IN THE NORTH GAUTENG HIGH COURT, PRETORIA /ES

(REPUBLIC OF SOUTH AFRICA)

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| **DELETE WHICHEVER IS NOT APPLICABLE** |
| **(1) REPORTABLE: ~~YES~~ / NO.** |
| **(2) OF INTEREST TO OTHER JUDGES: ~~YES~~ / NO.** |
| **(3) REVISED.** ✓ |
| **DATE** 29/4/13 **SIGNATURE** |

CASE NO: 23902/2010

DATE: 3/5/2013

IN THE MATTER BETWEEN

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| TRINAMICS INCORPORATED | APPLICANT |
| AND | |
| THE RGISTRAR OF PATENTS | 1ST RESPONDENT |
| JOHN TERRY PIDGEON | 2ND RESPONDENT |
| WAFFLERAFT MARKETING SA (PTY) LTD t/a WAFFLE RAFT FOUNDATIONS | 3RD RESPONDENT |

JUDGMENT

PRINSLOO, J

[1] This is an application for the review and setting aside in terms of section 6 of the Promotion of Administrative Justice Act 3 of 2000 ("PAJA"), read with rule 53 of

the Uniform Rules of Court, of certain administrative actions performed by the Registrar of Patents or his or her duly delegated official or officials ("the Registrar") in relation to South African patent 88/0864 ("the patent").

[2] More specifically, the application is directed at the acceptance by the Registrar of certain renewal payments and the allowance of a restoration application in respect of the patent.

[3] Before me, Mr Michau SC appeared for the applicant and Mr Van Tonder, assisted by Mr Heystek, appeared for the second and third respondents. The first respondent did not take an active part in the proceedings.

Brief introduction and background notes

[4] The Patent Register indicates that an application for the patent was filed on 8 February 1988 and the application proceeded to grant on 22 February 1989.

In terms of the provisions of section 46(1) of the Patents Act 57 of 1978 ("the Act") the duration of a patent shall, unless otherwise provided in the Act, be 20 years from the date of application therefor, subject to payment of the prescribed renewal fees by the patentee concerned or an agent. Subject to the condition mentioned, the patent would therefore have endured from 8 February 1988 to 8 February 2008.

[5] The second respondent is the patentee of the patent and also a director of the third respondent company, reflected as a licensee of the patent in the Patent Register.

[6] The title of the invention is "Method of Constructing a Foundation for Buildings".

According to the evidence offered by the second and third respondents, the method of construction (which is claimed in the method claims of the patent specification) and foundation for a building (which is claimed in the products claims of the patent specification) became known in the trade as a "Waffle Raft". The Waffle Raft became the industry norm when buildings had to be constructed on expansive soil. It became highly successful due to the fact that it provided a construction method which is universal and constant and in general leads to a more cost effective but at the same time a more effective type of stiffened raft foundation than was known before the priority date of the patent. According to the respondents, it is estimated that not less than 25 million square metres of foundations for buildings have been constructed in South Africa utilizing the Waffle Raft invention.

[7] The respondents allege that the applicant would, in its capacity as the appointed structural engineer for numerous projects, have been responsible for designing the foundation structure for buildings. Where expansive soil conditions were found, the applicant would have benefited (and indeed has benefited) from the solution disclosed by the invention. It is for this reason that the applicant and the third

respondent, already in April 1996, entered into a sub-licence agreement under the patent. In terms of this agreement authority was granted to the applicant to design Waffle Raft foundations and, in exchange, certain licence fees and royalties would become payable to the third respondent.

[8] In April 2008, the second and third respondents, as plaintiffs, instituted a damages action against the applicant, and a number of the applicant's directors, as defendants flowing from the alleged breach of the sub-licence agreement, which the respondents claimed to have cancelled in August 2006, and alleged infringements of the patent after the alleged cancellation of the licence agreement.

[9] The trial was enrolled for hearing on 3 – 14 May 2010.

