal
against
Commissioners'
decision on
adjudication.

[F1] 13. — (1) A person who is dissatisfied with a decision of the Commissioners on an adjudication under section 12 may appeal against it.

(2) The appeal must be brought within 30 days of notice of the decision on the adjudication being given under section 12(3).

(3) An appeal may only be brought on payment of—

- (a) duty and any penalty in conformity with the Commissioners' decision, and
- (b) any interest that in conformity with that decision would be payable on stamping the instrument on the day on which the appeal is brought.

(4) An appeal which relates only to the penalty payable on late stamping may be brought to the Special Commissioners in accordance with section 13A below.

(5) Any other appeal may be brought in accordance with section 13B below to the High Court of the part of the United Kingdom in which the case has arisen.

Annotations:

Amendments (Textual)

F1 Ss. 13, 13A and 13B substituted (27.7.1999 with effect as mentioned in s. 109(4) of the amending Act) for s. 13 by 1999 c. 16, ss. 109(3)(4), 122, Sch. 12 para. 2

Modifications etc. (not altering text)

C1 s. 13 applied (with modifications) (retrospective to 28.3.2000 and with effect as mentioned in s. 116(2) of the amending Act) by 2000 c. 17, s. 116(2)(3), Sch. 32 para. 7

| Attributes of: 13. Appeal against Commissioners' decision on adjudication. | | | | | |
|--|------------|----------|------------|---------------|-------------------|
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Production of Instruments in Evidence

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Terms upon which instruments not duly stamped may be received in evidence.

14. — (1) Upon the production of an instrument chargeable with any duty as evidence in any court of civil judicature in any part of the United Kingdom, or before any arbitrator or referee, notice shall be taken by the judge, arbitrator, or referee of any omission or insufficiency of the stamp thereon, and [^{F1}the instrument may], on payment to the officer of the court whose duty it is to read the instrument, or to the arbitrator or referee, of the amount of the unpaid duty, and [^{F1}any interest or penalty] payable on stamping the same, and of a further sum of one pound, be received in evidence, saving all just exceptions on other grounds.

(2) The officer, or arbitrator, or referee receiving [^{F2}the duty and any interest or penalty] shall give a receipt for the same, and make an entry in a book kept for that purpose of the payment and of the amount thereof, and shall communicate to the Commissioners the name or title of the proceeding in which, and of the party from whom, he received [^{F2}the duty and any interest or penalty], and the date and description of the instrument, and shall pay over to such person as the Commissioners may appoint the money received by him for [^{F2}the duty and any interest or penalty].

(3) On production to the Commissioners of any instrument in respect of which [^{F3}any duty, interest or penalty] has been paid, together with the receipt, the payment of [^{F4}the duty, interest and penalty] shall be denoted on the instrument.

(4) Save as aforesaid, an instrument executed in any part of the United Kingdom, or relating, wheresoever executed, to any property situate, or to any matter or thing done or to be done, in any part of the United Kingdom, shall not, except in criminal proceedings, be given in evidence, or be available for any purpose whatever, unless it is duly stamped in accordance with the law in force at the time when it was [^{F5}executed].

Annotations:

Amendments (Textual)

- F1** Words in s. 14(1) substituted (27.7.1999 with effect as mentioned in s. 109(4) of the amending Act) by 1999 c. 16, ss. 109(3)(4), 122, Sch. 12 para. 3(2)
- F2** Words in s. 14(2) substituted (27.7.1999 with effect as mentioned in s. 109(4) of the amending Act) by 1999 c. 16, ss. 109(3)(4), 122, Sch. 12 para. 3(3)
- F3** Words in s. 14(3) substituted (27.7.1999 with effect as mentioned in s. 109(4) of the

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Stamp Act 1891 (c.39)

Main body

PART I REGULATIONS APPLICABLE TO INSTRUMENTS GENERALLY

Entries upon Rolls, Books, &c.

Version 2 of 2

Rolls, books,
&c. to be
open to
inspection.

16. Every public officer having in his custody any rolls, books, records, papers, documents, or proceedings, the inspection whereof may tend to secure any duty, or to prove or lead to the discovery of any fraud or omission in relation to any duty, shall at all reasonable times permit any person thereto authorised by the Commissioners to inspect the rolls, books, records, papers, documents, and proceedings, and to take such notes and extracts as he may deem necessary, without fee or reward, and in case of refusal shall for every offence incur [^{F1} a penalty not exceeding £300].

Annotations:

Amendments (Textual)

F1 Words in s. 16 substituted (27.7.1999 with effect in relation to penalties in respect of things done or omitted on or after 1.10.1999) by 1999 c. 16, s. 114, Sch. 17 Pt. I para. 3(4)

Modifications etc. (not altering text)

C1 S. 16 extended by Finance Act 1975 (c. 7), Sch. 4 para. 42(2)

C2 S. 16 extended by Capital Transfer Tax Act 1984 (c. 51, SIF 65), s. 259

| Attributes of: 16. Rolls, books, &c. to be open to inspection. | | | | | |
|--|------------|----------|------------|---------------|-------------------|
| Version no | Start date | End date | Extent | Confers power | Blanket amendment |
| > 2 | 27/07/1999 | | E+W+S+N.I. | N | N |

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Stamp Act 1891 (c.39)

Main body

PART I REGULATIONS APPLICABLE TO INSTRUMENTS GENERALLY

Entries upon Rolls, Books, &c.

Version 2 of 2

Penalty for
enrolling, &c.
instrument
not duly
stamped.

17. If any person whose office it is to enrol, register, or enter in or upon any rolls, books, or records any instrument chargeable with duty, enrolls, registers, or enters any such instrument not being duly stamped, he shall incur [^{F1} a penalty not exceeding £300].

Annotations:

Amendments (Textual)

F1 Words in s. 17 substituted (27.7.1999 with effect in relation to penalties in respect of things done omitted on or after 1.10.1999) by 1999 c. 16, s. 114, Sch. 17 Pt. I para. 3(5)

| Attributes of: 17. Penalty for enrolling, &c. instrument not duly stamped. | | | | | |
|--|------------|----------|------------|---------------|-------------------|
| Version no | Start date | End date | Extent | Confers power | Blanket amendment |
| > 2 | 27/07/1999 | | E+W+S+N.I. | N | N |

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News and notices

Abolition of Stamp Duty on Intellectual Property Transactions

As from 28 March 2000 stamp duty will no longer be levied on documents effecting transactions of intellectual property. This was announced as part of BUDGET 2000, and is very welcome news indeed to all concerned in registering intellectual property rights.

For the purposes of this abolition "intellectual property" is defined as

- (a) any patent, trademark, registered design, copyright or design right,
- (b) any plant breeder's rights and rights under section 7 of the Plant Varieties Act 1997,
- (c) any licence or other rights in respect of anything within paragraph (a) or (b), or
- (d) any rights under the law of a country outside the United Kingdom that correspond or are similar to those within paragraph (a), (b) or (c).

For transactions effected on or after that date it will no longer be necessary to establish that any instrument that should have been stamped actually has been stamped before the transaction can be registered in any of the patents, designs or trade marks registers.

Consequently the declarations relating to stamp duty on patents Form 21/77, registered designs Form 12A and trade marks Form TM16 will not serve any legal purpose for transactions effected on or after 28 March 2000, and, accordingly they no longer need to be completed for such transactions.

For transactions effected before that date, the previous regime will continue to apply.

For transactions composed of a mixture of intellectual and other kinds of transferrable property, stamp duty is only abolished with respect to that portion of the total consideration which is attributable to the intellectual property component, and the instrument may need to be stamped with respect to the remainder.

The official announcement is contained in press release REV5 issued by the Inland Revenue. This can be accessed on the Treasury web site at:

<http://web.archive.org/web/20000914052913/http://www.hm-treasury.gov.uk/budget2000/rev5.html>

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Last updated 24 March 2000

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Full copies of the Manual with the updated pages are now also available. The price remains at £130 including binder and post and packing within the UK. The price for buyers outside the UK is £140 for the rest of Europe and £160 for elsewhere, reflecting the higher postage costs.

Orders and accompanying remittances should be sent to the above address. Cheques should be crossed "Account Payee Only" and made payable to "The Patent Office". Payments from overseas customers must be in sterling drawn on a UK clearing bank.

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Enquiries concerning this notice may be sent to:

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* Abolition of Stamp Duty on Intellectual Property Transactions *

From 28 March 2000 stamp duty will no longer be levied on documents effecting transactions of intellectual property. This was announced as part of BUDGET 2000, and is very welcome news indeed to all concerned in registering intellectual property rights.

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Consequently the declarations relating to stamp duty on patents Form 21/77, registered designs Form 12A and trade marks Form TM16 will not serve any legal purpose for transactions effected on or after 28 March 2000, and, accordingly they no longer need to be completed for such transactions.

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For transactions composed of a mixture of intellectual and other kinds of transferrable property, stamp duty is only abolished with respect to that portion of the total consideration which is attributable to the intellectual property component, and the instrument may need to be stamped with respect to the remainder.

The official announcement is contained in press release REV5 issued by the Inland Revenue. This can be accessed on the Treasury web site at:-

<http://www.hm-treasury.gov.uk/budget2000/rev5.html>

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The Competition Act 1998: intellectual property agreements

Whilst detailed guidance on the application of the Act to intellectual property agreements is awaited from the Office of Fair Trading, there are three recently laid Orders which came into force on 1 March 2000 and which practitioners should note immediately. The first concerns the exclusion of the Chapter 1 prohibition of the Act to vertical agreements, as defined in the Order, and the second and third concern the repeal of sections 44 and 45 of the Patents Act 1977.

(i) Vertical agreements

Section 50 of the Competition Act 1998 allows the Secretary of State by Order to make special provision for the application of the Act to vertical and land agreements, in particular by excluding or exempting them from the provisions contained in the Act itself. This Order making power has been exercised in SI 2000 No. 310, The Competition Act 1998 (Land and Vertical Agreements Exclusion) Order 2000.

The Order defines vertical agreements as: "agreements between undertakings, each of which operates, for the purposes of the agreement, at a different level of the production or distribution chain, and relating to the conditions under which the parties may purchase, sell or resell certain goods or services and includes provisions contained in such agreements which relate to the assignment to the buyer or use by the buyer of

To: Mr. Andrew Hall

From: Darren Smith, Trade Marks Journal Section.

Hello again Mr. Hall,

Please find attached the notice that was advertised in journal 6324 regarding the abolition of stamp duty on IP transactions.

Hope this was the information you needed,

Kind regards



Darren

01633 811447

darren.smith@ipo.gov.uk

Abolition of Stamp Duty on Intellectual Property Transactions

As from 28 March 2000 stamp duty will no longer be levied on documents effecting transactions of intellectual property. This was announced as part of BUDGET 2000, and is very welcome news indeed to all concerned in registering intellectual property rights.

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SCHEDULE 34

Section 129.

ABOLITION OF STAMP DUTY ON INSTRUMENTS RELATING TO INTELLECTUAL PROPERTY:
SUPPLEMENTARY PROVISIONS*Introduction*

- 1 In this Schedule "intellectual property" has the same meaning as in section 129(1).

Stamp duty reduced in certain other cases

- 2 (1) This paragraph applies where—
- (a) stamp duty under Part I of Schedule 13 to the Finance Act 1999 (conveyance or transfer on sale) is chargeable on an instrument, and
 - (b) part of the property concerned consists of intellectual property.
- (2) In such a case—
- (a) the consideration in respect of which duty would otherwise be charged shall be apportioned, on such basis as is just and reasonable, as between the part of the property which consists of intellectual property and the part which does not, and
 - (b) the instrument shall be charged only in respect of the consideration attributed to such of the property as is not intellectual property.
- (3) This paragraph applies to instruments executed on or after 28th March 2000.

Apportionment of consideration for stamp duty purposes

- 3 (1) Where part of the property referred to in section 58(1) of the [1891 c. 39.] Stamp Act 1891 (consideration to be apportioned between different instruments as parties think fit) consists of intellectual property, that provision shall have effect as if "the parties think fit" read "is just and reasonable".
- (2) Where—
- (a) part of the property referred to in section 58(2) of the Stamp Act 1891 (property contracted to be purchased by two or more persons etc.) consists of intellectual property, and
 - (b) both or (as the case may be) all the relevant persons are connected with one another,
- that provision shall have effect as if the words from "for distinct parts of the consideration" to the end of the subsection read "the consideration is to be apportioned in such manner as is just and reasonable, so that a distinct consideration for each separate part or parcel is set forth in the conveyance relating thereto, and such conveyance is to be charged with *ad valorem* duty in respect of such distinct consideration."
- (3) In a case where sub-paragraph (1) or (2) applies and the consideration is apportioned in a manner that is not just and reasonable, the enactments relating to stamp duty shall have effect as if—
- (a) the consideration had been apportioned in a manner that is just and reasonable, and
 - (b) the amount of any distinct consideration set forth in any conveyance relating to a separate part or parcel of property were such amount as is found by a just and reasonable apportionment (and not the amount actually set forth).
- (4) For the purposes of sub-paragraph (2)—
- (a) a person is a relevant person if he is a person by or for whom the property is contracted to be purchased;
 - (b) the question whether persons are connected with one another shall be determined in accordance with section 839 of the Taxes Act 1988.
- (5) In sub-paragraph (3) "the enactments relating to stamp duty" means the Stamp Act 1891 and any enactment amending or which is to be construed as one with that Act.
- (6) This paragraph applies to instruments executed on or after 28th March 2000.

Certification of instruments for stamp duty purposes

Modernising stamp duty

Budget 2003 confirms the details of and changes to the modernised regime for stamp duty announced in Budget 2002. The revised regime, which will apply from 1 December 2003, will have a reinforced legal basis and modern enforcement powers commensurate with other taxes. It will stop the abuse that has been pervasive in high-value commercial transactions, while reducing the burden on smaller businesses and modernising the administration of the tax for individuals.

The new regime will expand a range of anti-avoidance powers to discourage the transfer of properties into companies (sometimes called special purpose vehicles) in certain circumstances. A number of changes to the group and acquisition relief clawback provisions will be introduced with immediate effect, including extending the period in which these clawbacks can be withdrawn to three years.

The Government proposes further consultation on the transfer of land into and out of a partnership by a partner, and the need for a stamp duty charge on transfers of interests in partnerships that hold UK land. This is in order to prevent the use of partnerships to transfer property without incurring a stamp duty charge. Pending introduction of the new measures, the stamp duty treatment of partnership interests will continue as now.

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The modernised regime comes into force for transactions completed on or after 1 December 2003, where those transactions relate to contracts entered into after Royal Assent of the Finance Bill. This means that transactions enacting contracts entered into on or before Royal Assent will broadly always be chargeable under the existing stamp duty regime, no matter when completed. There will be special rules for certain options made after 16 April - transactions arising from those options may be subject to modernised stamp duty if they arise after implementation of the new regime. Full details about transitional provisions will be available when the Finance Bill is published on 16 April.

The modernised stamp duty regime will see the abolition of stamp duty on transactions involving property other than land, shares and interests in partnerships. This de-regulation will take many transactions out of stamp duty altogether, significantly transfers of book debts and other receivables.

The vast majority of individuals buying or renting residential property will see no immediate changes under the new regime, though there will be some administrative changes (such as a redesigned form) which their solicitors or conveyancers will handle for them, as they do now. Over time, modernisation will offer new electronic ways of notifying liability and paying stamp duty, and help speed up the house-buying process.

In future, and once improvements to the administration of stamp duty have been implemented, the Government is prepared to consider additional changes that differentiate between the commercial and residential markets; taking into account the economic circumstances of the two sectors, and the need to ensure fairness between taxpayers.

back to top**Stamp duty on new leases**

Under the modernised regime, the Government also proposes to update the existing charge on the grant of new leases (known as "lease duty") to bring it closer into line with the charge on transfers of freehold land and buildings. Legislation to achieve this will be included in the Finance Bill and the changes will have effect from 1 December, subject to further consultation.

At present the charge is calculated by reference to lease length and the average annual rent, with four different rates applying. This approach does not properly reflect the value of the lease over time, and creates distortions, particularly around the points where rates change. Under the proposals, the new charge will follow modern commercial practice in valuing the rent payable over the term of the lease at its discounted net present value (NPV) and there will be a single rate of 1 per cent of the NPV of rental payments, where the NPV exceeds the zero rate band threshold of £60,000 (for residential property) or £150,000 (for non-residential property). Premiums will continue to be taxed as now at the same rates as freehold transfers. This will reduce the tax distortion between holding property as leasehold and as freehold, and between different types of leases.

