

# Agreements relating to patents

& Bird & Bird

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## Agreements Relating to Patents

- Legal Formalities for Patent Assignments and Licences
  - Including case law as to:
    - Assignment of patent priority rights
    - Exclusive Licences
- Effect/Importance of Registration
- Co-Ownership
- Compulsory Licences, Crown Use, Licences of Right

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## Legal Formalities – Patent Assignments/Licences (1)

- Assignment - Transfer of right(s)
- Licence - A permission to do something which would otherwise be prohibited
  - **exclusive licence** - licensee is licensed “to the exclusion of all other persons (including the proprietor or applicant)” (s.130(1))
  - **sole licence** - a qualified exclusive licence - the proprietor or applicant (licensor) may also exercise the right
  - **non-exclusive licence** - licensor may exercise right and may license other licensees

(NOTE: *Fraser v. Oystertec* on assignment v. exclusive licence  
[2003] ALL ER (D) 46)

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## Legal Formalities – Patent Assignments/Licences (2)

- **s.30(1)** Patents and patent applications are personal property
- **s.30(2)** Patents and patent applications may be assigned or mortgaged
- **s.30(4)** A licence may be granted to work the invention the subject of the patent or application
  - The licence may provide for sub-licences
  - The licence/sub-licences may be assigned or mortgaged

(NOTE: Where patent or application owned jointly, and no contrary agreement, consent of all co-proprietors is required s.36(3))

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## Legal Formalities – Patent Assignments/Licences (3)

- **s.30(6)** [as amended] Assignments or mortgages of a patent or right in a patent (or patent application)

- must be in writing
- must be signed by or on behalf of the assignor or mortgagor otherwise they are void

[but note that equitable considerations may come into play]

NOTE:

- (1) *Wright Hassall LLP v. Horton Jr and Anr* [2015] EWHC 3716 (QB) held, "an instrument in writing satisfying s.30(6) is effective as a legal assignment without any additional requirement for consideration"
- (2) Prior to 1 January 2005, assignments/mortgages had to be signed by all the parties (i.e. including the assignee/mortgagee). If assignment signed only by the assignor, it could take effect in equity and the assignee could start proceedings.  
*Baxter -v- Nederlands Produktielaboratorium* [1998] RPC 250
- (3) Art 72 EPC provides that 'An assignment of a European patent application shall be made in writing and shall require the signature of the parties to the contract'.

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## Assignment of Patent Priority Rights (*Edwards v. Cook*)

- Priority right cannot be assigned retroactively – see *Edwards v. Cook* [2009] EWHC 1304 (Pat)
  - 31 January 2000 – US patent application filed
    - in names of 3 inventors (of whom one was employee of Cook)
  - 31 January 2001 – PCT application filed, in the name of Cook, claiming priority from US application
  - September 2002 – interests of other two inventors assigned to Cook (after PCT application, before date of grant)
- Court reviewed:
  - Sections 5 and 7 of Patents Act 1977
  - Article 8 PCT
  - Article 4 Paris Convention

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## Assignment of Patent Priority Rights (*Edwards v. Cook*)

- *In my judgment the effect of Article 4 of the Paris Convention and section 5 of the Act is clear. A person who files a patent application for an invention is afforded the privilege of claiming priority only if he himself filed the earlier application from which priority is claimed or if he is the successor in title to the person who filed that earlier application. If he is neither the person who filed the earlier application nor his successor in title then he is denied the privilege. Moreover, his position is not improved if he subsequently acquires title to the invention. It remains the case that he was not entitled to the privilege when he filed the later application and made his claim.*
- *I therefore conclude that the acquisition by Cook of all rights in the invention in September 2002 does not permit it to claim priority from the US application.*

### NOTE

- See also subsequent cases including:
- *KCI v. Smith & Nephew* [2010] EWHC 1487 (Pat), *HTC v. Gemalto* [2013] EWHC 1876 (Pat), *Fujifilm v Abbvie* [2017] EWHC 395 (Pat)
- *Actavis v. ICOS* [2016] EWHC 1955 (Pat), *Idenix v. Gilead* [2014] EWHC 3916 (Pat) and before Court of Appeal [2016] EWCA Civ 1089 (both addressing entitlement to priority in context of s2(3) prior art)
- See also *Accord v RCT* [2017] EWHC 2711 (Pat) in which Birss J (now Birss LJ) sets out at §75 the legal principles applicable to priority entitlement as settled at first instance level.