[10] Days before the scheduled start of the trial, on 26 April 2010, the applicant launched these review proceedings which, if successful, will result in a conclusion that the patent lapsed already in February 1992 (more than twenty one years ago) for failure by the respondents to timeously pay the prescribed annual renewal fees as intended by the provisions of section 46 of the Act. In order to achieve this result, the alleged unlawful or irregular administrative actions of the Registrar, purporting to restore the patent to the Register, have to be set aside by means of this review application. A successful review, will, as mentioned, result in the patent being regarded as having lapsed in February 1992, before the licence agreement was entered into between the parties so that the agreement will, for

practical purposes, be unenforceable and the action cannot succeed. I add that the "defence" that the patent had lapsed, is not raised in the plea offered by the applicant and its directors as defendants to the particulars of claim in the action. The defendants in the action also raised a counter-claim seeking an order revoking the patent on the ground that it did not involve an inventive step as contemplated in section 25(10) of the Act. The defence, as pleaded, appears to go to the merits of the claims and there is also an attack on the *locus standi* of the third respondent (as second plaintiff).

<u>Details of the main relief sought in the notice of motion and described in the founding affidavit</u>

[11] Prayer 2 of the notice of motion reads as follows:

> "2. Reviewing and setting aside:
>
> 2.1 the acceptance of the 1992 renewal payment in respect of South African patent 88/0864;
>
> 2.2 the acceptance of the 1993 renewal payment in respect of South African patent 88/0864; and
>
> 2.3 the restoration of South African patent 88/0864 pursuant to the filing of a restoration application on 30 October 2003."

[12] It will be observed that these alleged unlawful or irregular administrative actions were performed, broadly speaking, 21, 20 and 10 years ago.

[13] For illustrative purposes, it is convenient to quote the nature and details of the three administrative actions under attack in the review application, as it is described in the founding affidavit:

"66.1 The irregular acceptance by the Registrar in 1992 of the Second Respondent's Form P10 with revenue stamps to the value of R30,00. In terms of *Government Notice* no R3163 of 27 December 1991, the prescribed renewal fee payable for the expiration of the fourth year, ie the 1992 renewal fee in respect of the patent, was R36,00.

66.2 The irregular acceptance by the Registrar in 1993 of the second respondent's Form P10 without revenue stamps, payment having been made by way of a cheque drawn in favour of the Registrar. In terms of Regulation 3 of the Patent Regulations which were in force at that time, the fees payable in terms of the Patents Act shall be the fees specified in Schedule 1 to the regulations and shall be payable:

(a) by affixing revenue stamps to any relevant document, which stamps may be cancelled by a Receiver of Revenue or the Registrar, or

(b) by impressing a stamp on any relevant document by means of a die approved by the Secretary for Inland Revenue; or

(c) in such other manner as the Registrar may direct.

66.3 The irregular acceptance by the Registrar of an application for the restoration of the patent, which restoration application was filed on 30 0ctober 2003. In terms of Schedule 1 of the regulations referred to above, the fee payable for the restoration application was R286,00 payable as stated in paragraph 66.2 above. It is not apparent from the Patent 0ffice records that this fee was paid and that it was paid in the prescribed manner. The restoration application was in any event not competent as it was aimed at restoring the lapsing of the patent in 2001 for failure to pay the full prescribed renewal fees for the period 1993 to 2002. As pointed out in paragraph 66.1 above, the patent had already lapsed in 1992 for the reasons given there. Notwithstanding these defects the Registrar irregularly allowed the restoration of the patent."

[14] The applicant then proceeds to ask for the review and setting aside of these three administrative actions by employing the full spectrum of review grounds codified in section 6 of PAJA.

<u>Abandonment of part of the relief sought, and a consideration of the issues regarding the remainder of the relief still prayed for</u>

[15] Shortly before the commencement of the proceedings before me, the applicant abandoned the second and the third attacks referred to above, namely those in respect of the alleged irregular acceptance of the 1993 renewal payment by way of

a cheque and the 2003 entertainment of the restoration application for the period 1993 to 2002.

It is common cause that the restoration application was granted in terms of the provisions of section 47 of the Act. In terms of section 47(2), the second respondent's intention to apply for the restoration was duly advertised in the Patent Journal of February 2004. The applicant did not oppose the restoration application or enquire about the circumstances which gave rise for the need for such a restoration. I find no explanation in the voluminous record for the applicant's failure to do so.

[16] What is left for consideration and adjudication is the application to review and set aside the alleged irregular acceptance by the Registrar in 1992 of the second respondent's Form P10 renewal application with revenue stamps to the value of R30,00 instead of R36,00 after the tariff had been increased a few days earlier (on 27 December 1991) in terms of *Government Notice* no R3163 of 27 December 1991.