In addition, from 1 December 2003, VAT will be excluded from treatment as consideration for a

Other News

certain mergers. A merger document which is not treated as a "conveyance on sale" will be subject to fixed stamp duty: for documents executed prior to 1 October 1999 this is 50p; for documents executed on or after 1 October 1999 the fixed rate is £5. The exemption for intellectual property applies equally to all such documents if made on or after 28 March 2000.

7. Other exemptions

Apart from the exemption for stamp duty on intellectual property transactions, which applies to instruments executed on or after 28 March 2000, other exemptions may be available irrespective of the date of the instrument. For example, exemption from stamp duty may be available for certain *intra-group* transactions (subject to filing the requisite evidence and adjudication of the original documents) or for assignments by way of gift (subject to inclusion of a certificate in the requisite form under Category L in the Schedule to the Stamp Duty (Exempt Instruments) Regulations 1987).

B. Patricia B. Harris

(Ed.: apart from the item by Alan White on this page please also see the brief note in the Patents Committee Report and the letter from Sue Ratcliffe on respectively page 160 and 200 of this issue.)

Stamp Duty

In a written footnote to the Budget speech it was stated that, although stamp duty on real property was being increased in some situations,

"The stamp duty charge on transactions in intellectual property, including patents, designs and copyrights, will be abolished with effect from 28 March 2000".

Documents which transfer other forms of property outside the exclusion will continue to attract stamp duty on the value of the non-excluded property conveyed by that document. Of course, it remains to be seen how the ensuing Finance Act will define "intellectual property" for this purpose, but in a note recently circulated with the *Official Journal* the Patent Office states that the abolition applies to:

- "(a) any patent, trademark, registered design, copyright or design right;*
- (b) any plant breeder's right, right under section 7 of the Plant Varieties Act 1997;*

(c) any licence or other right in respect of anything within paragraph (a) or (b); or

(d) any rights under the law of any country outside the United Kingdom that corresponds or are similar to those within paragraph (a), (b) or (c)."

This notice also states that, as the declaration concerning payment of stamp duty on the Patent Office forms for registering transactions no longer has any significance, this need not now be signed for transactions which occurred on or after 28 March 2000.

Hopefully, the eventual Finance Act will clarify the position as regards other forms of intellectual property, e.g. as regards supplementary protection certificates, performance rights and database rights, but "goodwill" probably extends beyond the concept of "intellectual property".

Alan W. White

Patent proposal before July

Michael Dean (*Fellow*) has sent us the following text of a news item issued by the European Commission on 9 March 2000:

The Commission will propose a Regulation on a Community patent by the end of June to cut

the cost and improve the mechanisms of patent protection in the EU. Creating a Community patent is a political priority. Commissioner Frits Bolkestein stressed on a visit to the European Patent Office on 7 March. Both the current

Portuguese Presidency and the following French Presidency have also pledged to make it a priority, he added. The proposal heads a series of changes outlined in a Communication last year to overhaul patent law in the EU.

Finance Act 2002

Changes to stamp duty on goodwill

The Finance Act 2002 received the Royal Assent on 24 July 2002. It introduces changes to stamp duty on instruments relating to the transfer of goodwill, which were deemed to have come into force on 23 April 2002.

Prior to the changes in the Finance Act 2002, the position was that goodwill attaching to and derived from intellectual property was treated by the Inland Revenue as exempt from stamp duty (for transfers of intellectual property executed on or after 28 March 2000) while general business goodwill remained chargeable. This distinction, and the consequent implications, was highlighted in my article published in the January 2002 volume of the *CIPA Journal* (Vol. 31 No. 1).

However, the distinction has now (thankfully) been abolished and, as a result, business goodwill, like goodwill attaching to intellectual property, is also exempt from stamp duty. It is of course important to remember that stamp duty is a tax which is charged on

documents and not transfers, and therefore the exemption in relation to business goodwill will only apply to instruments executed after 23 April 2002.

This change in the law is a welcome one for practitioners since; if an assignment of goodwill is executed after 23 April 2002 it will no longer be required to be stamped. Additionally, and in the light of this change in the law, the Trade Marks Registry has amended form TM 16 so as to remove the dreaded stamp duty declaration. Accordingly, practitioners should no longer need to become unduly concerned when they are faced with the common situation of having to register the assignment of one or more UK registered trade marks, where the relevant transferring "instrument" also

refers to the transfer of goodwill (including business goodwill), but does not apportion a value to the UK business goodwill.

It should still be remembered that if an instrument of transfer consists partly of exempt property (such as intellectual property rights and/or business goodwill) and partly of some other chargeable property (e.g. land in the UK); the consideration must be apportioned on a just and reasonable basis in order to determine the amount of chargeable consideration on which duty should be paid. In such circumstances a form Stamps 22 will need to be completed to show the apportionment (except where this is fully set out in the agreement for sale or other relevant documents). However, it is worth noting that the Inland Revenue generally tend not to question an apportionment made on a form Stamps 22.

Robert Williams

Litigators please note: New Statutory Instrument

The Civil Procedure (Amendment no. 2) Rules 2002, 2002 No. 3219 (L.8) has now been published and will come into force on 1 April 2003. As the Explanatory Note states, these Rules insert into the Civil Procedure Rules 1998, as Part 63, new rules governing procedure for IPR proceedings, in particular registered IPRs. They supersede the provisions in Practice Direction 49E and also make some minor amendments to rule 25.13 (security for costs) as well as 36.6 and 37.1, in anticipation of changes to the rules governing payments into court.

One noteworthy point is concerning allocation: 63.13(2) states baldly that "claims under the 1994 [Trade Marks] Act must be brought in the Chancery Division", thus clearly excluding county courts such as the PCC even as regards the limited jurisdiction they had, *cf.* the recently reported *Minsterstone* case, [2002] F.S.R. 807.

The full text is available at <http://www.legislation.hmso.gov.uk/si/si2002/2002.3219.htm>.

Tibor Gold – with thanks to Vicki Salmon

UK Stamp Duty on Intellectual Property Transactions following the Budget of 21 March 2000

The recent Budget has introduced the long awaited exemption for transactions in intellectual property, but subject to certain limitations. The exemption has been introduced in order "to help boost R&D and foster an environment in which invention and innovation are encouraged". The provisions are summarised in paragraphs 12-15 of the Budget Press Release REV5, which is available on the Inland Revenue's web-site at: www.inlandrevenue.gov.uk.

The exemption only applies to instruments executed on or after 28 March 2000 and only in respect of the intellectual property, as defined in Resolution 60((13) from the House of Commons Order of Business for Wednesday 22 March 2000 (see www.parliament.the-stationery-office.co.uk/pa/cm199900/cmagenda/ob000322.htm). The definition is set out in full below. Non-exempt property included in such instruments will still be subject to stamp duty.

Thus, it will be necessary to consider whether an instrument is chargeable to stamp duty if either:

- (i) it is dated before 28 March 2000; or
- (ii) it is dated on or after 28 March 2000 but relates wholly or partly to property falling outside the definition of intellectual property.

The definition of intellectual property for the purposes of the stamp duty exemption is as follows:

- (a) any patent, trade mark, registered design, copyright or design right,
- (b) any plant breeders' rights and rights under section 7 of the Plant Varieties Act 1997,
- (c) any licence or other right in respect of anything within paragraph (a) or (b), or
- (d) any rights under the law of a country outside the United Kingdom that correspond or are similar to those within paragraph (a), (b) or (c).

This definition does not refer specifically to any of the following: goodwill, supplementary protection certificates, utility models, domain names, or pending applications. However, the Stamp Office has advised that, in the light of the Chancellor's broad policy statement, the definition will be interpreted as covering all of these except business goodwill. Unfortunately, it is apparently unlikely that the definition of intellectual property will be amended in the Finance Act so as to make this clear, and the Stamp Office has no present intention of issuing any written policy or practice statement to the public.

The omission of goodwill from the definition is likely to cause some problems for practitioners trying to assess what if any stamp duty may be payable, as trade marks are frequently assigned with "the goodwill of the business in the goods or services for which the marks are registered or used" or "the goodwill associated with the trade marks". The definition refers

to "trade marks", rather than "registered trade marks", and therefore covers both registered and unregistered trade marks and rights in respect of any of these. The Stamp Office has confirmed that this is how the definition will be construed and that it will adopt the following approach to the stamping of assignments which refer to goodwill. If the assignee has not acquired the business with the related goodwill, the Stamp Office will accept that the "goodwill" referred to in the assignment is merely a right in respect of the trade marks and as such falls within the exemption. If, instead, the assignee has acquired the business with its related goodwill and the assignment is construed as having assigned this, then, according to the Stamp Office, an apportionment of the consideration will need to be made "on such basis as is just and reasonable" in order to determine the amount attributable to the goodwill (as distinct from the trade marks themselves and the rights in respect of them), and this amount will be chargeable to duty (subject to any other exemptions which may apply).

Accordingly, if a business with its related goodwill is being acquired, it may be preferable to have a separate assignment of the business goodwill, and in the trade mark assignment to refer, at most, just to the inclusion of associated trade mark goodwill. In this way, the trade mark assignment should fall within the exemption and will not therefore need to be presented for stamping prior to any recordal at the UK Patent Office. More than one assignment of business

Mr A. J. J. Hall
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25 April 2008

Dear Mr Hall

Re: Stamp Duty – error in the Manual of Patent Practice s.32.09

Thank you for your letters of 15 and 17 April 2008 to Ian Fletcher. I have been asked to reply on his behalf. You are correct to say that, although section 129(1) of the Finance Act 2000 (c.17) ("FA 2000") abolished stamp duty in respect of instruments dealing exclusively with intellectual property, stamp duty remains chargeable on instruments which deal in part with intellectual property and in part with other property, as set out in Schedule 34 to the FA 2000.

We are currently confirming what our practice should be in light of this and will ensure that both our practice and guidance in this area are legally sound.

The second paragraph under 32.09 in the Manual of Patent Practice ("MoPP") is in accordance with s.129(1) of the FA 2000 and refers to transactions dealing exclusively with intellectual property. This paragraph has therefore not "misrepresented the effects of s.129, c.17. sch. 34 FA 2000" as you suggest. However, the guidance provided in the MoPP and our other manuals will be clarified as appropriate at the next update to explain the particular situation to which you refer.

Please find enclosed a copy of the version of section 32 of the MoPP which was valid immediately prior to 28 March 2000 (dated December 1999).

Yours sincerely

S. Barker

Sarah Barker
Patents Legal Section

"A"
"B"
"C"
"D"

Mr A. J. J. Hall
Noyna Lodge
Manor Road
Colne
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<http://www.ipo.gov.uk>

17 June 2008

Dear Mr Hall

Re: Stamp Duty – errors in the Manual of Patent Practice ss.32 and 126

Thank you for your email of 27 May 2008, addressed to Sarah Barker as Editor of the Manual of Patent Practice. As the case officer on the matters that you have raised, I am responding to your email but please be aware that Ms Barker has been fully consulted regarding the contents of this letter.

We agree that the statements relating to stamp duty in sections 32 and 126 of the Manual of Patent Practice did not fully explain the situation in all circumstances.

However, the statements should be read in context. The Manual of Patent Practice (hereafter "MoPP") is a guidance manual for interpreting the Patents Act 1977 and provides guidance relating purely to patent practice. The comments relating to stamp duty should therefore be read in the context of the assignment of solely intellectual property rights.

In the current (April 2008) version of the MoPP, paragraph 32.09 does not discuss the stamp duty requirements for instruments relating in part to intellectual property and in part to other property, but I do not agree that this is therefore a misrepresentation of the situation. Nonetheless, section 32 of the MoPP will be amended shortly in order to make the situation for such transactions clear.

Furthermore, the statement "The requirement for stamp duty to be paid on any instrument for the sale, transfer or other disposition of intellectual property was removed with effect from 28 March 2000 by s.129 of the Finance Act 2000" will be deleted from section 126 of the MoPP. Section 126 was only ever relevant in respect of the Community Patent Convention, which never came into force. This section of the Patents Act 1977 therefore never had any effect.

Please note that the disclaimer (<http://www.ipo.gov.uk/disclaimer.htm>) on our website states "The information available on this site is not intended to be comprehensive, and many details which may be relevant to particular circumstances have been omitted. Accordingly it should not be regarded as being a complete and authoritative source of intellectual property information, and readers are advised to seek independent professional advice before acting on anything contained herein. The UK Intellectual Property Office cannot take any responsibility for the consequences of errors or omissions."

Furthermore, in relation to the Manual of Patent Practice, the disclaimer states "Statements made in the Manual are not in themselves an authority for any action by the UK Intellectual Property Office and should not be used as a set of legal requirements. If you wish to point out an error in the Manual, you can write to the Editor at the UK Intellectual Property Office." Hence, while the Manual of Patent Practice may be regarded as a guide to action, it does not impose any particular line of action and should not be quoted to that end.

Please find attached for your information updated versions of ss.32 and 126 of the Manual of Patent Practice, updated in light of your comments regarding stamp duty - thank you for the input you have provided in this area. These versions will go live on 1 July 2008.

Yours sincerely

Debbie Cooke

Debbie Cooke (Mrs)
Registers Manager

"E"

"F"

under patents and applications;

Transactions, instruments or events affecting rights

r.44(6) 32.08 The register contains notice of any transaction, instrument or event referred to in s.32(2)(b) or s.33(3). An agreement to assign, which operates in English law to create and vest in the buyer an immediate equitable interest, may thus be entered in the register as a transaction affecting rights in a patent but this is not itself an assignment or any of the other transactions, instruments or events specified in s.33 (*Coflexip Stena Offshore Limited's Patent* [1997] RPC 179).

r.47 "A" 32.09 An application to register, or to give notice to the comptroller of, any such transaction, instrument or event should be made on Patents Form 21 accompanied by the appropriate fee (currently set at zero). The fact that the application has been received is recorded in the register (when the application for a patent is published). Rule 47 requires that the application should include evidence establishing the transaction, instrument or event. Thus the form should be signed by or on behalf of the person or persons making the application to confirm that the rights which are affected by the transaction, instrument or event have been acquired. If the Form is signed by or on behalf of at least the assignor, mortgagor or grantor of a licence or security, the application will normally be taken to include sufficient evidence to register the transaction, instrument or event. In such cases the comptroller will not normally require any additional evidence. However, he may require further evidence if the particular circumstances warrant it. In any case, further evidence sufficient to establish the transaction, instrument or event should accompany the form if (a) in the case of an assignment it is not also signed by or on behalf of the assignor, or (b) in the case of a mortgage or the grant of a licence or security, where the mortgagor or grantor is not the applicant, it is not also signed by or on behalf of the mortgagor or grantor. For any documentary evidence not in English, a translation must be supplied.

r.113(1)
r.113(2)

"C" "D" The requirement for stamp duty to be paid on an instrument exclusively for the sale, transfer or other disposition of intellectual property (as defined in section 129(2) of the Finance Act 2000) was removed with effect from 28 March 2000 (by s.129 of the Finance Act 2000). Stamp duty remains chargeable on instruments which deal in part with intellectual property and in part with other property on which stamp duty is payable, as set out in Schedule 34 to the Finance Act 2000. If the applicant or other party enquires as to whether stamp duty is payable in relation to a transaction relating in part to intellectual property and in part to other property or in any other circumstances, e.g. in respect of transactions outside the UK, it will normally be necessary to advise that the enquiry should be referred to HM Revenue & Customs (HMRC).

In the case of a published application for a patent, details of a transaction, instrument or event may be recorded even if the application has been refused or withdrawn.

s.30(1),(2)
r.55(g) If Form 21 relates to an unpublished application for a patent, details of the transaction, instrument or event concerned are published in the journal. If there is a change of ownership of the application, that is recorded on the Patents Form 1 in the application file. PECS dossiers should have the Form 1 annotated and a minute imported into the dossier.

In the case of a granted patent, details of a transaction, instrument or event may be entered on the register even if the patent has lapsed for non-payment of fees. These details may not be registered in respect of a revoked patent since revocation has effect *ex tunc* and the patent is therefore deemed never to have been granted. However, any register entries made prior to revocation remain on the register as a historical record. Similarly if a patent has been deemed void *ab initio* no recordal is possible.

When the Office is aware that there are proceedings before the court in which the ownership of the patent is at issue, the applicant for registration should be informed that the Office proposes to stay the application on Form 21 pending the final outcome of those proceedings

Changes to the Manual of Patent Practice: July 2008

Please find details below of the changes which have been incorporated into the July 2008 version of the Manual of Patent Practice.