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## Legal Formalities for Patent Assignments and Licences (4)

- **s.67(1)** Exclusive licensee entitled to bring infringement proceedings in respect of infringement committed after the licence date
  - **s.67(3)** patent proprietor shall be made a party to proceedings taken by exclusive licensee – but if made defendant, not liable for costs unless enters appearance and takes part in proceedings
- **s.30(7)** Assignment or Exclusive Licence may confer the right to sue for past infringements (should provide expressly for right to bring action for pre-licence/assignment infringements if this is intended)

**NOTE** - Exclusive Licence requirements have been explored in recent case law (referring also to *Dendron* [2004] EWHC 1163 (Ch)):

- *Illumina v. Premaitha* [2017] EWHC 2930 (Pat)
  - licence only exclusive under s.130(1) if granted to single person. Illumina not an exclusive licensee as licence was granted to 'Illumina and its Affiliates'
  - According to s.130(7) an exclusive licence may be in respect of any right. May have exclusive licence of the right to exploit for commercial purposes even if other rights (e.g. use for academic research and publication) are reserved to others.
- *Oxford Nanopore v. Pacific Biosciences* [2017] EWHC 3190 (Pat)
  - Held that Oxford Nanopore benefited from an exclusive licence even though a third party had the right to request (and be granted) a licence at any time.
- *Liquid v. L'Oréal* [2018] EWHC 1394 (Pat)
  - Addresses status of exclusive licensee (Olaplex) that had itself granted an exclusive sublicense. Held that Olaplex was exclusive licensee under the Act from date of termination of exclusive sublicense, but not during its pendency.
- *Neurim v Generics* [2020] EWHC 3270 (Pat)
- No requirement for registration of exclusive licence, but non-registration (or delay in registration) may affect entitlement to costs or expenses (s.68)

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## Effect/Importance of Registration – PRIORITY (1)

- **s.32** The comptroller maintains a register of patents
- **s.33** Priority of later assignments/mortgages/licences/sub-licences etc where
  - earlier transaction not registered (or in the case of an unpublished application, notice of earlier transaction not given to comptroller), and
  - person claiming under later transaction did not know of earlier transaction
- **s.33(4)** Date of registration of application is treated as registration date

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## Effect/Importance of Registration – PRIORITY (2)

### Example case

*Transfer Systems v. International Consultants* (BL O/001/06)

- 1<sup>st</sup> Assignment (10 May 1999)      Transfer → Mr De Jager
- 2<sup>nd</sup> Assignment (9 Dec 1999)      Mr De Jager → Transfer (not registered)
- 3<sup>rd</sup> Assignment (24 Sep 2000)      Mr De Jager → International
  - 27 April 2004 – without the knowledge of either Transfer or De Jager, International registered at the Patent Office a change of name of proprietor to International by virtue of the 3<sup>rd</sup> Assignment.

### Decision:

- (1) s.33 condition 1 satisfied - Second assignment was not registered; but
- (2) s.33 condition 2 not satisfied – International did know of the earlier (2<sup>nd</sup>) assignment when claiming under the later (3<sup>rd</sup>) assignment.

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## Effect/Importance of Registration – Costs/expenses (1)

- **s.68** Where ...a person becomes the proprietor... or an exclusive licensee of a patent and the patent is subsequently infringed, before the transaction... is registered, in proceedings for such an infringement, the court or comptroller shall not award him costs or expenses unless
  - registration within six months of date of transaction; or
  - not practicable to register within the six month period and the transaction is registered as soon as practicable thereafter

See *Mölnlycke -v- Procter & Gamble* ([1994] RPC 49 at 136-139) on “as soon as practicable”

See also *Lundbeck v. Norpharma* ([2011] EWHC 907)

**NOTE:** s.68 amended with effect from 29 April 2006 to apply the penalty for non-registration to “costs or expenses” rather than to damages or an account of profits.

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## Effect/Importance of Registration – Costs/expenses (2)

Supreme Court Judgment – *Schütz v. Werit* [2013] UKSC 16

- Patent infringement action – Court of Appeal had found that the patent under which Schütz was exclusive licensee was valid and infringed
  - Schütz was exclusive licence under 1995 licence (registered in July 2008)
    - Schütz commenced proceedings in August 2008
  - Werit claimed that because Schütz's exclusive licence had not been registered in time at the Patent Office:
    - the effect of section 68 was that the Court was precluded from awarding costs v. Werit
  - Court of Appeal had disagreed – with result that Werit had to pay the great majority of Schütz's First Instance costs and almost all of Schütz's costs in the Court of Appeal.