[17] I consider it useful, and of some relevance, to make a few remarks about the "renewal history" of the patent, from its inception on 8 February 1988 until its expiry on 8 February 2008.

[18] The second respondent's patent manager was, at all relevant times, his spouse, Ms Aideen Pidgeon ("Ms Pidgeon"). It was her duty to see to the regular and timeous renewal of the patent in consultation with her husband. It is common cause that the patent was duly renewed for the first three years namely in February 1989, 1990 and 1991. It is also common cause that the second respondent, at all relevant times, had the firm intention to diligently and timeously renew the patent.

Ms Pidgeon offered detailed and undisputed evidence on oath relating to the various steps she took over the years to ensure the proper renewal of the patent. Towards the end of 1991, the second respondent instructed her to obtain a copy of the relevant *Government Gazette* regulating the prescribed fees for patent renewals and to attend to the renewal of the patent by not later than the due date, 8 February 1992. She made use of the "builders holiday" which normally commences at about 15 December of each year, during 1991 to visit the Government Printer before Christmas. She requested and obtained the relevant schedule of fees published in terms of the Act. At the time of preparing her affidavits in this matter, she no longer had a copy of the relevant *Government Notice*, but she was advised that it would have been *Government Notice* no R3038 of 28 December 1990. In terms of that *Government Notice*, the prescribed renewal fee was R30,00. It was payable before the expiration of the fourth year from the date of the application of the patent, in this case before 8 February 1992.

It is common cause that after Ms Pidgeon had visited the Government Printer, and on 27 December 1991, with effect from 1 January 1992, the amended tariffs were published, as I have pointed out, by *Government Notice* R3163. Ms Pidgeon was unaware of this latest amendment when she proceeded to complete the relevant Form P10 on 8 January 1992 and when she affixed the revenue stamps to the value of R30,00. She posted the form on 9 January 1992 as is evident from the relevant "certificate of posting of a registered article" attached to one of her affidavits. She received the form back some time later, duly endorsed with the official stamp of the Registrar, indicating that the patent had been renewed for another period of one year with effect from 8 February 1992. If she had been aware of the regulation published on 27 December 1991, or if the Registrar had drawn her attention thereto, she would have paid the extra amount of R6,00.

The patentee, the second respondent, was also not aware of the R6,00 increase in the fee at the time when the R30,00 was paid. The second respondent concedes that objectively, the Registrar should not have accepted the payment of R30,00 as a valid renewal payment and ought to have informed the patentee that a further amount of R6,00 was payable in order to renew the patent in 1992. This evidence of the second respondent is also supported by Mr Daniel Petrus Boshoff, a former employee of the South African Patent Office who was an assistant director of patents between 1985 and 1995 when he retired. Mr Boshoff also testified that the Patent Office (the Registrar) made a mistake in accepting the short payment. In my view, there is much to be said for the second respondent's submission that the Registrar and his officials were probably not aware of the new *Government Notice* that had been published at a time when most members of the public would not have been aware thereof, namely over the Christmas holiday period.

It is common cause that the second respondent (and also Ms Pidgeon for that matter) only got wind of the attack on the 1992 short payment when this application was served in April 2010, more than 18 years after the event. Had they been aware of any difficulties in this regard at an earlier stage, and of a suggestion that the patent may have lapsed as a result of the short payment, they would undoubtedly have applied for a restoration in terms of section 47 of the Act. When they finally became aware of the attack in April 2010, the patent had already expired so that there was no longer any room for a restoration application.

Finally, I point out that Ms Pidgeon's 8 January 1992 Form P10 renewal application forms part of the record. According to Mr Michau, the mischief complained of namely the acceptance of the 1992 renewal fee, manifests itself in the Registrar's official stamp to be seen over the R30,00 revenue stamps on the Form P10.

[19] I turn to the 1993 renewal. The historic details appear from affidavits offered by Ms Pidgeon which contain her undisputed evidence on the subject.