All such changes are indicated by a sidebar, with any new text coloured red. Please note that all previous red text has been removed such that all red text present indicates new text since the April 2008 version of the Manual. Any sidebars present indicate a change since the February 2008 version.

| Paragraph | Update |
|---|---|
| Table of cases | <i>Actavis UK Ltd v Merck</i> included. <i>Howmet</i> deleted (it is not referred to). Other entries updated. |
| Introduction 0.08 | Updated in light of <i>Actavis v Merck</i> . |
| 4A.27, 4A.28.1 | Updated in light of <i>Actavis v Merck</i> . |
| 15.39, 15.40, 15.58 (divisional aide-memoire paras 11 & 12) | Clarification of practice when divisionals contain added matter. |
| Section 15A | PECS practice incorporated throughout. |
| 17.75 | Citation formats updated. |
| 18.07, 18.07.1 | Amended in light of accelerated examination targets. |
| 18.39, 18.48, 18.98 (CSE aide-memoire, para 7) | Reply date for s.18(3) reports corrected. |
| 18.48 | Practice clarified for CSEs on which search would serve no useful purpose. |
| 18.54 | Amended to reflect revised practice concerning exercise of comptroller's discretion to grant extensions of time under rule 108 and to accept late responses to examination reports under s.18(3). The "unintentional" test (which applies to requests for reinstatement under s.20A) will be considered in these circumstances. |
| 19.05-06 | Amended to clarify guidance on correction of a name under rule 49 in the light of changes to Form 20. |
| 19.07 | Updated in light of PECS practice with respect to changes in bibliographic data. |
| 27.07, 27.08 | Clarified in light of s.27(6). |
| 32.06, 32.14 | Amended to clarify guidance on correction of a name under rule 49 in the light of changes to Form 20. |
| 32.09 | Stamp duty requirements clarified in relation to instruments relating in part to IP and in part to other property. |
| Section 32 | Other clarifications made throughout. |
| Section 77 | Changes made as a consequence of the |

| | |
|-------------------------------|--|
| | London Agreement coming into force. |
| Section 78 | Consequential changes due to deletions in section 77. |
| Section 80 | Consequential changes due to deletions in section 77. |
| 89.03, 89A.14, 89B.10, 89B.13 | Updated in light of PECS practice in relation to PCT reports. |
| 89A.19 | Clarified with respect to publication of PCT applications without an international search report. |
| 117.17 | Amended to clarify guidance on correction of a name under rule 49 in the light of changes to Form 20. |
| 123.37 | Amended to reflect revised practice concerning exercise of comptroller's discretion to grant extensions of time and to accept late responses to examination reports (see entry for 18.54 above). |
| 123.70.1 | Reference to new directions under s.123(2A) included. |
| Section 126 | <u>Wording amended to make clear that this section never had any effect.</u> |
| 130.31 | Updated in light of <i>Actavis v Merck</i> . |
| SPC main: SPM10.15, SPM13.05 | Updated in light of <i>Merck and Co., Inc.</i> |
| SPC Table of cases | <i>Merck and Co., Inc.</i> added. |
| Notices | New directions under s.123(2A) included (Patents Forms 20 and 54). |

Andrew Hall

From: "Sarah Barker" <Sarah.Barker@ipo.gov.uk>
To: "Andrew Hall" <andrew.hall2@btconnect.com>
Cc: "Debbie Cooke" <Debbie.Cooke@ipo.gov.uk>
Sent: 27 June 2008 17:16
Attach: sec-032.pdf; sec-126.pdf; Sec-126.pdf; Sec-032.pdf
Subject: Re: MoPP - OPSI licence

^{"A"} Mr Hall

^{"B"} With reference to your below request for "copies of the current s32.09 and s126", I assume you are referring to the Manual of Patent Practice (as against the Patents Act 1977, to which the Manual relates). The current version of the Manual is available publicly on our website, however I attach copies of the current MoPP s.32 (last updated April 2008) and s.126 (last updated April 2007) for your convenience.

^{"C"} The wording of the second paragraph of 32.09 and the whole discussion relating to s.126 have been the same since May 2003 (the Fifth Edition of the Manual). This was the first time that the MoPP was updated after the year 2000.

^{"D"} At this time, the Manual was only published in paper format.
 Re-publication and updates to the Manual took place much less frequently, in part because it was not a straightforward electronic process and paper updates had to be sent to all subscribers. The electronic version of the Manual of Patent Practice was first published on 30 June 2006.

Prior to the publication of the Fifth Edition in May 2003, the December 1998 version (Fourth Edition) of s.126 and the December 1999 update of s.32 were in place - each of these is also attached.

Regards

Sarah Barker

MoPP Editor
 Patents Legal Section
 UK Intellectual Property Office

^{"E"} >>> "Andrew Hall" <andrew.hall2@btconnect.com> 25/06/2008 11:25 >>>
 Dear Mrs. Cooke/Mrs. Barker,

I have already asked OPSI to grant me a licence with respect to the desk notes.

I have now asked for a licence with respect to the current versions of s.32 and s126 MoPP so that the 26,000 affected registered proprietors will have ready access to the information they need in order to ensure that they are or can be legitimately registered.

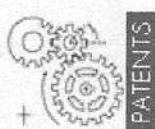
You will delete the pdf files on 1st July 2008 and will not make the old versions readily available.

Even though you know you have registered unstamped chargeable instruments in clear breach of s.17 Stamp Act 1891, you will not admit to this and you will continue to take money off the registered proprietors in renewal fees and allow them to present their unstamped chargeable instruments in evidence without performing the checks required of you under s.14 Stamp Act 1891.

Please send me copies of the current s32.09 and s126 - and please certify on the s.126 document itself that it has been in publication since the year 2000, and please certify s.32 at s.32.09 second paragraph that the paragraph has been in publication since year 2000.

Yours sincerely,

Andrew Hall.



"A" **Due to essential maintenance the Patent Office Web Site will be unavailable on the weekend of 27th & 28th February 1999.**

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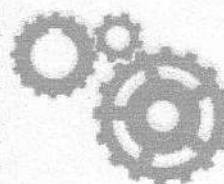
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"B"



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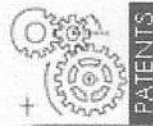
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"B" [redacted]

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|----------|---|--|
| 23/5/01 | 17.118 [] | ref to online databases not being up to date clarified (re increasingly late A-pub in the UK) |
| 23/5/01 | 18.10[] | changes from IDQA 5/01 (use of US equivalents) |
| 23/5/01 | 32.09, 126.01 | Stamp duty changes |
| 23/5/01 | 72.03, 72.36 | Clarifying that revocation is ex tunc. Correction of 'comptroller'. |
| 23/5/01 | 17.75 | JP citations for 2000+ |
| 23/5/01 | 32.09, index | updated procedure re. post-grant assignments of EP(UK)s. |
| 23/5/01 | 123.37 | Witness statement also allowed (rule 110(4) only specifies stat decs and affidavits but has flexibility built in. Rules consol will in any case refer explicitly to witness statements too). |
| 23/5/01 | glossary | ex parte and inter partes entries mention post-Woolf terms. |
| 23/5/01 | 10.07.1, 37.19.1, 82.04.1 | BL no. format corrected |
| 23/5/01 | most sections of MPP | SRIS to BL throughout MPP |
| 31/5/01 | 1.17 | Data compression discussion details added |
| 13/6/01 | SPM3.02, 3.02.1, 13.04, SPCcases | References to <i>Farmitalia</i> cases clarified and updated to reflect RPC reporting of ECJ case (no.2). |
| 13/6/01 | SPM; SPCcases | References brought up to date; paragraph references corrected. Minor corrections to case names in SPM also made. |
| 15/6/01 | 2.32, tabcase | Zbinden's Application but now see 30/4/02 |
| 15/6/01 | 18.06 | 12 weeks to 6 months. |
| 15/6/01 | 17.05 and [] | 12 weeks to 6 months; other minor changes to reflect change in targets |
| 18/6/01 | 18.15-18.17, 18.46, 18.47, 18.81, 18.85, 18.86, index | PDNs 6/00 and 3/01; exr procedure re. obtaining verified translation or declaration for priority document. |
| 18/6/01 | 101.02.1 | Can give oath or affirmation in Welsh |
| 19/6/01 | 97.05, 97.09, 97.11, throughout 101, 107.05 | Consistent with new Hearing Officers' Manual. |
| 20/6/01 | notices | TPN1/2000 and 2/2000 added and formatted etc. Old costs notice deleted |
| 21/6/01 | addendum to the preface | date added to CPR and typo corrected |
| 21/6/01 | 44.01.1, 44.04, 45.01.1 | Minor wording changes to reflect fact that 1.3.00 now passed |
| 27/6/01 | index, 77.13, tabcase | BASF v German PO - ECJ ruling on translations of EPs |
| 5/7/01 | 90.02 | P(CC)(A) Order 2001 - Bhutan, Nepal, Tonga |
| 20/8/01 | 15.2, index | Clarified that divisional filing date corresponds to extended r.34 period. |
| 20/8/01 | index | reference to r.24(1) being in 18.39-40 removed - outdated. |
| 21/8/01 | tab case, 1.17 | New data compression guidance (added on 31.05.01) modified to include explicit reference to <i>Heinz</i> decision. |
| 22/08/01 | 18.07.1, 18.38, index | updated to reflect modified RC6 and new EL33 in PDN7/01 |
| 22/08/01 | 2.08, tabcase | improved mention of <i>General Tire</i> ; minor change to Helitune ref. |
| 22/08/01 | 70.03, tabcase | <i>Kooltrade v XTS</i> referred to. |
| 23/08/01 | tabcase | reformatted for better tabbing of case names |
| 24/08/01 | tabcase, 3.06, 3.31 | <i>Dyson v Hoover</i> referred to |

MANUAL OF PATENT PRACTICE

Section 126.01 at December 1999 (prior to Stamp Duty changes):

Section 126: Stamp duty

126.01 This section concerns the liability for stamp duty of instruments (eg assignments) relating to certain patents and applications. It is not applicable to applications made, or patents granted, under the 1977 or 1949 Act, nor to European patents (UK).

Section 126(1)

An instrument relating to a Community patent or to an application for a European patent shall not be chargeable with stamp duty by reason only of all or any of the provisions of the Community Patent Convention mentioned in subsection (2) below.

126.02 This subsection provides that instruments relating to Community patents or applications for a European patent shall not be chargeable with stamp duty by reason only of one or more of the CPC provisions mentioned in subsection (2). It has no effect unless the CPC is in force. The applications for a European patent for which it would be effective are those designating the contracting states of the CPC and thus being applications for a Community patent.

Section 126.01 at May 2001 (after Stamp Duty changes):

Section 126: Stamp duty [repealed]

126.01 This section concerned the liability for stamp duty of instruments (eg assignments) relating to certain patents and applications - although it was not concerned with applications made, or patents granted, under the 1977 or 1949 Act, nor to European patents (UK). The requirement for stamp duty to be paid on any instrument for the sale, transfer or other disposition of intellectual property was removed with effect from 28 March 2000 by s.129 of the Finance Act 2000. Consequently, this section was repealed by s.156 of, and Schedule 40 to, the Finance Act 2000.

126.02 [deleted]

Section 126.01 after deletion of the incorrect statement on 1st July 2008:

Section 126: Stamp duty [repealed]

126.01 This section was neither concerned with applications made, or patents granted, under the 1977 or 1949 Act, nor to European patents (UK). It concerned the liability for stamp duty of instruments (e.g. assignments) relating to Community patents or to applications for certain European patents which were intended to mature into Community patents. However, the section never had any effect because the Community Patent Convention did not come into force prior to the section being repealed by s.156 of, and Schedule 40 to, the Finance Act 2000.

See 32.09 for details of stamp duty requirements for instruments relating exclusively to intellectual property or in part to intellectual property and in part to other property.

126.02 [deleted]

MANUAL OF PATENT PRACTICE

s.32.08 & first part of s.32.09 at December 1999 (prior to Stamp Duty changes):

The screenshot shows a PDF document titled "s30-38[1].pdf (SECURED) - Adobe Reader". The document is open to page 7 of 29, showing sections 32.08 and 32.09. The text is as follows:

Transactions, instruments or events affecting rights

r.44(3) 32.08 The register contains notice of any transaction, instrument or event referred to in s.33(3). An agreement to assign, which operates in English law to create and vest in the buyer an immediate equitable interest, may also be entered in the register as a transaction affecting rights in a patent but this is not itself an assignment or any of the other transactions, instruments or events specified in s.33 (*Coflexip Stena Offshore Limited's Patent* [1997] RPC 179).

r.46(1) 32.09 An application to register, or to give notice to the comptroller of, any such transaction,
r.46(2) instrument or event should be made on Patents Form 21/77 accompanied by the appropriate fee (if any; this fee was set at zero by the Patents (Fees) Rules 1998). The fact that the application has been received is recorded in the register. The form should be signed by or on behalf of the person or persons making the
r.46(3) application to confirm that the rights, which are affected by the transaction, instrument or event, have been acquired and that any necessary stamp duty has been paid. Documentary evidence sufficient to establish the transaction, instrument or event should accompany the form if (a) in the case of an assignment it is not also signed by or on behalf of at least the assignor, or (b) in the case of a mortgage or the grant of a licence or security, where the mortgagor or grantor is not the applicant, it is not also signed by or on behalf of the mortgagor or grantor. If it is not confirmed on the form that any necessary stamp duty has been paid, separate documentary evidence to that effect will be required. If the applicant or other party enquires as to whether stamp duty is payable in any particular circumstances, eg in respect of transactions outside the UK, it will normally be necessary to advise that the enquiry should be referred to the Inland Revenue. For any documentary evidence not in English, a verified translation must be supplied.

r.113(1)

s.32.08 & first part of s.32.09 at May 2003 (after Stamp Duty changes):

The screenshot shows a PDF document titled "s30-38[1].pdf - Adobe Reader". The document is open to page 7 of 26, showing sections 32.08 and 32.09. The text is as follows:

Transactions, instruments or events affecting rights

r.44(3) 32.08 The register contains notice of any transaction, instrument or event referred to in s.33(3). An agreement to assign, which operates in English law to create and vest in the buyer an immediate equitable interest, may also be entered in the register as a transaction affecting rights in a patent but this is not itself an assignment or any of the other transactions, instruments or events specified in s.33 (*Coflexip Stena Offshore Limited's Patent* [1997] RPC 179).

r.46(1) 32.09 An application to register, or to give notice to the comptroller of, any such transaction,
r.46(2) instrument or event should be made on Patents Form 21/77 accompanied by the appropriate fee (if any; this fee was set at zero by the Patents (Fees) Rules 1998). The fact that the application has been received is recorded in the register. The form should be signed by or on behalf of the person or persons making the
r.46(3) application to confirm that the rights, which are affected by the transaction, instrument or event, have been acquired. Documentary evidence sufficient to establish the transaction, instrument or event should accompany the form if (a) in the case of an assignment it is not also signed by or on behalf of at least the assignor, or (b) in the case of a mortgage or the grant of a licence or security, where the mortgagor or grantor is not the applicant, it is not also signed by or on behalf of the mortgagor or grantor. For any documentary evidence not in English, a verified translation must be supplied.

r.113(1)

The requirement for stamp duty to be paid on an instrument for the sale, transfer or other disposition of intellectual property was removed with effect from 28 March 2000 (by s.129 of the Finance Act 2000). If the applicant or other party enquires as to whether stamp duty is payable in any other circumstances, eg in respect of transactions outside the UK, it will normally be necessary to advise that the enquiry should be referred to the Inland Revenue.

s.32.08 & first part of s.32.09 at July 2008 (amending the statements):

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4 / 11 133% Find

| | | |
|----------------------|-------|--|
| r.47 | 32.09 | An application to register, or to give notice to the comptroller of, any such transaction, instrument or event should be made on Patents Form 21 accompanied by the appropriate fee (currently set at zero). The fact that the application has been received is recorded in the register (when the application for a patent is published). Rule 47 requires that the application should include evidence establishing the transaction, instrument or event. Thus the form should be signed by or on behalf of the person or persons making the application, to confirm the changes to the rights affected by the transaction, instrument or event and that any necessary stamp duty has been paid (see below). If the Form is signed by or on behalf of at least the assignor, mortgagor or grantor of a licence or security, the application will normally be taken to include sufficient evidence to register the transaction, instrument or event. In such cases the comptroller will not normally require any additional evidence. However, he may require further evidence if the particular circumstances warrant it. In any case, further evidence sufficient to establish the transaction, instrument or event should accompany the form if (a) in the case of an assignment it is not also signed by or on behalf of the assignor, or (b) in the case of a mortgage or the grant of a licence or security, where the mortgagor or grantor is not the applicant, it is not also signed by or on behalf of the mortgagor or grantor. For any documentary evidence not in English, a translation must be supplied. |
| r.113(1) r.113(2) | | |
| "H" | | |
| "I" | | The requirement for stamp duty to be paid on an instrument exclusively for the sale, transfer or other disposition of intellectual property (as defined in section 129(2) of the Finance Act 2000) was removed with effect from 28 March 2000 (by s.129 of the Finance Act 2000). Stamp duty remains chargeable on instruments which deal in part with intellectual property and in part with other property on which stamp duty is payable, as set out in Schedule 34 to the Finance Act 2000. If the applicant or other party enquires as to whether stamp duty is payable in relation to a transaction relating in part to intellectual property and in part to other property or in any other circumstances, e.g. in respect of transactions outside the UK, it will normally be necessary to advise that the enquiry should be referred to HM Revenue & Customs (HMRC). |

Section 126: Stamp duty

"A"

126.01 This section concerns the liability for stamp duty of instruments (eg assignments) relating to certain patents and applications. It is not applicable to applications made, or patents granted, under the 1977 or 1949 Act, nor to European patents (UK).