During April 1993 the second respondent instructed Ms Pidgeon to renew the patent by paying the renewal fees for a period of nine years in advance, namely until February 2002. This instruction came after February 1993 (when the purported 1992 extension would have expired) but section 46(2) of the Act reads as follows:

> "(2) A patent shall lapse at the end of the period prescribed for the payment of any prescribed renewal fee, if it is not paid within that period: Provided that the Registrar may upon application and subject to the payment of such additional fee as may be prescribed, extend the period for payment of any such fee for a period not exceeding six months."

Ms Pidgeon calculated the renewal fees for the period of 9 years (8 February 1993 to 8 February 2002) together with the fine for the late payment to amount to R842,00. She made out a cheque for this amount and the cheque forms part of the record. She phoned the Patent 0ffice and enquired whether the calculation was correct. The officer at the Patent 0ffice told her that the payment was "too much" and the cheque should be made out for an amount of R707,00. 0n the officer's advice she cancelled the first cheque and prepared another cheque for the latter amount. This last-mentioned cheque is also part of the record. She posted the cheque with a schedule setting out how the figure is arrived at and the Form P10, duly completed, asking for the 9 year extension. All these documents form part of the record. Subsequently, Ms Pidgeon received the Form P10 back, duly stamped by the Registrar, together with a receipt from the latter for the payment of R707,00. The date stamp on the P10 is 19 April 1993 and the date stamp on the receipt is 20 April 1993. Ms Pidgeon was now satisfied that the patent had been renewed for 9 years until 8 February 2002, and diarized her file accordingly.

0n or about 3 June 2002, on the instructions of the patentee (second respondent), she phoned the Patent 0ffice's renewal department to determine the renewal fees (plus penalties for late payment) for the remaining term of the patent until February 2008. She was then advised by one of the Registrar's officers that the patent had lapsed on 8 February 2001. The officer also advised that a *caveat* had been registered on the patent. Ms Pidgeon told the officer about the 1993 renewal and how the amount had been calculated and sent the relevant documents to the officer for inspection. This satisfied the officer that the patent had been renewed until 8 February 2002 whereupon the officer also advised Ms Pidgeon as to the outstanding renewal fees for the remainder of the life of the patent and the penalties (the so-called extension provided for in section 46(2), *supra*). Ms Pidgeon now prepared the necessary Form P10 which she posted to the Registrar with the required revenue stamps. She subsequently received the duly stamped and signed Form P10 from the Registrar. The date stamp is 5 June 2002. Ms Pidgeon and her husband were now satisfied that the patent had been properly renewed until it would expire in February 2008.

[20] The following events led to the restoration application of October 2003: in February 2003 the respondents (as plaintiffs) issued summons against another firm of engineers and architects for the alleged infringement of the patent. In May 2003, these defendants filed a plea alleging that the patent had lapsed owing to non-payment of the renewal fees. The defendant's attorneys informed the attorneys of the plaintiffs (present respondents) that they had determined, through registration of a *caveat* to monitor payment of the renewal fees already in 1998 that the patent had lapsed on 8 February 2001 and that the renewal fees were never paid for the period 8 February 2001 to 8 February 2002. The gist of this argument is that the payment of R707,00 which Ms Pidgeon made in 1993 (on the advice of the Registrar) was not enough to cover the renewals until February 2002 but only until February 2001. This state of affairs was subsequently confirmed by the plaintiffs' attorneys whereupon Ms Pidgeon instructed his attorney to launch the restoration application, which, as I have said, was granted on an unopposed basis. It is clear that the omission in paying the full amount in respect of renewal fees was unintentional and that there was no undue delay on the part of the respondents to launch the restoration application.

I add that, when the second respondent got wind of the plea that the patent had lapsed, he sent Ms Pidgeon to the Patent Office where she was again given the assurance that everything had been paid up to date. The Registrar even wrote a letter (handwritten) which reads -

> "The Patent Office acknowledges that this payment was paid in full for the period 8 February 1993 to 8 February 2002 and not to 8 February 2001 as was mistakenly indicated on the Register. If any queries come in ... office for reference."

Nevertheless, as already indicated, the restoration application was launched, advertised and granted.

[21] I add that the Registrar's file contains a document recording "renewals" and "restorations". There is nothing in the "restorations" column, so that the 2003 restoration is not mentioned in the Patents Register. In the "renewals" column, it is meticulously recorded that consecutive renewal payments were made for the period 8 February 1991 to 8 February 2007 (the first three years between 1988 and 1991 are not mentioned, but it is common cause, as already indicated, that those renewals were in order).

[22] In view of the aforegoing, the "renewal history" of the patent can be summarized as follows:

1. For the first four years of the patent's existence, from February 2008 to February 1992, the renewals were in order.
2. For the renewal period February 1992 to February 1993 there was a short payment of R6,00 namely R30,00 instead of R36,00. The payment was made by Ms Pidgeon in January 1992, ignorant of the fact that the tariff

had been increased a few days earlier, on 27 December 1991. An equally ignorant Registrar accepted the payment as correct. Shortly before the payment was made (and before the 27 December amendment of the tariff) Ms Pidgeon visited the Government Printer where she was informed that the previous tariff was still in place. The Registrar's file reflects a proper renewal for this period. The Patent Register is silent as to any irregularity. It is, however, common cause that the Registrar made a mistake when accepting the short payment.

When the Registrar was asked for reasons, in terms of PAJA, for the decision to accept the short payment, she stated the following on 22 July 2010:

> "The acceptance of the payment of the 1992 renewal fee on Form P10 with revenue stamps to the value of R30,00 instead of the prescribed fee of R36,00 occurred due to an administrative oversight. The Registrar condoned the irregularity in terms of section 89 read together with section 16 of the Patents Act no 57 of 1978. A notice in terms of section 16(1) was not issued since no interested party could have been identified at the time of condonation."

Section 89 provides:

> "The registrar or the commissioner may authorize the condonation or correction of any irregularity in any proceedings before him, provided such condonation or correction is not detrimental to the interests of any person."

Mr Michau argued, correctly in my view, that the day to day renewal of patents can hardly be described as "any proceedings before him". It was argued that the section deals with an incorrect procedure having been followed in legal proceedings. It is not clear to me whether it is necessary to elevate the "proceedings" mentioned in section 89 to "legal proceedings", but it is clear, as argued by Mr Michau, that there is no indication whatsoever that the Registrar has the power to condone an underpayment of renewal fees. In the case of an underpayment, the correct procedure would be for the patentee to provide for an extension of time for payment of the full amount as intended by the requirements of section 46(2), or, perhaps, to approach the court for appropriate relief if the short payment is discovered eighteen years later, like in the present case. In this regard, it is alleged in the founding affidavit on behalf of the applicant that the latter got wind of the short payment in April 2010, after its attorneys had embarked upon an exercise to search for irregularities in respect of all the renewal payments.

As to the Registrar's reference to the provisions of section 16, Mr Michau, again correctly in my view, argued that section 16 finds no application in the present case: it deals with matters where the Registrar and the Commissioner are vested with discretionary powers. This is not such a case.

3. The payment which Ms Pidgeon made in March 1993 to ensure the renewal of the patent for the next 9 years until February 2002, was a short payment and only good enough to ensure renewals up to February 2001. There was consequently no renewal payment for the period February 2001 to February 2002 so that the patent lapsed, as intended by the provisions of section 46(2), *supra*, of the Act. The fact that Ms Pidgeon wanted to pay a larger amount, but was told by the Registrar to pay the lesser figure, is unfortunate, but does not avail the respondents. Nevertheless, the lapsing of the patent after 8 February 2001 was remedied with the successful restoration application of 2003/2004. The exact date when the restoration was granted remains unclear to me but it would have been, I assume, during or about 2004.

4. As already illustrated, it is common cause that the renewals for the six years between February 2002 and February 2008 (when the patent expired) were properly brought about.

<u>Has a proper case been made out for the granting of the remaining relief sought, namely the reviewing and setting aside of the acceptance by the Registrar of the 1992 R30,00 renewal payment?</u>

[23] The main thrust of the applicant's argument, if I understood it correctly, is the following: the purported renewal of the patent in 1992 (when Ms Pidgeon's R30,00 payment was accepted) was unlawful and contrary to the provisions of the Act so that the patent, as a matter of law, lapsed in 1992. In this regard, the applicant relies on the mandatory provisions in section 46(2) that "a patent shall lapse at the end of the period prescribed for the payment of any prescribed renewal fee, if it is not paid within that period" (with the rider that the Registrar may upon application extend the period for payment).