Section 126(1)

An instrument relating to a Community patent or to an application for a European patent shall not be chargeable with stamp duty by reason only of all or any of the provisions of the Community Patent Convention mentioned in subsection (2) below.

126.02 This subsection provides that instruments relating to Community patents or applications for a European patent shall not be chargeable with stamp duty by reason only of one or more of the CPC provisions mentioned in subsection (2). It has no effect unless the CPC is in force. The applications for a European patent for which it would be effective are those designating the contracting states of the CPC and thus being applications for a Community patent.

Section 126(2)

The said provisions are -

- (a) *Article 2.2 (Community patent and application for European patent in which the contracting states are designated to have effect throughout the territories to which the convention applies);*
- (b) *Article 39.1(c) (Community patent treated as national patent of contracting state in which applicant's representative has place of business);*
- (c) *Article 39.1(c) as applied by Article 45 to an application for a European patent in which the contracting states are designated.*



"B"

Section 126: Stamp duty [repealed]

126.01 This section concerned the liability for stamp duty of instruments (eg assignments) relating to certain patents and applications - although it was not concerned with applications made, or patents granted, under the 1977 or 1949 Act, nor to European patents (UK). The requirement for stamp duty to be paid on any instrument for the sale, transfer or other disposition of intellectual property was removed with effect from 28 March 2000 by s.129 of the Finance Act 2000. Consequently, this section was repealed by s.156 of, and Schedule 40 to, the Finance Act 2000.

126.02 [deleted]

May 2003

Section 126: Stamp duty [repealed]

126.01 This section was neither concerned with applications made, or patents granted, under the 1977 or 1949 Act, nor to European patents (UK). It concerned the liability for stamp duty of instruments (e.g. assignments) relating to Community patents or to applications for certain European patents which were intended to mature into Community patents. However, the section never had any effect because the Community Patent Convention did not come into force prior to the section being repealed by s.156 of, and Schedule 40 to, the Finance Act 2000.

See 32.09 for details of stamp duty requirements for instruments relating exclusively to intellectual property or in part to intellectual property and in part to other property.

126.02 [deleted]

[When a change of name is requested, the Register, Form 20/77 and the proof of the change should be checked to ensure that the original name and the new name are both given consistently throughout. The adequacy of the proof should be considered and, if it is inadequate, a stock letter should be sent to the agent or applicant pointing out the deficiency. The change of name should have taken place after the filing date of the patent application, failing which the agent or applicant should be advised to consider applying for a correction of a clerical error, if that is applicable. If the change is allowed, the name in question should be altered in the Register on OPTICS or, in the case of 1949 Act patents, manually in the paper register. The agent or applicant should be informed by letter that alteration has been effected and a report sheet should be completed. The change of name folder should be placed at the back of the file in question or, if the change relates to more than one application or patent, the documents should be placed on the file of the highest publication number available.

[In respect of all ungranted 1977 Act cases, the old name on Form 1/77 should be struck out and replaced by the new name in red capital letters. The alteration on Form 1/77 should be endorsed with "F20/77" and the date of receipt of the form and initialed. Form 20/77 should be signed and dated by the actioning officer.]

32.07 Following the deletion of Rule 79 by The Patents (Amendment) Rules 1999, it is no longer required that the comptroller keep entries in the register relating to published but ungranted applications for European patents (UK). The Register of European Patents, kept by the EPO under article 127 of the EPC should be consulted for information on such applications.

Section 32(2)

(b) *the registration of transactions, instruments or events affecting rights in or under patents and applications;*

Transactions, instruments or events affecting rights

r.44(3) 32.08 The register contains notice of any transaction, instrument or event referred to in s.33(3). An agreement to assign, which operates in English law to create and vest in the buyer an immediate equitable interest, may also be entered in the register as a transaction affecting rights in a patent but this is not itself an assignment or any of the other transactions, instruments or events specified in s.33 (*Coflexip Stena Offshore Limited's Patent* [1997] RPC 179).

r.46(1) 32.09 An application to register, or to give notice to the comptroller of, any such transaction,
r.46(2) instrument or event should be made on Patents Form 21/77 accompanied by the appropriate fee (if any; this fee was set at zero by the Patents (Fees) Rules 1998). The fact that the application has been received is recorded in the register. The form should be signed by or on behalf of the person or persons making the application to confirm that the rights, which are affected by the transaction, instrument or event, have been acquired and that any necessary stamp duty has been paid. Documentary evidence sufficient to establish the transaction, instrument or event should accompany the form if (a) in the case of an assignment it is not also signed by or on behalf of at least the assignor, or (b) in the case of a mortgage or the grant of a licence or security, where the mortgagor or grantor is not the applicant, it is not also signed by or on behalf of the mortgagor or grantor. If it is not confirmed on the form that any necessary stamp duty has been paid, separate documentary evidence to that effect will be required. If the applicant or other party enquires as to whether stamp duty is payable in any particular circumstances, eg in respect of transactions outside the UK, it will normally be necessary to advise that the enquiry should be referred to the Inland Revenue. For any documentary evidence not in English, a verified translation must be supplied.

r.113(1)

In the case of a published application for a patent, details of a transaction, instrument or event may be recorded even if the application has been refused or withdrawn.

s.30(1) & (2) If Form 21/77 relates to an unpublished application for a patent the change of ownership is recorded on the Patents Form 1/77 in the file and on the register.

↓
December 1999

The adequacy of the proof should be considered and, if it is inadequate, a stock letter should be sent to the agent or applicant pointing out the deficiency. The change of name should have taken place after the filing date of the patent application, failing which the agent or applicant should be advised to consider applying for a correction of a clerical error, if that is applicable. If the change is allowed, the name in question should be altered in the Register on OPTICS or, in the case of 1949 Act patents, manually in the paper register. The agent or applicant should be informed by letter that alteration has been effected and a report sheet should be completed. The change of name folder should be placed at the back of the file in question or, if the change relates to more than one application or patent, the documents should be placed on the file of the highest publication number available.

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Section 32(2)

(b) *the registration of transactions, instruments or events affecting rights in or under patents and applications;*

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r.46(1) 32.09 An application to register, or to give notice to the comptroller of, any such transaction,
r.46(2) instrument or event should be made on Patents Form 21/77 accompanied by the appropriate fee (if any; this fee was set at zero by the Patents (Fees) Rules 1998). The fact that the application has been received is recorded in the register. The form should be signed by or on behalf of the person or persons making the application to confirm that the rights, which are affected by the transaction, instrument or event, have been acquired. Documentary evidence sufficient to establish the transaction, instrument or event should accompany the form if (a) in the case of an assignment it is not also signed by or on behalf of at least the assignor, or (b) in the case of a mortgage or the grant of a licence or security, where the mortgagor or grantor is not the applicant, it is not also signed by or on behalf of the mortgagor or grantor. For any documentary evidence not in English, a verified translation must be supplied.

r.113(1) The requirement for stamp duty to be paid on an instrument for the sale, transfer or other disposition of intellectual property was removed with effect from 28 March 2000 (by s.129 of the Finance Act 2000). If the applicant or other party enquires as to whether stamp duty is payable in any other circumstances, eg in respect of transactions outside the UK, it will normally be necessary to advise that the enquiry should be referred to the Inland Revenue.

In the case of a published application for a patent, details of a transaction, instrument or event may be recorded even if the application has been refused or withdrawn.

s.30(1) & (2) If Form 21/77 relates to an unpublished application for a patent the change of ownership is recorded on the Patents Form 1/77 in the file and on the register.

In the case of a granted patent, details of a transaction, instrument or event may be entered on the register even if the patent has lapsed for non-payment of fees provided that an application for restoration has not been filed. If such an application has been made registration is stayed until the application has been decided.

under patents and applications;

Transactions, instruments or events affecting rights

r.44(6) 32.08 The register contains notice of any transaction, instrument or event referred to in s.32(2)(b) or s.33(3). An agreement to assign, which operates in English law to create and vest in the buyer an immediate equitable interest, may thus be entered in the register as a transaction affecting rights in a patent but this is not itself an assignment or any of the other transactions, instruments or events specified in s.33 (*Coflexip Stena Offshore Limited's Patent* [1997] RPC 179).

r.47 32.09 An application to register, or to give notice to the comptroller of, any such transaction, instrument or event should be made on Patents Form 21 accompanied by the appropriate fee (currently set at zero). The fact that the application has been received is recorded in the register (when the application for a patent is published). Rule 47 requires that the application should include evidence establishing the transaction, instrument or event. Thus the form should be signed by or on behalf of the person or persons making the application, to confirm the changes to the rights affected by the transaction, instrument or event and that any necessary stamp duty has been paid (see below). If the Form is signed by or on behalf of at least the assignor, mortgagor or grantor of a licence or security, the application will normally be taken to include sufficient evidence to register the transaction, instrument or event. In such cases the comptroller will not normally require any additional evidence. However, he may require further evidence if the particular circumstances warrant it. In any case, further evidence sufficient to establish the transaction, instrument or event should accompany the form if (a) in the case of an assignment it is not also signed by or on behalf of the assignor, or (b) in the case of a mortgage or the grant of a licence or security, where the mortgagor or grantor is not the applicant, it is not also signed by or on behalf of the mortgagor or grantor. For any documentary evidence not in English, a translation must be supplied.

r.113(1)
r.113(2)

The requirement for stamp duty to be paid on an instrument exclusively for the sale, transfer or other disposition of intellectual property (as defined in section 129(2) of the Finance Act 2000) was removed with effect from 28 March 2000 (by s.129 of the Finance Act 2000). Stamp duty remains chargeable on instruments which deal in part with intellectual property and in part with other property on which stamp duty is payable, as set out in Schedule 34 to the Finance Act 2000. If the applicant or other party enquires as to whether stamp duty is payable in relation to a transaction relating in part to intellectual property and in part to other property or in any other circumstances, e.g. in respect of transactions outside the UK, it will normally be necessary to advise that the enquiry should be referred to HM Revenue & Customs (HMRC).

In the case of a published application for a patent, details of a transaction, instrument or event may be recorded even if the application has been refused or withdrawn.

s.30(1),(2)
r.55(g) If Form 21 relates to an unpublished application for a patent, details of the transaction, instrument or event concerned are published in the journal. If there is a change of ownership of the application, that is recorded on the Patents Form 1 in the application file. PECS dossiers should have the Form 1 annotated and a minute imported into the dossier.

In the case of a granted patent, details of a transaction, instrument or event may be entered on the register even if the patent has lapsed for non-payment of fees. These details may not be registered in respect of a revoked patent since revocation has effect *ex tunc* and the patent is therefore deemed never to have been granted. However, any register entries made prior to revocation remain on the register as a historical record. Similarly if a patent has been deemed void *ab initio* no recordal is possible.

When the Office is aware that there are proceedings before the court in which the ownership of the patent is at issue, the applicant for registration should be informed that the Office

396(3A)—as amended by the Insolvency Act 1985 c. 65, Sched. 6, para. 10, and by Sched. 7, para. 31 [1988]—and s. 410, as similarly amended by the latter provision). For companies registered in Scotland, see § 31.04. For companies registered in Northern Ireland, see article 403 of the Companies (Northern Ireland) Order (S.I. 1986 No. 1032 (N.I. 6)), likewise amended by Sched. 7, para. 35 [1988]. For the purpose of registration of such a charge under the Companies Act 1985, Companies Form M395, together with the instrument itself, must be received for registration by the Companies Registration Office within 21 days of the date of the charge, and the Registrar of Companies has no discretion to accept papers which are late or incomplete. It is often prudent also to enter notice of such a charge in the register of patents as a mortgage, see §§ 32.18 and 32.29.

The above-mentioned sections of this 1985 Act have been further, prospectively, amended by sections 92–107 of the Companies Act 1989 (c. 40). If and when these should be brought into force without change (which now seems unlikely), charges on “intellectual property” would be required to be registered under new section 396(1)(c) of the 1985 Act, this term being defined by new section 396(2)(d) thereof (for which see s. 93 of this 1989 Act). The provisions for late or incomplete delivery of particulars of the charge to the Registrar of Companies would then be a little less severe (see ss. 399–407 of this 1985 Act, as prospectively substituted by ss. 95–99 of this 1989 Act).

30.09 Maintenance and prosecution

An assignee of a patent or application ought to ensure that any required procedure for maintaining the patent or prosecuting the application has been, and is being, carried out in due time. It may be prudent to call for official receipts for documents purportedly filed, or to make independent inquiry of the Patent Office, rather than rely merely on assurances from the assignor or his patent agent, see *Thermo Technic's Application* ([1985] RPC 109).

30.10 Stamp duty

Where a document which is required to be stamped under the Stamp Act 1891 (c. 39, as much amended) but is not so stamped, that document is not receivable in evidence by a court, see *Colefax Stena's Patent* ([1997] RPC 179 and *Parlin v. Inland Revenue Commissioners* [1998] STC 305, noted, *The Times* January 13, 1998). In the past this has caused much trouble and the Comptroller has been required to be satisfied that any necessary stamp duty was paid before he should register an assignment of, for example, patent rights. However, this position is now greatly alleviated by the abolition of the imposition of stamp duty on the sale, transfer or other disposition of intellectual property taking place on or after March 28, 2000 (Finance Act 2000, c. 17, s. 129). Consequently, for transactions entered into on or after this date, the Comptroller no longer requires any declaration that “any necessary stamp duty has been paid” in respect of an assignment sought to be registered, e.g. in the register of patents.

In this Act, “intellectual property” is defined as:

- “(a) any patent, trade mark, registered design, copyright or design right,
- (b) any plant breeder's rights and rights under section 7 of the Plant Varieties Act 1997 (c. 66),
- (c) any licence or other right in respect of anything within paragraph (a) or (b) and
- (d) any rights under the law of a country or territory outside the United Kingdom that correspond or are similar to those within paragraph (a), (b) or (c).”

It is understood that the Comptroller will construe broadly the above-quoted definition of “intellectual property” so that it will include e.g. supplementary protection certificates, utility models, etc., see the comprehensive article by B. Patricia B. Harris (2000) *CIPA* 172), but the definition of “intellectual property” does not extend to any assignment of “goodwill”, although “know-how” has never been considered as “property” as regards

liability for stamp duty payment. Thus, if an assignment of intellectual property is stated to include an assignment of goodwill, there will need to be an apportionment of the consideration “on such basis as is just and reasonable” (Finance Act 2000, c. 17, Sched. 34, paras 2 and 3).

For non-exempt property transactions, the rate of stamp duty is based on the *ad valorem* value of the property transferred, excluding the value of any intellectual property conveyed therewith, at rates as set out in the Finance Act 1999 (c. 16, Sched. 13, Part 1, as amended by the Finance Act 2000 (c. 17, s. 114)). Where the document in question is executed within the United Kingdom, this value includes the total value of all the non-IP property, including any situated abroad. For the rates at which stamp duty is still payable in relation to such non-IP property, see the *Harris* article (*supra*). Such duty may be at a reduced rate if the transaction instrument can contain a “Certificate of value”, as also set out in this article, that value also excluding the value of any “intellectual property” forming part of the transaction. Other exemptions from the payment of stamp duty exist for certain other types of transaction, e.g. transfers under a will or on an intestacy, under a divorce settlement or as a gift, or as a disposition between companies of the same group or on an amalgamation or reconstruction of companies, all as set out in the Stamp Duty (Exempt Instruments) Regulations 1987 (S.I. 1987 No. 516).

For the position for transactions concluded before March 28, 2000, see another article by B. Patricia B. Harris ([1999] *CIPA* 880). This article explains the requirement to pay a fine if the document is not timely stamped and for the payment of interest on unpaid stamp duty, see also a leaflet made available by the Stamp Duty Office and reprinted [1999] *CIPA* 770.

Guidance and help concerning stamp duty, particularly involving intellectual property, may be sought from the Assistant Director (Policy and Technical), 15th Floor, Chie Cross House, 156 Pilgrim Street, Newcastle-upon-Tyne, NE1 6TF (tel. 0191 261 1282; fax 0191 230 4262).