Consequently, so the argument continues, subsequent renewals and the restoration were of no moment because if the 1992 renewal is set aside, it would mean that the patent had lapsed and there was nothing to renew or restore. The restoration application did not seek to cure the defective 1992 renewal but only the subsequent 2001 lapse as I have explained. The subsequent restoration proceedings were therefore an exercise in futility.

[24] I have difficulty in accepting this argument. Mr Michau formulates his submission as follows in his heads of argument:

> "There had been subsequent renewals and also a restoration of the patent in question but these are of no moment because <u>if the 1992 renewal is set</u>

aside, the patent had lapsed and there was nothing to renew or restore." (Emphasis added.)

It is clear, therefore, that counsel recognizes that the "1992 renewal" first has to be set aside before the lapsing of the patent in 1992 can be regarded as a reality. This is also, presumably, why the remaining relief sought is aimed at the reviewing and setting aside of the acceptance of the 1992 renewal payment. This is also developed further in paragraph 66.1 of the founding affidavit (already quoted) where the applicant seeks the review and setting aside of the "irregular acceptance by the Registrar in 1992 of the second respondent's Form P10 with revenue stamps to the value of R30,00". This is also, presumably, why I was not asked to issue a *declarator* to the effect that the patent lapsed in 1992. It should also be borne in mind that this was not a case of non-payment of the renewal fee as described in section 46(2) and as happened when the patent lapsed in 2001 because the February 2002 payment was not made at all. This was, indeed, a *bona fide* attempt to renew the patent (albeit by making a short payment) with the full blessing of the equally ignorant Registrar. As I already pointed out, the Registrar, in accepting the short payment, made a mistake and, in that sense, committed an irregular administrative act which, in appropriate circumstances, may fall to be set aside on review in terms of the provisions of PAJA. This is what the applicant seeks to achieve.

[25] It is now well settled that an unlawful administrative act remains valid until set aside by the court. The learned judges, in *Oudekraal Estates (Pty) Ltd v City of Cape Town and Others* 2004 6 SA 222 (SCA) at 241H to 242C put it as follows:

> "In other words, was the Cape Metropolitan Council entitled to disregard the Administrator's approval and all its consequences merely because it believed that they were invalid provided that its belief was correct? In our view, it was not. Until the Administrator's approval (and thus also the consequences of the approval) is set aside by a court in proceedings for judicial review it exists in fact and it has legal consequences that cannot simply be overlooked. The proper functioning of a modern State would be considerably compromised if all administrative acts could be given effect to or ignored depending upon the view the subject takes of the validity of the act in question. No doubt it is for this reason that our law has always recognized that even an unlawful administrative act is capable of producing legally valid consequences for so long as the unlawful act is not set aside."

At 244A the following is also said by the learned Judges of Appeal:

> "If the validity of consequent acts is dependent on no more than the factual existence of the initial act then the consequent act will have legal effect for so long as the initial act is not set aside by a competent court."

- See the full discussion of the subject in *Oudekraal* from 241G-247C.

[26] From the aforegoing, it would appear that the acceptance of the 1992 renewal payment (and with it the 1992 renewal of the patent) remains in force until set aside. It follows that the consequent acts of successfully initiating and concluding restoration proceedings of the patent for the period 1993 to 2002 also has legal effect, at least for so long as the 1992 renewal is not set aside and, for that matter, for as long as the 2003/2004 restoration is not set aside.

[27] Where I was not asked to decide, in the form of a *declarator,* whether or not the patent promptly lapsed in February 1992, I decline to do so. In any event, as I pointed out, the applicant appears to recognize that the patent cannot be regarded as having lapsed in 1992 before the alleged irregular administrative act of the Registrar, when he accepted the short payment, is reviewed and set aside.

[28] What remains for decision, is whether or not the irregular administrative act, performed more than 21 years ago, ought to be set aside. I have a discretion in this regard. In *Chairperson, Standing Tender Committee and 0thers v JFE Sapela Electronics (Pty) Ltd and 0thers* 2008 2 SA 638 (SCA) the following was stated at 650E-G:

> "In my view the circumstances of the present case as outlined above, are such that it falls within the category of those cases where by reason of the effluxion of time (and intervening events) an invalid administrative act must be permitted to stand. While the court *a quo* correctly found that the award of each of the three tenders was invalid when made, it appears not

to have appreciated that it had a discretion to decline to set aside those awards. It follows that in my view the court *a quo* erred in making the order it did and this court is free to set aside that order."