In any global assignment of intellectual property rights, it is also important to consider corresponding or similar fiscal duties payable on such assignment (and on any confirmatory or other assignments executed pursuant to it) according to the laws of other countries. It is understood that the stamp duty payable under the laws of the Republic of Ireland is at a particularly onerous level. Local advice should therefore be taken—if at all feasible before the proposed assignment instrument, and even the global assignment, is executed—if the transaction involves a large overall consideration. Indeed, much the best practice in the case of a “global” assignment, is for the global document to be couched in terms of an agreement to assign at a future date, specifying separate considerations for each item of intellectual property to be transferred, with a “further assurance” clause to provide for enforcement of this provision should this be necessary. Separate formal assignment documents can then be drawn up for each country, according to local laws and statutory and fiscal requirements, with these documents being prepared in the local language in order to save translation costs.

Unstamped tax

The added tax (VAT), currently at a rate of 17.5 per cent, is normally payable on consideration for the use or sale of patent rights if the proprietor of intellectual property rights is resident for VAT purposes. This is usually the case unless the proprietor is a resident outside the United Kingdom and outside the European Union. The proprietor should therefore see that licences and other agreements provide for any VAT payable to be paid to him in addition to the agreed consideration, and he should supply a VAT invoice or receipt. It should also be noted that payments made in settlement of litigation will often be regarded as made in respect of the supply of some service with the consequence that VAT is payable on the relevant sum (*Cooper Chasney v. Comm. of Customs and Excise* [1992] FSR 298, [1993] EIPR 31).

The effect of VAT law on intellectual property is considered in more detail in books by: Sweet & Maxwell, Eastaway and Dauppe, *Intellectual Property: Law and Taxation* (5th ed., Sweet

* SEE NEXT PAGE FOR
LARGER REPRODUCTION.

30.10

"C" [REDACTED] For non-exempt property transactions, the rate of stamp duty is based on the *ad valorem* value of the property transferred, excluding the value of any intellectual property conveyed therewith, at rates as set out in the Finance Act 1999 (c. 16, Sched. 13, Part I, as amended by the Finance Act 2000 (c. 17, s. 114)). Where the document in question is executed within the United Kingdom, this value includes the total value of all the non-IP property, including any situated abroad. For the rates at which stamp duty is still payable in relation to such non-IP property, see the *Harris* article (*supra*). Such duty may be at a reduced rate if the transaction instrument can contain a "Certificate of value", as also set out in this article, that value also excluding the value of any "intellectual property" forming part of the transaction. Other exemptions from the payment of stamp duty exist for certain other types of transaction, e.g. transfers under a will or on an intestacy, under a divorce settlement or as a gift, or as a disposition between companies of the same group or on an amalgamation or reconstruction of companies, all as set out in the Stamp Duty (Exempt Instruments) Regulations 1987 (S.I. 1987 No. 516).


W [REDACTED] In any global assignment of intellectual property rights, it is also important to consider corresponding or similar fiscal duties payable on such assignment (and on any confirmatory or other assignments executed pursuant to it) according to the laws of other countries. It is understood that the stamp duty payable under the laws of the Republic of Ireland is at a particularly onerous level. Local advice should therefore be taken—if at all possible before the proposed assignment instrument, and even the global assignment, is executed—if the transaction involves a large overall consideration. Indeed, much the best practice in the case of a "global" assignment, is for the global document to be couched in terms of an agreement to assign at a future date, specifying separate considerations for each item of intellectual property to be transferred, with a "further assurance" clause to provide for enforcement of this provision should this be necessary. Separate formal assignment documents can then be drawn up for each country, according to local laws and signatory and fiscal requirements, with these documents being prepared in the local language in order to save translation costs.

"D" [REDACTED]

FURTHER ASSURANCE CLAUSE:

(b) do such further acts

as shall be reasonably necessary to vest in the Buyers such right, title and interest as the Seller may have to the Assets transferred to the Buyers in accordance with the terms of this Agreement at the cost of the Buyer.

Status:  Judicial Consideration or Case History Available

***179 Coflexip Stena Offshore Limited's Patent**

In the Patents Court

21 March 1996

[1997] R.P.C. 179

Before: Mr. Justice Jacob

5, 6 and 21 March 1996

Patent – Application to rectify Register – Registration of assignments – Compliance with formalities – Unstamped assignment not registered – Stamped second assignment registered – Whether second assignment effective – Whether first assignment receivable in evidence.

- Patents Act 1977, sections 30(1), (2), (5), (6), (7), 32(1), (2), (3), (5), (9), (14), 33(3), 34(1), (2), (3), 68
- Stamp Act 1891, sections 5, 14(4), 17, 58(1)

The applicants for rectification of the Register of Patents were defendants to a patent infringement action involving the four patents the subject of the application. The patentee (" Stena") was not the original owner of the patents. The applicants claimed that the current entries recording Stena as proprietor were wrong although it was admitted that Stena was in fact the proprietor. The wrong recordal gave them, the defendants claimed, a defence to damages under section 68 of the Patents Act 1977.

"A" | By a written agreement dated 13 June 1989 Stena had agreed to buy from SF all SF's intellectual property, including the patents, relating to SF's offshore pipe laying business. This transaction was an agreement to assign and gave Stena an equitable interest being an enforceable immediate right to call for a formal assignment. Following this agreement, Stena and SF entered into an assignment (" A1") which was not stamped in accordance with the provisions of the Stamp Act 1891. It was sent to the Patent Office on 28 December 1989 for registration but was returned because it was unstamped. The patent agent in charge of recording A1 assessed the value of the patents as being £54,000. However, he did not submit A1 to the Stamp Office with an explanation of how he had reached the valuation but instead prepared a fresh assignment (" A2"). The operative part of A2 was as follows:- " ...in consideration of £54,000 the receipt whereof is hereby acknowledged by the Assignor as beneficial owner and hereby assigns to the Assignee completely all right title and interest in and to the Patent Rights ... together with the right to sue in respect of infringements of the Patent Rights both before and after the date hereof."

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A2 recited the original agreement to assign but made no mention of A1. A2 was sent to the Stamp Office for stamping, was duly stamped and was then sent to the Patent Office for recordal on 1 October 1992 and Stena were duly recorded as proprietors of the patents.

The applicants attacked the series of transactions on a number of grounds. It was first argued that A2 did not comply with section 5 of the Stamps Act 1891 because the Stamp Office were not told how the valuation of the patents was arrived at. The defendants' second argument was that A1 complied with the Patents Act 1977 in all respects so that it was A1 which vested the patents in Stena; that so far as A2 purported to do so it was a nullity with the consequence that the entry of A2 in the register was wrong; and the register should be rectified by the removal of any reference to A2. Stena argued that neither the Comptroller nor the court could take any notice of A1 because under the provisions of the Stamp Act 1891 an unstamped document was not receivable in evidence and must be ignored. (This argument was supported by the Comptroller who made written submissions.) The applicants then contended that section 14 of the Stamp Act merely prohibited the putting of the impugned document in evidence and did not prohibit secondary evidence of it and its effect. Stena further argued that if A1 was effective to transfer title and was receivable in evidence it was possible for the parties to a transaction to rescind it *ab initio* and if this were done, A2 would be left as the only effective transfer document. It was also argued that as between SF and Stena, SF would be estopped from denying that it was A2 that transferred title to Stena and that this estoppel was also effective against third parties.

Held, , refusing to rectify the register

(1) A2 did comply with section 5 of the Stamp Act 1891. It had recited the original agreement, which the Stamp Office could have called for and it recited a valuation *bona fide* placed on the assignment by both parties, which they were entitled to do under section 58(1).

The West London Syndicate Ltd. v. The Commissioners of Inland Revenue [1898] 2 Q.B. 507 referred to.

(2) Further a breach of section 5 did not lead to the document being a nullity.

Nisbet v. Shepherd [1994] B.C.C. 91 followed. Saunders v. Edwards [1987] 2 All E.R. 651 referred to.

(3) Even if a document did not comply with section 5 of the Stamp Act 1891 that did not give a third party the right to complain if the document was recorded and entered on the register of patents.

(4) It was not permissible to receive A1 in evidence because it was not stamped. No case went far enough to support the applicants' argument that secondary evidence of an unstamped document can be given. Without A1, A2 could not be proved to be a nullity.

R.v. Fulham, Hammersmith and Kensington Rent Tribunal ex parte Zerek [1951] 2 K.B. 1, Birchall v. Bullough [1896] 1 Q.B. 325, Maynard v. The Consolidated Kent Collieries Corporation Ltd. [1903] 2 K.B. 121, Conybear v. British Briquettes Ltd. [1937] 4 All E.R. 191, Marx v. Estates & General Investments Ltd. [1975] 3 All E.R. 1064 referred to.

(5) That although it was possible to rescind an agreement, an agreement which was effective to transfer property and which was rescinded did not mean that the property had not passed to the assignee. A reconveyance by the assignee would be required to transfer the property back again to the assignor. The execution of A2 did not mean that A1 had no effect in law.

Abram Steamship Co. Ltd. v. Westville Shipping Co. Ltd. [1923] A.C. 773 referred to.

(6) This was not a case of estoppel. If the argument was correct it would apply equally to A1 and there would be two estoppels saying different things.

Eastern Distributors Ltd. v. Goldring [1957] 2 Q.B. 600.

(7) The register should show who the proprietor was: how he came to be proprietor was of no or little importance. The fact that someone might be deprived of a defence under section 68 was not significant, given that section 68 was not intended to be for the benefit of defendants.

The following cases were referred to in the judgment:

- Abram Steamship Co. Ltd. v. Westville Shipping Co. Ltd. [1923] A.C. 773.
- Birchall v. Bullough [1896] 1 Q.B. 325.
- Casey's Patents (In re), Stewart v. Casey [1892] 1 Ch. 104.
- Conybear v. British Briquettes Ltd. [1937] 4 All E.R. 191.
- Eastern Distributors Ltd. v. Goldring [1957] 2 Q.B. 600.
- Marx v. Estates & General Investments Ltd. [1975] 3 All E.R. 1064.
- Maynard v. The Consolidated Kent Collieries [1903] 2 K.B. 121.
- Nisbet v. Shepherd [1994] B.C.C. 91.
- R. v. Fulham, Hammersmith and Kensington Rent Tribunal ex parte Zerek [1951] 2 K.B. 1.
- Saunders v. Edwards [1987] 2 All E.R. 651.
- West London Syndicate Ltd. (The) v. The Commissioners of Inland Revenue [1898] 2 Q.B. 507.

Representation

Nicholas Pumfrey Q.C. and Stephen Brandon instructed by Bristows Cooke & Carmael appeared on behalf of the Applicants for Rectification. Richard Miller Q.C. instructed by Norton Rose appeared on behalf of the Respondent *182

(patentee). Michael Silverleaf made written submissions on behalf of the Comptroller. Jacob J.

Background

This is in form an application for rectification of the Register of Patents. But the substance of the dispute is whether the applicants, (whom I will collectively call "McDermotts") have a significant defence to the financial part of the relief claimed in a pending patent action. In that action the plaintiffs (whom I will call "Stena") sue McDermotts for infringement of 4 patents. One of these is shortly to

expire. It is said to be the most important. So, if there is a defence to all or most of the financial claim, McDermotts will escape substantial liability at least on that important patent. Thus I think they have sufficient standing to be "persons aggrieved" (see section 34(1)), even though this is not the normal type of rectification dispute between rival claimants to a patent.

Stena acquired the patents from a company called Sante Fe. It is said that in an attempt (now accepted to be *bona fide*) to comply with the formality provisions of the Patents Act 1977 and the requirements of the Stamp Act 1891 they lost their way in the jungle. The consequence is said to be that the entries in the register of patents for the 4 patents concerned are incorrect. In particular it is said the current entries recording Stena as proprietors are wrong, even though Stena are admittedly in fact proprietors. None of this would matter but for the provisions of section 68 of the Patents Act, which is said to provide a defence to the financial claim.

The Statutory Provisions

Before proceeding further it is convenient to set forth the provisions of the two Acts so far as they are material. I am sorry that so much is necessary.

Patents Act 1977 as amended

" 30.-(1) Any patent or application for a patent is personal property (without being a thing in action), and any patent or any such application and rights in or under it may be transferred, created or granted in accordance with subsections (2) to (7) below.

(2) Subject to section 36(3) below, any patent or any such application, or any right in it, may be assigned or mortgaged.

...

(5) Subsections (2) to (4) above shall have effect subject to the following provisions of this Act.

(6) Any of the following transactions, that is to say- • (a) any assignment ...

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shall be void unless it is in writing and is signed by or on behalf of the parties to the transaction or in the case of a body corporate is so signed or is under the seal of that body.

(7) An assignment of a patent or any such application or a share in it, and an exclusive licence granted under any patent or any such application, may confer on the assignee or licensee the right of the assignor or licensor to bring proceedings by virtue of section 61 or 69 below for a previous infringement or to bring proceedings under section 58 below for a previous act.

32.-(1) The Comptroller shall maintain the register of patents, which shall comply with rules made by virtue of this section and shall be kept in accordance with such rules.

(2) Without prejudice to any other provision of this Act or rules, rules may make provision with respect to the following matters, including provision imposing requirements as to any of those matters- • (a) the registration of patents and of published applications for patents;

• (b) the registration of transactions, instruments or events affecting rights in or under patents and applications;

• (c)

(3) Notwithstanding anything in subsection (2)(b) above, no notice of any trust, whether express, implied or constructive, shall be entered in the register and the Comptroller shall not be affected by any such notice.

...

(5) Subject to rules, the public shall have a right to inspect the register at the Patent Office at all convenient times.

...

(9) Subject to subsection (12) below, the register shall be *prima facie* evidence of

anything required or authorised by this Act or rules to be registered and in Scotland shall be sufficient evidence of any such thing.

...

(14) In this Act, except so far as the context otherwise requires-

"register", as a noun, means the register of patents;

"register", as a verb, means, in relation to any thing, to register or register particulars, or enter notice of that thing in the register and, in relation to a person, means to enter his name in the register;

and cognate expressions shall be construed accordingly.

***184** [33 (1) and (2) deal with priorities.]

33(3) This section applies to the following transactions, instruments and events:- • (a) the assignment of a patent ;

• (b)

34.-(1) The court may, on the application of any person aggrieved, order the register to be rectified by the making, or the variation or deletion, of any entry in it.

(2) In proceedings under this section the court may determine any question which it may be necessary or expedient to decide in connection with the rectification of the register.

(3) Rules of court may provide for the notification of any application under this section to the Comptroller and for his appearance on the application and for giving effect to any order of the court on the application.

68. Where by virtue of a transaction, instrument or event to which section 33 above applies a person becomes the proprietor or one of the proprietors or an exclusive licensee of a patent and the patent is subsequently infringed, the court or the Comptroller shall not award him damages or order that he be given an account of the profits in respect of such a subsequent infringement occurring before the transaction, instrument or event is registered unless- • (a) the transaction, instrument or event is registered within the period of six months beginning with its date; or

• (b) the court or the Comptroller is satisfied that it was not practicable to register the transaction, instrument or event before the end of that period and that it was registered as soon as practicable thereafter.

Stamp Act 1891

5. All the facts and circumstances affecting the liability of any instrument to duty, or the amount of the duty with which any instrument is chargeable, are to be fully and truly set forth in the instrument;.....

14(4) Save as aforesaid, an instrument shall not, except in criminal proceedings, be given in evidence, or be available for any purpose whatever, unless it is duly stamped

58(1) Where property contracted to be sold for one consideration for the whole is conveyed to the purchaser in separate parts or parcels by different instruments the consideration is to be apportioned in such manner as the parties think fit, so that a distinct consideration for each separate part or parcel is set forth in the conveyance relating thereto, and such conveyance is to be charged with *ad valorem* duty in respect of such distinct consideration."

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The Facts

By a written agreement of 13 June 1989 Stena agreed to buy from Santa Fe, for US\$31.5m., an agglomeration of assets for an offshore pipe laying business. The assets included a vessel, onshore facilities, permits, contracts, records, sales information and so on. It also included all Santa Fe's intellectual property relating to the pipe laying business. This included about 150 patents around the world, copyrights, designs and know-how. It included the 4 patents the subject of the present

application. So far as these were concerned there was therefore an agreement to assign, which gave Stena an equitable interest - an enforceable immediate right to call for a formal assignment.

Following the agreement to assign, steps were taken to execute the agreement. Stena and Sante Fe entered into an assignment, which I will call A1. (For the present I will ignore the argument that I may take no notice of it because it is unstamped.) A1 was signed by both parties. The second party to do so did it on 28 November 1989. Then it was sent to the Patent Office on 28 December 1989 for registration. In due course the Office sent it back because it was unstamped. The patent agent who sent it knew it was not stamped. He did not have any intention of avoiding stamp duty. Apparently the Office act on such documents to the extent of changing the address for service. Pragmatically it is worth getting an assignment on file even though it is not yet stamped - stamping can be achieved later.