[29] It is also convenient to quote what was said in *Sapela* at 649J-650E:

"In appropriate circumstances a court will decline, in the exercise of its discretion, to set aside an invalid administrative act. As was observed in *Oudekraal* ... at 246D:

'It is that discretion that accords to judicial review its essential and pivotal role in administrative law, for it constitutes the indispensable moderating tool for avoiding or minimizing injustice when legality and certainty collide.'

A typical example would be the case where an aggrieved party fails to institute review proceedings within a reasonable time ... In a sense, therefore, the effect of the delay is to 'validate' what would otherwise be a nullity. See *Oudekraal Estates* paragraph 27 at 242E-F. In the present case, as I have found, there was no culpable delay on the part of the respondents. But the object of the rule is not to punish the party seeking the review. Its *raison d'étre* was said by Brandt JA in *Associated Institutions Pension Fund and Others v Van Zyl and Others* 2005 2 SA 302 (SCA) ... in paragraph 46 to be twofold:

'First, the failure to bring a review within a reasonable time may cause prejudice to the respondent. Secondly, there is a public interest element in the finality of administrative decisions and the exercise of administrative functions.'

Under the rubric of the second I would add considerations of pragmatism and practicality."

[30] I made a point of sketching the "renewal history" of the patent in some detail. I consider the facts of this case to be of relevance when it comes to considering whether or not to exercise my discretion in favour of setting aside the administrative action complained of. The mischief under attack took place 21 years ago. When this application was launched, it was about 18 years after the event. At all relevant times the patentee had the *bona fide* intention of renewing the patent. The 1992 payment was made timeously and with the blessing of the Registrar. It was made after Ms Pidgeon had checked the then applicable tariffs with the Government Printer. The payment was made a few days after the new tariffs were published two days after Christmas. The Registrar made no mention of the short payment (or a possible lapsing of the patent) in the Patents Register. Indeed, according to the reasons furnished in terms of PAJA, the Registrar states that the short payment was "condoned". The patentee only became aware of the alleged short payment and irregularity when this application was served on him in 2010. This was after the patent had expired. There was no room for a restoration application.

The 1992 renewal could not prejudice any party, or at least any known party for purposes of the present enquiry: the applicant only became aware of the patent four years later, in 1996, when the licensing agreement was entered into with the respondents. The allegation in the particulars of claim (issued in 2008 after the expiry of the patent) to the effect that the patent was at all relevant times in force, was made in good faith.

The lapsing of the patent in February 2001 was cured with the 2003/2004 restoration application. The short payment, covering renewals only up to February 2001 instead of up to February 2002, also came about because the Registrar advised Ms Pidgeon to pay a lesser amount than what she intended paying in the first place. The restoration application was duly published in the patent journal but not opposed by the applicant. The application to review and set aside the restoration was abandoned, and the same applies to the application for the review and setting aside of the acceptance of the 1993 renewal payment. Again, the patentee was unaware of the lapsing of the patent until the news was broken to him during the 2003 litigation exercise.

[31] Before me, counsel for the applicant complained that a refusal to set aside the 1992 renewal payment so that the patent can be regarded as having lapsed in February 1992, will prejudice the applicant who will then not be able to raise a defence in a civil trial to the effect that the patent was of no force and effect during the contract period. As I understand the *dicta* in *Oudekraal, supra*, the

patent was in any event renewed in 1993 and stood renewed until February 2001, before it was restored in 2004. The alleged "lapse" of 1992 would have taken place before the contract was entered into in 1996. The applicant will still be entitled to any exemptions or compensation which may be available to it in respect of actions performed while the patent was lapsed between February 2001 and its restoration, in terms of the provisions of section 48 of the Act.