Next the patent agent learned that the original agreement for sale was itself unstamped and that accordingly he needed a valuation for the assigned patents. It was as a practical matter wholly impossible to value them according to some market worth. In the context of the whole original agreement the value of individual patents was impossible to apportion out. For one thing the patents covered what was on the vessel and there were no known infringers or persons who wanted to use the patented technology. For another, at the time of the sale the whole business was losing money. So the patent agent used a well-recognised alternative technique of valuation based on the cost of obtaining the patents. He reached a figure of £54,000.

Originally it was suggested that this figure was fraudulent. By a rather grudging letter (it was the final paragraph with no apology) the charge of fraud was withdrawn shortly before the hearing. Even then the pleadings had to be amended during the hearing and I had to order that allegations of dishonesty made in an affidavit should be struck out and the original affidavit removed from the file to be replaced by an affidavit with the offending matter omitted. People should realise that not only is it the case that a charge of fraud must be properly framed if it is to be made at all, but that if such a charge having been made is to be withdrawn it should be properly withdrawn. Bits of the charge should not remain lying around in court files or pleadings.

I turn back to what happened. The patent agent did not re-submit A1 to the Stamp Office, as he could have done explaining that the valuation he had reached and why. What he did was to prepare a fresh assignment, A2. His reason for doing this was explained in a letter to Stena of 13 February 1990: "The most straightforward way of proceeding on the UK cases would be to replace the existing formal assignment with a new one placing reasonable *186 estimates of value on the UK patent rights, and pay Stamp Duty on those values."

I have explained how he made that estimate, reaching a figure of £54,000. The parties considered this and were prepared to enter into A2 on that basis. Moreover I have express evidence from an officer of Stena that he thought the valuation "about right". Thus it is that the operative part of A2 came to read: "NOW THEREFORE in consideration of £54,000 the receipt whereof is hereby acknowledged by the Assignor as beneficial owner and hereby assigns to the Assignee completely all right title and interest in and to the Patent Rights ... together with the right to sue in respect of infringements of the Patent Rights both before and after the date hereof."

The "Patent Rights" included the patents included in A1. A2 recited the original agreement to assign but made no mention of A1.

A2 was in due course signed by both parties, thus complying with section 30(6). The second party to sign did so on 1 September 1992. The document was presented to the Stamp Office for adjudication. There was no formal adjudication though the Stamp Office could have required that procedure. The Office accepted the valuation of £54,000. This led to a duty of £540 which was paid and the document was stamped accordingly. It was then presented (with some delay, irrelevant in this application) to the Patent Office with the relevant forms by letter of 1 October 1992. The Patent Office recorded A2 on the register. In the case of 3 of the patents it did so on 9 November 1992 and in the case of the other, on 11 November.

The attacks on the register - preliminary

Two substantive attacks are made on the entries in the register. Mr. Pumfrey Q.C. for McDermotts also pointed out that the actual wording describing A2 was not accurate. Whilst this seems to be right,

nothing turns on this. Moreover the point was not raised in the Notice of Motion and I propose to take no action in relation to it. One cannot expect the Comptroller's officers (who at this level are not legally trained) always to summarise accurately the effect in law of documents such as assignments. Anyone interested can always get a copy of the actual document, which is open for inspection on the public file.

"A"

The first attack: the Stamp Act points on A2

I begin with what Mr. Pumfrey regarded as his weaker attack. This was directed solely at A2. He said that Stena were in breach of their duty under section 5 of the Stamp Act. Whilst he now accepted that the agent's method of valuation was adopted for *bona fide* reasons, the Stamp Office were not told how the calculation had been done. So said Mr. Pumfrey there was a breach of section 5: "all the facts and circumstances affecting the liability to duty" were not "fully and truly set forth" in A2. But A2 recited the original agreement, which the Stamp Office could have called for, and it recited a valuation *bona fide* placed on the assignment by both parties. Section 58(1) entitles them to do that. It permits parties in circumstances such as this (*i.e.* where many things are bought for a lump overall consideration) to apportion the consideration "as they *187 think fit". These are wide words. Doubtless they would not extend to a dishonest apportionment. But if the apportionment is *bona fide*, that is enough, see The West London Syndicate Ltd. v. The Commissioners of Inland Revenue [1898] 2 Q.B. 507 at page 526 per Rigby L.J. I think A2 sufficiently complied with section 5.

That is a first answer to Mr. Pumfrey's point. But there is more. A breach of section 5 does not lead to a document being a nullity. This can be seen from Nisbet v. Shepherd [1994] B.C.C. 91 where a stock transfer form which had failed to recite the consideration at all was held to be effective, the failure to state the consideration being, in the words of Leggatt L.J. at page 95, a "mere irregularity". If here there was a failure to recite enough for the purposes of section 5, then I would hold that to be a mere irregularity - indeed less of an irregularity than in Nisbet. Further, even if there had been a dishonest attempt to evade section 5 there could be considerable difficulties in any attack on the underlying transaction. Not all transactions involving some illegality are disregarded by the law, see for instance Saunders v. Edwards [1987] 2 All E.R. 651 where a plaintiff succeeded in a claim to set aside an agreement for fraudulent misrepresentation, even though he and the defendant had dishonestly agreed to misstate the value of the property conveyed to reduce stamp duty.

The pleadings suggest that a true valuation should have been between £5.4 to £13m, based on some evidence given in a pending licence of right application. This seems to me to be wholly irrelevant to a *bona fide* valuation by way of an apportionment as the parties think fit for a transaction in 1989 when the commercial conditions were as I have described. So I do not think it is established that there was an undervaluation, and accordingly A2 was duly stamped.

Suppose that were wrong, however. Given that it is accepted that A2 was prepared in good faith, can a third party complain if the Comptroller enters it on the Register of Patents? There is nothing in the Stamp Act which leads to this conclusion. Indeed the Act points the other way. Section 17 provides: "If any person whose office it is to enrol, register, or enter it in or upon any rolls, books, or records, any instrument chargeable with duty, enrolls, registers, or enters any such instrument not being duly stamped he shall incur a fine of ten pounds."

It does not provide that any enrolment etc. so made is a nullity. I do not see why the court should add a sentence to that effect. I was, incidentally, told that the Commissioners of Inland Revenue have been kind enough to tell the Comptroller that provided he acts in good faith in making entries on the Register they will not attempt to levy the £10 if in error he enters a document which is not duly stamped. I am sure the Comptroller was glad to have this pressing worry removed.

"B"

The Second Attack: A2 a nullity

So the first point fails. I turn to the second, which can be stated as a syllogism: *188 • (1) A1 complied with the Patents Act in all respects;

- (2) So it was A1 which vested the patents in Stena;
- (3) So far as A2 purported to do so it was therefore a nullity - the job had already been done by A1;
- (4) So the entry of A2 in the register is wrong;
- (5) The register should be rectified by the removal of any reference to A2.

This would leave the original patentee, Santa Fe, on the register as proprietor, and although an attempt to register A1 (supposing it were now duly stamped) would succeed, the date of registration

would be some time in 1996. So up until that registration McDermotts would have a defence under section 68. Thus although they commenced their allegedly infringing activities well after the date of registration of A2, they would escape both damages or an account of profits until A1 is registered.

The argument has considerable logic. After all section 32(9) only makes the register *prima facie* evidence of A2. Indeed the argument has much the same logic irrespective of the state of the register. Even if no application for rectification had been made, at trial McDermotts could, it seems, have taken the same point. Now there may be a *res judicata* or quasi-*res judicata* argument because the point is being raised in this claim for rectification.

Stena advance three answers in law, failing which they appeal to discretion. Before turning to these I must mention a general observation made by Mr. Miller Q.C. for Stena. He submitted that if McDermotts were right, there could be very serious commercial consequences arising under section 68. He said it frequently happens that there are global sale and purchase agreements which happen to include British Patents. Such agreements may include not only intellectual property of all kinds in many countries but also physical assets. Moreover many (probably most) such agreements are entered into by foreign companies, generally on both sides and indeed very often the agreement will not even be governed by English law. The authors would be unaware of the trap laid for them by section 68. So if any such agreement was followed by a short form of assignment, only the latter being submitted for stamping and then registration at the Patent Office then the patentee would be caught by the arguments he had to meet. Furthermore he said, even if the parties were aware of the problem and had to bring the original international sale agreement into the country for stamping there would be substantial practical difficulties.

Mr. Pumfrey provided a two part submission by way of answer to this general plea *ad inconveniens*. First he said there was no problem if the original agreement is merely an agreement to assign (as was the case, for instance, here). Such an agreement operates in English law to create and vest in the buyer an immediate equitable interest in the patent. Such an agreement may be entered in the register as a transaction affecting rights in it (see section 32(2)(b), rule 44(4) of the Patent Rules 1990, and Re Casey's Patents, Stewart v. Casey [1892] 1 Ch. 104). But it is not itself an assignment or any of the other transactions, instrument or events specified in section 33. So it is simply not within section 33 and accordingly not within section 68. I think that must be right. *189

Mr. Miller's submission also covered the case where the original sale agreement itself constituted an assignment. He said many people entering global deals would have little concern whether their agreement was an actual assignment or merely an agreement to assign. He may be right. I do not know whether there are in fact many global sale agreements which are in themselves assignments. Nor did Mr. Pumfrey. He said that if there were such documents then they are within section 33 and so section 68. He submitted that parties who enter this kind of arrangement know there are local formalities to be complied with in various countries. Here the formality is that the assignment must be registered and failure to do so results in the section 68 sanction. If people enter into a short form after the patent has already been assigned, they have not done that which is required by section 33. So that may be an unintended consequence of section 68, but it is the consequence all the same. Mr. Pumfrey, if he is otherwise right, must be right about this too. Whether that in practice could create problems in a large number of cases I do not know.

I turn to the points argued by Mr. Miller.

The Stamp Act point

Before proceeding with this further I note that this cannot be a general solution to the problem. It depends for its validity on section 14(4) of the Stamp Act.

The argument is that neither the Comptroller nor the court can take any notice of A1 by virtue of section 14 of the Stamp Act. Even if the document is effective between the parties to vest the patents in Stena, that fact is not receivable in evidence and should be ignored. It should be ignored for the purposes of this application and should presumably likewise be ignored if and when section 68 falls to be considered. Stena's argument is supported by the Comptroller, whose assistance by way of a written submission from Mr. Silverleaf of counsel I requested at a directions hearing. He put it thus: "[The registration of A2] can only be challenged on the basis that A2 was a nullity. To establish that proposition requires proof of A1, which would require A1 to be stamped."

Now section 14 is not a "voiding" provision. and notwithstanding the wide words of the section, there are cases where the courts or others have considered an unstamped document and given effect to it.

The court must, for instance, look at a document to see whether it is stamped either at all or "duly". and there is a well-recognised practice of the court acting on an unstamped document where the party concerned undertakes to get it stamped. But the former use of the document is clearly implied from the statute and the latter is really no more than a way of avoiding an adjournment for the document to be stamped. I turn to the authorities to see whether wider use of an unstamped document may be made.

In R. v. Fulham, Hammersmith & Kensington Rent Tribunal ex parte Zerek [1951] 2 K.B. 1 the jurisdictional issue before a rent tribunal had been, were the premises the subject of a furnished letting or not? The landlord relied upon an unstamped document which said the premises were furnished and the tenant had given evidence that he had taken the premises unfurnished but that the landlord had made him sign the document before giving him possession. The tribunal had *190 accepted the tenant's evidence and held it had jurisdiction. A writ of *certiorari* was sought and the heart of the decision was concerned with the extent to which an inferior tribunal could look into the question of its jurisdiction. Nothing turned on the unstamped nature of the document for that purpose. However Lord Goddard C.J. added at page 7: "There is one other matter which, though immaterial for the purpose of the decision, cannot be passed over without notice. The document produced by the landlord, and on which he relied as a memorandum of agreement, was improperly stamped. It may be that he required the tenant to sign over the stamp with a view to impressing on him that it was a formal document, but the document would in any case have required a sixpenny stamp. Had he attempted to put it before a court of law, an arbitrator or a referee, it could not have been looked at without requiring him to pay the proper stamp duty and a penalty of £10. These tribunals cannot be described as courts of law for the reasons for which this court pointed out in Rex v. Brighton and Area Rent Tribunal [1950] 2 K.B. 410 nor are its members arbitrators or referees. We could not say, therefore, that they were not entitled to look at the document, and, as we have to consider whether the decision was within their jurisdiction, it is necessary for us to look at the same evidence as was before them. It will be for the Commissioners of Stamps to determine what, if any, action they should take in view of what appears to be a deliberate under stamping of the document; and it will accordingly be sent to them by the court."

I do not quite understand why, just because the rent tribunal was not a court of law, the document could be taken into account by the tribunal. Lord Goddard did not say why and did not deal with the language of section 14 (*not be ... available for any purpose whatever*). No argument appears to have been directed at the point, even though there were fine counsel on both sides. However, upon the assumption that the document was available to the tribunal, I can readily follow the next step, that the court, in reviewing the decision for jurisdictional error, could look at the document too. In the end, although it was sent for stamping, the effect of the court's decision was that the document was "bogus" (Devlin J.'s word (at page 14)). I do not think Kensington assists one way or the other.

In Birchall v. Bullough [1896] 1 Q.B. 325 the plaintiff sued for the return of money lent. An interrogatory was administered to the defendant, asking him whether he had signed a promissory note for a certain sum. At trial the defendant was ordered to answer and given the note (unstamped) to refresh his memory. He acknowledged that he would not have signed it if he had not had the money and that he had no recollection of paying it back. The only use of the note was to challenge the defendant's recollection - the note itself was neither put in evidence, nor founded the claim. The claim succeeded simply on the defendant's own evidence after seeing the note. The use of the note for this limited purpose was held legitimate, even though the note itself was inadmissible. The case does not establish the wider proposition for which Mr. Pumfrey contended: that it is always legitimate to give evidence of an unstamped document provided the actual document is not placed before the court.

^{"B"} A case where the unstamped nature of a document rendered it proper for a party not to act on it was Maynard v. The Consolidated Kent Collieries Corporation Ltd. [1903] 2 K.B. 121. A share transfer document was not properly stamped and it was held that the directors of the company to whom it was presented were entitled not to act on it. Moreover they were entitled to go into the question of whether it was properly stamped. Stirling L.J. said at page 131: "...the company cannot be called upon to register a transfer which would not be available to them in a court of justice, if they were desirous of making use of it either for the purpose of enforcing their rights against the transferee or defending themselves if attacked for what they have done on the faith of it."

This passage shows the even-handed nature of the rule. If a document is within section 14 it does not matter why. There is no sub-rule that the document may be used against a party who ought to have

got it stamped but did not. Mr. Pumfrey suggested otherwise but I can find no basis for the suggestion in the words of the section or any of the cases. Maynard was followed by Bennett J. in Conybear v. British Briquettes Ltd. [1937] 4 All E.R. 191, but the case adds no new reasoning.

Mr. Pumfrey's best case was Marx v. Estates & General Investments Ltd. [1975] 3 All E.R. 1064, another share transfer dispute. The chairman of a company meeting had accepted proxy forms which ought to have been stamped but were not. Brightman J. held that the chairman would have been entitled to reject the forms on the basis of section 14(4). On the other hand he had accepted them and, because the forms were valid and not nullities, his action in accepting them could not be impeached. Brightman J. said that "not be available for any purpose whatever" means: "that one person cannot compel another person to rely upon and accept an instrument which is not at the time of presentation properly stamped"

And that those words: "Cannot be given their strictest meaning where they appear in the Act."

"A" This does not in my judgment go far enough for Mr. Pumfrey's purpose. He is asking the court to "rely upon and accept" A1. That, on Brightman J.'s interpretation of the second limb of section 14, I cannot do.

"B" Mr. Pumfrey also has difficulty in relation to the first limb, *shall not be given in evidence*. He argued that this is limited to putting the actual document in evidence. Here he says, he has secondary evidence of the document, its effect and the fact (elicited in cross-examination of the patent agent) that it is signed by both parties. So, without any need to look at the document, there is sufficient evidence of it. And, he said, (in refutation of Mr. Miller's point based on the best evidence rule) what he had was the best evidence he could give of the document. I do not think any of this will do. It depends on Mr. Pumfrey establishing the rule that secondary evidence of an unstamped document can be given. But no case (in particular Birchall) or the language of the section supports that.