[32] On the other hand, the second respondent, as deponent to the opposing affidavit, described the prejudice to the respondents in the event of "a finding of invalidity of the administrative actions of the Registrar after so many years" and presumably on the assumption that the restoration application would also be set aside (when the affidavit was deposed to, the attack on the restoration application had not yet been abandoned). The second respondent sketches the prejudice in the following terms:

> "Some of the relevant facts and considerations are the following:
>
> 24.1 the third respondent has granted between 10 and 15 sub-licences under the patent to other parties on the basis that the patent was validly renewed;
>
> 24.2 I roughly estimate that 120 000 RDP houses were constructed under the sub-licences utilizing the method described by the invention;
>
> 24.3 an amount of approximately R8 750,000 was collected by the third respondent in terms of the various licence agreements. Its clients,

in many instances, were project managers or engineers who collected such fees, in turn, from their clients (the owner, contractor, principal agent, state organ, etc);

24.4 if the patent is now to be invalidated due to an administrative oversight, the domino effect of claims for repayment of fees collected and paid over by each such role-player, will be tremendous and obviously destructive of the third respondent's corporate existence and also my personal financial position;

24.5 the public therefore, represented by all of these intermediaries, agents, principals and clients in respect of thousands of projects, will be severely affected by setting aside the actions and/or decisions of the Registrar;

24.6 after the lapse of so many years, it is impossible to trace the officials who were responsible for taking the administrative actions complained of by the applicant …

25. In the interest of finality, practicality and pragmatism (<u>my note</u>: this is an obvious reference to the *dicta* in *Sapela, supra*) I submit that the honourable court should, in the exercise of its discretion and in the event that it finds that the actions of the Registrar are reviewable, decline to set aside such actions or decisions."

[33] I find it unnecessary to decide whether or not there was an undue delay on the part of the applicant to investigate the status of the patent and to launch this review

application. I consider that there are clear signals to that effect, but I take the matter no further. As appears from the *dicta* in *Sapela, supra,* an undue delay is not a prerequisite for the exercising of the discretion against setting aside the irregular administrative act.

[34] Finally, I make the remark in lighter vein that there is something unusual (perhaps even something not cricket!) about the nature of the relief sought: the applicant is seeking to undo the renewal exercise of 1992 in order to lay the foundation for a pronouncement that the patent lapsed at that time. In a sense, the applicant is seeking to "bring about" the lapsing of the patent. If the applicant was confident that the patent lapsed without more because of the short payment and the mandatory provisions of section 46(2), it could have asked for a *declarator* to that effect. And what is to become of poor Ms Pidgeon's R30,00? Is it to be refunded to her? And perhaps with interest by now exceeding R6,00?

[35] In all the circumstances, I have come to the conclusion that this is an appropriate case where I should exercise my discretion to decline to set aside the administrative action complained of. This is a case where the "public interest element in the finality of administrative decisions and the exercise of administrative functions" should be recognized. It is also a case where "considerations of pragmatism and practicality" militate against the granting of the application. In the result, the application falls to be dismissed.

[36] In view of the conclusion which I have arrived at, I do not consider it necessary to deal with another argument offered on behalf of the respondents, namely that the applicant failed to exhaust internal remedies at its disposal, as intended by the provisions of section 7(2) of PAJA, before launching this application.

Some remarks about the question of costs

[37] After the applicant filed its replying papers, the second and third respondents filed a further affidavit, with annexures, which they described as a "rejoinder affidavit". This was presumably done with the provisions of Uniform Rule 6(5)(e) in mind. The filing of this "rejoinder affidavit" was not opposed, and the applicant responded with a "joinder" with some further annexures. The "rejoinder affidavit" of the respondents starts at p278 of the record.

[38] I am not persuaded that it would be appropriate to order the unsuccessful applicant to pay the costs flowing from the "rejoinder exercise". In my view, it would be more appropriate to direct each party to pay its own costs flowing from the "rejoinder exercise".

The order

[39] I make the following order:

1. The application is dismissed.
2. The applicant is ordered to pay the costs of the second and third respondents, which will include the costs of two counsel, barring the costs

flowing from the rejoinder affidavits, in respect of which each party will pay its own costs.

W R C PRINSLOO
JUDGE OF THE NORTH GAUTENG HIGH COURT

23902-2010

HEARD ON: 25 MARCH 2013
FOR THE APPLICANT: R MICHAU SC
INSTRUCTED BY: SPOOR & FISHER
FOR THE 2ND AND 3RD RESPONDENTS: L J VAN TONDER AND A M HEYSTEK
INSTRUCTED BY: D M KISCH INC