"C" Accordingly I accept the submissions of Mr. Miller and Mr. Silverleaf that I cannot receive in evidence A1. Without A1 it cannot be proved that A2 is a *192 nullity. So I must refuse the application for rectification. Mr. Pumfrey suggested that this would be wholly contrary to the public interest because it is in the public interest that the register should not be misleading. As it stands it is, he says, because it incorrectly records how Stena became owners. This is true, but I cannot see that it matters. and it is noteworthy that the Comptroller, whose views I sought precisely because I wanted to have an impartial view of the public interest, did not support Mr. Pumfrey's overenthusiastic espousal of the public interest.

Rescission

Because the matter was fully argued, I think it right to go on to consider Mr. Miller's two further answers, each of which assume that A1 was effective to convey title and is receivable in evidence.

Mr. Miller submitted that it was possible for the parties to a transaction to rescind it in the sense of treat it as if it had never happened. If they did that, then the law for all purposes also so treated it. He pointed to a passage in Snell which makes it clear that rescission is an act of a party and to the principal case cited in support of the proposition, Abram Steamship Co. Ltd. v. Westville Shipping Co. Ltd. [1923] A.C. 773. But although I accept the first part of the proposition, I do not accept the second: that where a transaction is rescinded, anything done under it actually never happened. If a transaction passes property then it does. If the parties wish to rescind that transaction, then they can. But this means no more than that if property had passed under the transaction, it must be passed back. If that requires some formal conveyance, then such a conveyance will be needed. The answer to Mr. Miller's point was supplied long ago by Old Khayyam: "The moving finger writes; and having writ, Moves on; nor all thy piety nor with Shall lure it back to cancel half a line, Nor all thy tears wash out a word of it."

Moving fingers wrote A1. Nor all Mr. Miller's piety nor wit can cancel half a line. He did not try tears but they would not have worked either. The agreement by the parties to "replace" A1 by A2 (assuming that is the effect of A2, which I am not sure it is) does not mean that A1 had no effect in law. It did, and the execution of A2 does not mean it did not.

Estoppel

The argument ran thus: as between Stena and Santa Fe, Santa Fe would be estopped from denying that the document which assigned the patents was A2. Because A2 was a title transferring document, this estoppel is not only effective against Santa Fe, it is also effective against the whole world.

Mr. Miller relied upon a single case to support his argument, Eastern Distributors Ltd. v. Goldring [1957] 2 Q.B. 600. Stripped of unnecessary complexity, an agent with ostensible but not actual authority had purported to sell his principal's van to a hire purchase company. The principal then sold the van to the defendant. The claim against the defendant was by the hire purchase company for the van. The question was whether the sale by the agent with ^{*193} ostensible authority conferred title on the hire purchase company. If so the subsequent purported sale to the defendant could not do so. It was held that title was indeed transferred by the first transaction. Two reasons were given by Devlin J. sitting in the Court of Appeal. The first of these turned on section 21 of the Sale of Goods Act and is irrelevant here. The second reason was based on estoppel. The effect of the estoppel (i.e. as between the principal and the hire purchase company) was "to transfer a real title and not a mere metaphorical title by estoppel". So here, said Mr. Miller, because of the estoppel, A2 conveyed a real title.

Ingenious though the argument is, I think it is flawed. Firstly if it were right it would apply also to A1. You cannot have two estoppels saying different things. This is not a case of estoppel at all. Secondly, the reason the estoppel gave rise to title in Goldring was because, as between the principal and the hire purchase company property had passed. This affected the rest of world because it was only what passed between the parties which mattered so far as title transfer is concerned.

Discretion

On my conclusion under the first point the question of my discretion does not arise. But if I had a discretion I would not rectify the register. At present it correctly shows that Stena are proprietors, but (assuming A1 could be taken into account) by virtue of the wrong assignment, A2. If I were to remove the entry in respect of A2 the register would show Santa Fe as proprietors. That would make it significantly misleading. From the public point of view what really matters is that the register should show who the proprietor is. How he came to be proprietor is of no or little importance. Thus the Banks Committee¹, on whose recommendation section 68 was passed, said: ² "Clearly it is most important for the proper functioning of the patent system that information concerning ownership of, and other interests in, patents should be as readily available as possible."

And "We think it [i.e. the requirement to register] should be supplemented by more effective encouragement to the registration of changes of ownership of patents and the grant of exclusive licences in respect thereof. Ownership of a patent or the holding of an exclusive licence confers the most important of all patent rights, that of bringing an action against an infringer, and it follows that in these respects the register should always be complete and up to date."

The whole emphasis is on getting the true proprietor on the register as such. That is what the parties here tried to do. ^{*194}

Indeed the only case suggested where the means by which a man became proprietor might matter is that someone might be deprived of a defence under section 68. However, section 68 is not intended to be for the benefit of a defendant - a true exception to liability such as, for instance, the defence of innocence or experimental use. Section 68 is aimed at patent holders, providing a sanction if they fail to register assignments. It only provides a benefit to defendants adventitiously.

I would only add two points in relation to discretion. The effect of leaving the register unrectified so far as a defence under section 68 is concerned was not argued before me. I say nothing about what the consequence on that defence would have been if the case had come to an exercise of discretion only.

Secondly I have considered whether or not there would be no room for discretion. The argument here is that A2 is a nullity and the court cannot have a discretion to leave a nullity on the register. I regard this as overlogical. The fact is that the registration of A2 did get Stena on the register as proprietor. That it should be on from an even earlier date is, in the circumstances, a mere irregularity.

Conclusion

I reach my conclusion without intellectual satisfaction. But there is some rough justice. It was an

attempt to comply with the Stamp Act which caused the trouble and it is the Stamp Act which saves the position. I get no satisfaction because, apart from the Stamp Act, section 68 sets a trap for a patentee who registers a short form assignment following a much longer agreement which is expressed to be an assignment.

***195**

1. Report of the Committee to Examine the Patent System and Patent Law, 1970 Cmnd 4407
2. para 560

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Nutrinova Nutrition Specialities & Food Ingredients GmbH, Nutrinova UK Limited v Arnold Suhr International BV, Zhanjiazgang Hope Chemicals Co. Ltd.

No: HC 0101870

High Court of Justice Chancery Division Patents Court

4 December 2001

2001 WL 1676817

Before: Mr. Justice Jacob

Tuesday, 4th December 2001

Representation

- Mr. Colin Birss (instructed by Messrs. Taylor Joynson Garrett) appeared on behalf of the Claimants.
- Mr. Robin Whaite and Mr. Nikhil Mehta (Messrs. Linklaters) appeared on behalf of the Defendants.

Judgment

MR. JUSTICE JACOB:

This is a curious application arising out of a curious point concerning stamp duty. Fortunately, it may be the last time the Patents Court has to consider questions of stamp duty because I understand that stamp duty on documents concerning intellectual property has now been abolished.

The point arises on the basis of the pleadings and the underlying documents concerning the patentees' title. Paragraph 1 of the amended particulars of claim reads: "The First Claimant is the proprietor of European Patent (UK) No. 0 155 634."

If the pleading stood there, one would go to the register and see that they were the registered proprietors and perhaps this point would never have arisen. But the pleading presses on with paragraph 2: "The First Claimant has been the proprietor of the Patent at all material times and/or is the assignee of the right to claim in respect of past infringements."

Amended Particulars

- (a) The Patent was granted to Hoechst AG on 13th June 1990;
- (b) On 28th August 1997 Hoechst AG entered into agreements in writing with the First Claimant whereby Hoechst AG agreed to transfer inter alia the Patent to the First Claimant (hereafter the Contribution Contract and Technology Transfer Contract). Copies of the material parts of the Contribution Contract and Technology Transfer Contract are available for inspection from the Claimants' solicitors.
- (c) So far as material for the purposes of these proceedings, the Contribution Contract was either an agreement to assign the Patent from Hoechst AG or alternatively amounted to an Assignment of the Patent to the First Claimant;
- (d) On 20th August 1998 the First Claimant and Hoechst AG executed the following documents:—
 - (i) a document referred to as the "Assignment Back" and then
 - (ii) a document referred to as the "Registered Assignment"
- (e) To the extent that the Patent was the property of the First Claimant, the Assignment Back assigned it from the First Claimant to Hoechst AG;
- (f) In any event the Registered Assignment assigns the Patent from Hoechst AG to the First Plaintiff together with all accrued rights of action;
- (g) In the premises of sub-paragraphs (a) to (f) above, the First Claimant is and has since at least 20th August 1998 been the proprietor of the Patent together with the right to claim in respect of past infringements."

So there were three documents.

The original main transfer document for the Contribution Contract and Technology Transfer Contract was done in August 1997 and then about a year later the Assignment Back to Hoechst and then the

Registered Assignment immediately assigning the patent back to the current claimants.

The language of the documents is as follows. I begin with the Technology Transfer Contract. I am reading from a translation from the German: "HOECHST shall transfer any and all TECHNOLOGIES and INDUSTRIAL PROPERTY RIGHTS worldwide which can be exclusively applied within the CONTRACT AREA to the unrestricted ownership of NUTRINOVA."

Then there is a list to be transferred, which are listed in annex 1, and annex 1 includes this patent.

The document uses the language "shall transfer for the industrial property rights" to be transferred. The document, as I understand, is governed by German law. It is said there is a doubt as to whether that operates as an assignment as such, or merely as an agreement to assign.

What happened was the patentees, when they were considering suing another party in 1998, looked at their title. They were not quite sure which of the two effects the document had, so they decided to enter into an Assignment Back and then a formal assignment which could be registered at the Patent Office.

The Assignment Back says in its recitals: "By an agreement ("the Assignment") dated 28th August 1997 HOECHST assigned to NUTRINOVA certain industrial property rights, including the patents for the United Kingdom, Great Britain, Northern Ireland, and the Isle of Man listed in the Schedule. • (B) To avoid recording the Assignment, it has been agreed that NUTRINOVA should make the following re-assignment without payment."

Then the operative part reads: "NUTRINOVA assigns to HOECHST the patents listed in the Schedule. • (2) HOECHST shall the property hereby assigned as trustee for NUTRINOVA."

Finally, on the same day, an agreement was entered into which became that registered at the Patent Office. Its introduction says: "• (A) HOECHST is register proprietor of the patents.

• (B) The parties have agreed upon the following assignments without payment."

The operative part reads: "WITNESSES that HOECHST assigns to NUTRINOVA absolutely the patents listed in the Schedule together with all rights, powers and benefits belonging to or accrued to the same."

This document was then taken to the Stamp Duty Office. It received a 50p stamp, which is the appropriate stamp for an assignment without payment or consideration. Having been stamped, it was taken to the Patent Office where Nutrinova were entered as the patentees on the register of patents.

The defendants take a point which ultimately cannot avail them of a defence. The patentees have made it quite plain that if there is anything in this technical point, then the appropriate steps will be taken to get the documents appropriate stamped. When they are (assuming there is not any problem) then the documents will be admissible in evidence, and such admissibility will operate both for the past and the future.

All that section 14 of the Stamp Duty Act does is to render a document, which has not been properly stamped, inadmissible in evidence. Once it is, it becomes admissible. Section 14(4) provides: "Save as aforesaid, an instrument executed in any part of the United Kingdom, or relating, wheresoever executed, to any property situate, or to any matter or thing done or to be done, in any part of the United Kingdom, shall not, except in criminal proceedings, be given in evidence, or be available for any purpose whatever, unless it is duly stamped in accordance with the law in force at the time when it was first executed."

At present this is an interlocutory application to have the pleading of title struck out. It is not a case in which, at this stage, Nutrinova are actually seeking to adduce a document in evidence. That will be a matter for trial. What is being said is at trial they will not be able to prove their title because the document is not duly stamped.

Nutrinova take two points which were called in argument Route 1 and Route 2. Route 1 runs as follows. Section 32(9) of the Patents Act 1977 says: " Subject to subsection (12) below, the register shall be prima facie evidence of anything required or authorised by this Act or rules to be registered and in Scotland shall be sufficient evidence of any such thing."

The rules require that the proprietor be registered and it follows that the entry on the register of Nutrinova is to be taken as prima facie evidence of their title.

Mr. Birss says suppose for a moment there is something wrong with Assignment No. 3 (or the third document), the one that was actually registered? It is for the defendants to show that the prima facie position is bad. That they can only do that by looking at the document which, they say, was not duly stamped and that they cannot be by virtue of section 14.

I do not agree with that submission. If it were right, it would mean that once anybody had ever got a document which had not been stamped, or had not been stamped properly, as a basis of title and given it to the Comptroller, who had acted upon it, no one could ever challenge that act of the Comptroller.

It is said that I decided the contrary in **Coflexip**. Mr. Birss relies on what I said at page 187 of [1997] R.P.C 179. I said: " Suppose that were wrong, however. [That is to say, the valuation that had been placed upon it for assignment.] Given that it is accepted that A2 was prepared in good faith, can a third party complain if the Comptroller enters it on the Register of Patents? There is nothing in the Stamp Act which leads to this conclusion. Indeed the Act points the other way. Section 17 provides: ' If any person whose office it is to enrol, register, or enter it in or upon any rolls, books or records, any instrument chargeable with duty, enrolls, registers, or enters any such instrument not being duly stamped he shall incur a fine of ten pounds.'

It does not provide that any enrolment etc, so made is a nullity. I do not see why the court should add a sentence to that effect. I was, incidentally, told that the Commissioners of Inland Revenue have been kind enough to tell the Comptroller that provided he acts in good faith in making entries on the Register they will not attempt to levy the £10 if in error he enters a document which is not duly stamped. I am sure the Comptroller was glad to have this pressing worry removed."

That was dealing with the question of complaining about the Comptroller having entered a transaction. Here the defendants are trying to do something rather different. They are not seeking rectification. They are seeking to rebut the prima facie presumption, which is a different thing. It is technical. It may be that you cannot rectify the register, but they are doing no more in this defence than seeking to rebut a presumption which the Act itself, far from making irrebuttable, treats as only a prima facie position.

I turn then to the question of whether the attack on the registered assignment itself is good.

Section 14 says that an instrument, which is not duly stamped, may not be given in evidence which is what, according to the defendants, the patentees are seeking to do. That throws one back on to the question of: is it or is it not duly stamped? It bears a stamp of 50p. Mr. Birss says that is the proper stamp and his reasoning runs as follows.

The original transaction did not produce a clear effect in law. Its owner merely transferred equitable title rather than both legal and equitable title. The parties were not sure which it was and all they were doing in the following documents of a year later was sorting out the position preparatory to suing some other defendants.

He says that actually the original transaction, if it had been presented for adjudication, would have attracted no stamp because it was effectively an inter-company transfer. The details do not matter. It is said that it would fall within section 42. He may be right, he may be wrong, but the Stamp Office has never seen the document.

He says that there is uncertainty about the legal effect of the document and the actual transactions that took place, namely a transfer back to Hoechst and then a re-transfer from Hoechst necessarily meant that the last document was for no consideration. The earlier document may have been for consideration, but the last document was not.

So, he says, if the matter had been fully explained to the Stamp Office, they would have been told that there was an earlier transaction which may or may not attract stamp duty, but whether it did or did not, this document was truly for nothing. Therefore, the appropriate stamp was 50p.

I am not so sure. The Stamp Office might say: "Without payment. How come?" If they had so asked, a full explanation would doubtless have been given. The Stamp Office might well have said, "We agree. It is without payment." They might, however, have required, before that explanation could be accepted, payment on the underlying transaction. Mr. Birss says they would not. But you cannot explain this document without looking at the reality of the totality of the transactions.

It is not suggested for a moment there was any attempt here to avoid stamp duty. This is not a case like *Parinv (Hatfield) Limited v. Inland Revenue Commissioners* [1998] STC 365 where there was a blatant attempt so to do.

In that case, on the same day, a selling party, selling land worth £37 million, entered into two documents, one, a declaration of trust and, secondly, a bare assignment of the legal title. Not surprisingly the Court of Appeal regarded the two transactions as one. Millett L.J. said at page 314: "The Revenue were entitled to be informed of all the circumstances which it was material for them to know in order to assess the transfer to duty. They were entitled to be told why one commercial entity had transferred property to another apparently unconnected commercial entity without consideration. To say that it did so because it was obliged to do so by the declaration of trust would not be a sufficient answer. It would only invite the further question: why did the one commercial entity execute a declaration of trust in favour of the other without consideration? And the answer is: because it had promised to do so on payment of over £37m."

Mr. Birss suggested that the difference between that case and this case was, first, there was no attempt here to avoid stamp duty and, secondly, that the real point of the transaction here was simply to clarify the legal title. No doubt it was, but it does not follow that in truth there was not payment for the British patent that was being assigned. It may well be that ultimately that payment was the subject of the original transaction, indeed, that is probably so. It may well be that the original transaction required no duty, but it is a matter which, to my mind, ought to have been considered by the Stamp Office. I do not have enough material to show that in fact the document should have borne a different stamp. One cannot say with confidence that the document was duly stamped. It may be that there had to be an adjudication stamp as well, if nothing else.

In the result I feel the appropriate course for these patentees is, if they wish to pursue this action, to make full disclosure of the position to the Stamp Office. They may well be right, that the whole exercise was a wasted exercise. But technically the point taken succeeds for the moment.

What are we going to do about it?

MR. BIRSS: My Lord, I was just asking how long it would take. The answer is it may take a short time, but if there are questions the Stamp Office do not expect, then it may take longer. It may be the right thing to do, my Lord, is to stand this over for a month. There is no urgency about any of this. It just has to be done. I do not suppose my learned friend wants to delay inspections in China or anything like that. We certainly do not.

MR. JUSTICE JACOB: Just get on and get this sorted out.

MR. BIRSS: That four weeks is enough time to sort out—

MR. JUSTICE JACOB: You just want me now to stand the thing over for four weeks?

MR. BIRSS: That might be the best thing to do. It will either go, or if there is something unexpected that happens, we will have to sort it out and see.

MR. WHAITE: I am sorry, my Lord, I do not understand what standing this thing over means. At the moment, as I understand the point as pleaded, it is capable of being cured.

MR. JUSTICE JACOB: That is why he suggests standing it over, so that he can go and cure it.

MR. WHAITE: As I accepted the undertaking given just a few minutes before judgment, I could have accepted an undertaking three months ago to sort it out. I am interested in getting it sorted out quickly. If it is sorted out, rubber stamped and adduced on an adjudication, I am sure the point will fizzle out.

MR. JUSTICE JACOB: Yes, it will.

MR. BIRSS: I think my learned friend and I feel the same.

MR. JUSTICE JACOB: I think it is sensible to stand it over for a month. That is the order I am going to make. If you run into trouble, you will have to come back and ask for more time. A month is not a very clever time, is it?

MR. BIRSS: Probably not.

MR. JUSTICE JACOB: Until the middle of next term?

MR. BIRSS: Maybe the middle of January. Absolutely. If we have a problem, maybe there is something in the pleading, it will have to be resolved in some way. If there is not a problem the answer is the pleading goes and that is the end of it. I think that is what I would ask my Lord to do.

MR. JUSTICE JACOB: That will do, will it not, Mr. Whaite?

MR. WHAITE: My Lord, I think the important thing is for it to be sorted out. Technically, the application to strike out fails for the reasons set out in your judgment.

MR. JUSTICE JACOB: Technically, but I think I will make the final order in due course when we see where we have got to in mid-January. You had better book a date with me in mid-January sometime for a 9.30 appointment.

What are we going to do about the costs?

MR. WHAITE: My Lord, I think the strike-out application has failed. The original agreement relating to the same thing was that this would be incurred as part of the directions.

MR. JUSTICE JACOB: You want your costs?

MR. WHAITE: My Lord, my costs, because the application has failed. A further reason is that had Nutrinova come straight back and said "We should have adjudicated this. We did not, but we will get on with it. We will give the usual undertakings", I would have accepted that three months ago and we would not have had this hearing.

MR. BIRSS: My Lord, that is not right, with respect. We would have had this hearing because what actually happened is we received this pleading and so we wrote to them and asked them what it was about and the case that is being heard today is not the same. It has been shifting through the correspondence all the way through. I quite accept I have lost. That is plainly right. The question then is: what do you do? My Lord, in my respectful submission the answer is that this is a matter that has arisen out of the case and it should be my learned friend's costs in the case. I do not believe he has a bill of costs here anyway. The fair outcome is they are his costs in the case.

MR. JUSTICE JACOB: Have you a statement of costs here?

MR. WHAITE: Neither side exchanged figures for the agreement about the CMC. I am afraid Mr. Birss is not quite right.

MR. JUSTICE JACOB: You will get your costs. Do not worry about that. You won the point. He fought it. That is that. The fact you may not have articulated it as well today is neither here nor there. You can have your costs. Detailed assessment at the end of the case. If you agree everything by mid-January, you need not come in. Just let me know that happens.

MR. WHAITE: I am obliged, my Lord.



NICHOLSON GRAHAM & JONES

TO: Jeremy Brassington
John Moulton
Clive Richards

FROM: Robin Tutty

EXT: 8112

DATE: 11 September 2003

REF: RBT/Leaf

MEMORANDUM

PROJECT LEAF

1. Purchase Agreement

"A"

Attached to this memorandum is the draft purchase agreement with the Receivers of Sense-Sonic Limited. This document is now in agreed form (subject only to minor amendments) and is in the normal form for a sale by administrative receivers.

2. Structure

As reflected in the purchase agreement it is proposed that the purchase will be effected by 3 new companies ("Newco 1", "Newco 2", and "Newco 3"). Newco 1 will acquire the only issued share in the share capital of Leaf Technologies Limited ("Leaf"), the inter-company debt due from Leaf to Sense-Sonic Limited and the goodwill associated with the Sense-Sonic/Leaf business. Newco 2 will acquire the intellectual property rights and Newco 3 will acquire the tooling. It may be desirable for plant and equipment currently owned by Leaf to be transferred to Newco 3 following the acquisition so as to leave Leaf as a trading entity using the intellectual property, tooling and plant and equipment on licences from Newco 2 and Newco 3.

3. Assignment of Debt

"B"

Under the purchase agreement the inter-company debt from Leaf to Sense-Sonic Limited will be assigned to Newco 1. The assignment will attract ad valorem stamp duty at 3% on the amount of the debt.

4. The Debentures

It is envisaged that the investor group will provide funds by way of subscription for ordinary shares and loans to Newco 1 which will be the holding company for Leaf, Newco 2 and Newco 3.

Funds provided to Newco 1 will be on-lent as required to Newco 2 and Newco 3 for the purposes of the acquisition and Newco 2 and Newco 3 will grant debentures as security for the repayment of such loans.

"C"

Following the assignment of the inter-company debt to Newco 1 it will require repayment of such debt from Leaf but will then re-lend the sum repaid on the security of a debenture.

TO: Jeremy Brassington, John Moulton, Clive
Richards
FROM: Robin Tutty

DATE: 11 September 2003

PAGE: 2

The investor loans to Newco 1 will also be secured by a debenture in favour of Bulldog Partners Limited as trustee for the individual investors.

A form of the debenture to be given by Leaf is attached to this memorandum. The other debentures will be in similar form but will not include provisions relating to charges on freehold or leasehold property.

5. **Investor Agreement**

Bulldog Partners and the investors will enter into an investor agreement a draft of which will be circulated shortly.

RBT

patent involving the introduction of dependent claims so as to provide a fall-back position would ever be acceptable on discretionary grounds.

The *Sara Lee v. Johnson Wax* judgement should be applicable in post-grant amendment proceedings before the UK Patent Office, where validity is not normally called into question. If a proprietor becomes aware of prior art or arguments which cast doubt on the validity of a granted independent claim, the proprietor should not be able both to maintain that claim (which would be an obstacle to trade) and to introduce new dependent claims (to provide a fall-back position).

The judgement is consistent with current EPO practice in opposition proceedings. Although a patent proprietor may present a main request and a series of auxiliary requests, each based on different versions of the independent claims under attack, it is not permissible to provide a fall-back position by introducing new dependent claims. All amendments submitted during opposition proceedings must be directed to meeting grounds of opposition: the introduction of new dependent claims cannot fulfil this requirement.

If the judgement in *Sara Lee v. Johnson Wax* had gone the other way, it would beg the question: why stop at inserting only one or two new dependent claims? Why not advance a cascade of fall-back claims of decreasing scope? If an independent claim were challenged at some future stage, the proprietor would have a range of dependent claims to assert, each incrementally narrower than the one before. The proprietor could maintain and assert them all, leaving the Comptroller or Court to decide in revocation proceedings how far one must descend the cascade before the prior art is avoided. Not only would this have the potential to extend hearings substantially, with a consequential increase in costs, but in the meantime it would also be unfair by leaving third parties uncertain as to the valid scope of protection.

Christopher Thornham and Dudley Hawkins

Case referred to:

1. Chancery Division, Patents Court – Judgment 20 December 1999; see also January [2000] CIPA 28
2. (1950) 67 RPC 226 at 230, lines 1-9
3. (1998) RPC 727 at 790, lines 32-37
4. EPO Technical Board of Appeal decision T0829/93
5. Court of Appeal – Judgment 24 November 1999

Stamp Duty errata

The telephone numbers for enquiries from the Inland Revenue on stamp duty on documents recording intellectual property transactions given in both para. 30.10 of the Fifth Supplement to the *C.I.P.A. Guide* and in the current Membership List were either wrong or have been changed. The current numbers for the Stamp Office in Newcastle-upon-Tyne are – Tel: 0191 261 1282; Fax: 0191 230 4262. Enquiries should be made to Mr. Archie Brown, Deputy Director.

The *C.I.P.A. Guide* also states that a document which records an agreement to assign intellectual property rights, but does not actually do so, is itself stampable as if it were the actual assignment. However, a recent discussion with Mr. Brown revealed that this is only so as regards an agreement to assign United Kingdom rights. Thus, if a "global" assignment of intellectual property rights is prepared in the form of an agreement for future assignment, coupled with a "further assurance" clause to require execution of an actual assignment upon demand, then such document is only stampable as regards the consideration for the UK assignment, even if this agreement to assign is executed in the United Kingdom, see now Finance Act 1999, Sched. 13, para. 7(1)(b)(v). Such an arrangement can then lead to individual assignment documents for the separate countries covered by the global agreement, but (for foreign IP rights) these must be executed and kept off-shore to avoid UK stamp duty thereon. If the agreement to assign is eventually terminated before the assignments take place, it appears that any stamp duty which has been paid upon that agreement can be recovered from the Inland Revenue.

It is suggested that clients should be encouraged to avoid global assignments of IP rights because of the difficulty of registering these in the various countries covered; and the arrangement of having the head agreement as one to assign at a later date has much merit, not only for reduction of UK stamp duty liability but as a matter of administrative convenience, leading to the subsequent creation of individual national stand-alone assignment documents in the required language for registration purposes, thereby avoiding translation costs.

Alan W. White

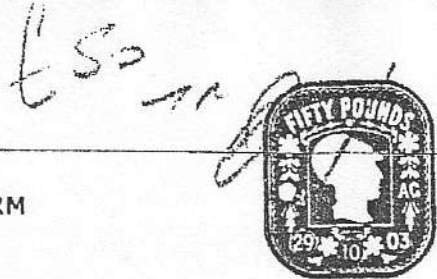
Andrew Hall

From: "Smith, Helen G." <helen.smith@klgates.com>
To: <contact@sense-sonic.net>
Cc: "Talbot, Richard J." <richard.talbot@klgates.com>
Sent: 27 July 2007 10:38
Attach: Leaf Stamped Stock Transfer Form.pdf
Subject: FW: Leaf Technologies

Please see attached a copy of the duly stamped stock transfer form (transferring a share in Leaf Technologies from Sense-sonic to Elitesound).

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STOCK TRANSFER FORM

Certificate lodged with the Registrar

Consideration Money £10,000

(for completion by the Registrar/Stock Exchange)

Name of Undertaking

Leaf Technologies Limited

Description of security

Ordinary Shares of £1

Number or amount of Shares, Stock or other security and, in figures column only, number and denomination of units, if any.

Words

One

Figures

(1 unit of £1)

Names(s) of registered holder(s) should be given in full: the address should be given where there is only one holder.

If the transfer is not made by the registered holder(s) insert also the name(s) and capacity (e.g. Executor(s)) of the person(s) making the transfer

in the name(s) of
Sense-Sonic LimitedElliot House
151 Deansgate
Manchester

"A"

I/We hereby transfer the above security out of the name(s) aforesaid to the person(s) named below.

Signature(s) of transferor(s)

1.

2. _____

3. _____

4. _____

Stamp of Selling Broker(s) or, for transactions which are not stock exchange transactions, of Agent(s), if any, acting for the transferor(s)

Date 29/10/ 2003

Full name(s), full postal address(es) (including County or, if applicable, Postal District number) of the person(s) to whom the security is transferred.

Elitesound Limited
110 Cannon Street
London
EC4N 6AR

"B"

Please state title, if any, or whether Mr, Mrs or Miss.
Please complete in typewriting or Block Capitals.

I/We request that such entries be made in the register as are necessary to give effect to this matter.

Stamp of buying Broker(s) (if any)

Stamp or name and address of person lodging this form (if other than the Buying Broker(s))



Sale
reement.doc (100 K)

"A"
From: Joey Byrne [mailto:joey.byrne@tp.co.uk]
Sent: 10 September 2003 10:56
To: 'robin.tutty@gj.co.uk'
Subject: Sale Agreement

<<Sale Agreement.doc>>

Sale Agreement

This e-mail has been scanned for all viruses by Star Internet. The service is powered by MessageLabs. For more information on a proactive anti-virus service working around the clock, around the globe, visit:
<http://www.star.net.uk>

(f) words incorporating the masculine gender only shall include the feminine and neuter genders and words incorporating the singular number only include the plural and vice versa.

2. SALE AND PURCHASE

2.1 Subject to the terms and conditions of this Agreement the Seller shall sell and the Buyer shall buy whatever right, title or interest (if any) the Seller may have in the following Assets:

- The Tooling
- The Intellectual Property Rights
- The Goodwill
- The Share
- The Inter-Company Debt

to the intent that the Buyer shall from the Transfer Date carry on the Business as a going concern.

2.2 Nothing in this Agreement shall operate to transfer the Excluded Assets and without prejudice to the generality of the foregoing the following items are expressly excluded from this sale and purchase:

- (a) all and any cash in hand or at a bank or other financial institution save for Debtor Realisations and any deposits or pre-payments made to any third party in connection with goods or services supplied prior to the Transfer Date and all cheques, bills or other negotiable instruments received by the Transfer Date;
- (b) the Excluded Records;
- (c) any real property owned or leased or used by the Seller including the Premises;
- (d) any actual or potential claim under any insurance or similar contract or in damages against any third party and any claim against an Employee or Former Employee;
- (g) the benefit of any claim made or capable of being made by the Seller or the Office Holder for repayment of any tax or tax allowances;
- (h) the rights of the Seller in respect of any pension trust or fund established by or for it affecting the Employees or any former employees of the Seller;
- (i) the benefit of any claim made or to be made by the Seller or the Office Holder for grants from any government local or public authority;
- (j) the Debts.
- (k) the Vehicles.

3. CONSIDERATION

The consideration for the sale and purchase referred to in Sub-Clause 2.1 shall be as follows:

| Asset | Consideration (£) |
|----------------------------------|-------------------|
| The Tooling | £ 25,000.00 |
| The Intellectual Property Rights | £ 30,000.00 |
| The Goodwill | £ 10,000.00 |
| The Share | £ 10,000.00 |
| The Inter-Company Debt | £350,000.00 |
| Total | £425,000.00 |

4. PAYMENT, COMPLETION AND FURTHER ASSURANCE

4.1 The Buyer shall on the Transfer Date pay to the Seller the sum of £425,000.

4.2 The Seller's Solicitors shall be entitled to account immediately to the Office Holders for the consideration as it is received.

4.3 Completion of the sale and purchase shall take place on the Transfer Date at the offices of the Seller's Solicitors or at such other place as the Office Holder may direct.

4.4 On the Transfer Date the Seller shall:

(a) allow the Buyer to take possession of such of the Assets as are transferable by delivery;

(b) hold all other Assets on trust for the Buyer absolutely pending assignment.

4.5 Following completion of this Agreement the Seller and/or the Office Holder (but only so long as he retains his office in relation to the Seller and provided that all and any personal liability of the Office Holder is expressly excluded) shall at the Buyer's expense:

(c) execute and deliver such if any documents (in such form as the Seller's Solicitors shall approve); and

(d) do such further acts

as shall be reasonably necessary to vest in the Buyer such right, title and interest as the Seller may have to the Assets transferred to the Buyer in accordance with the terms of this Agreement at the cost of the Buyer.

②
u A u
From:
Sent:
To:
Cc:
Subject:

James Atkinson
11 September 2003 12:05
'joey.byrne@tp.co.uk'
'brasscom@globalnet.co.uk'; Robin Tutty
Re Leaf Technologies Limited

Attachments:

Sale Agreement1(track change)-d2.doc

Joey

Further to our earlier telephone discussion please find attached our amendments to the draft agreement. Our amendments are made subject to any further comments that our client may have.

Regards

James Atkinson



Sale
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Direct phone 020.7360 8173
Direct fax 020 7360 6373

mailto:James.Atkinson@ngj.co.uk
<<http://www.ngj.co.uk/>>