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## Effect/Importance of Registration – Costs/expenses (3)

*Schütz v. Werit* [2013] UKSC 16 - addressing s.68 (as amended)

- Overturned Court of Appeal decision as to infringement
  - Decision on s.68 therefore academic (*obiter*) but guidance given anyway
- Supreme Court endorsed third interpretation of amended s.68
  - *"That interpretation is that, where a licensee successfully claims damages or an account for infringement of a patent, it cannot recover its costs in so far as they are attributable to the claim for damages or an account in respect of infringements pre-dating the registration of the licence, but it can recover costs attributable to such relief in respect of infringements post-dating the registration."*
  - *"Obviously in a case where there was a claim for pre- and post-registration relief, there would have to be an apportionment, and the apportionment would normally involve an element of rough justice. But that is a familiar state of affairs when it comes to costs."*

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## Effect/Importance of Registration – Costs/expenses (4)

*L'Oréal v. RN Ventures* [2018] EWHC 391 (Ch) – applied *Schütz v. Werit* when determining costs

- L'Oréal succeeded in its patent infringement action v. RN Ventures.
  - Patent proprietor = First Claimant (L'Oréal SA)
  - Exclusive licence granted to Second Claimant (L'Oréal UK) – dated 1 July 2008
    - 1 August 2012 – addendum included Clarisonic product in suit as a Licensed Product
    - 9 December 2016 – date of registration of Exclusive Licence
  - Common ground that s.68 did not apply to L'Oréal SA as patentee BUT dispute as to overall impact:
    - L'Oréal argued that s.68 moot:
      - ~ Claimants, L'Oréal SA and L'Oréal UK, jointly and severally liable for costs of the action
      - ~ L'Oréal SA liable to pay (and has paid) all costs to lawyers; therefore entitled to all costs of action in any event
    - RN Ventures argued that L'Oréal SA had transferred all rights to sue for infringement to L'Oréal UK as exclusive licensee:
      - ~ Therefore patentee had no cause of action; patentee joined only due to requirement of s.67(3)
      - ~ Cause of action vested only in exclusive licensee; therefore only L'Oréal UK entitled to claim costs
  - **Held** – Exercise of discretion as to costs award should reflect statutory policy behind s.68. Both Claimants to be deprived of a proportion of their costs. Apportionment calculated as follows:
    - 70% of infringement pre-registration; 30% post-registration
    - 80% of costs applicable to patent claim (action included also a registered design claim)
    - 30% of patent claim attributed to validity; therefore 50% of costs attributable to patent infringement [? 56% ?]
    - Two Claimants, both with cause of action → 50/50 costs split → 25% each
    - Exclusive licensee, L'Oréal UK, subject to 70% deduction → 17.5% (deducted from overall costs award)

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## Effect/Importance of Registration – Costs/expenses (5)

*Schütz v. Werit* [2013] UKSC 16 - addressing s.68 (as amended)

- Supreme Court also considered issues raised by:
  - replacement of first exclusive licence with second exclusive licence in November 2009, and late registration of second licence (registered in November 2012)
- Court of Appeal
  - purpose of registration is to tell the public who is the exclusive licensee
  - at all times since registration of 1995 licence (ie since July 2008), public could find out that Schütz is exclusive licensee
  - re-registration of second licence not required [Schütz awarded costs from time of registration as exclusive licensee (under first licence) in July 2008]
- Supreme Court
  - Safer not to decide the point – but reasoning of Court of Appeal "*should not be regarded as necessarily correct*".
  - **REMINDER:** Supreme Court conclusions on s.68 costs issues are, strictly speaking, obiter.

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## Co-Ownership (1)

### ■ S.36(2)

Where two or more persons are proprietors of a patent, then, subject to ... any agreement to the contrary –

- (a) each of them shall be entitled, by himself or his agents, to do in respect of the invention concerned, for his own benefit and without the consent of or the need to account to the other or others, any act which would ... amount to an infringement of the patent concerned;
- **S.36(3)** Subject to ... and to any agreement for the time being in force, where two or more persons are proprietors of a patent one of them shall not without the consent of the other or others
  - (a) amend the specification of the patent or apply for such an amendment to be allowed or for the patent to be revoked, or
  - (b) grant a licence under the patent or assign or mortgage a share in the patent ...

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## Co-Ownership (2)

- Joint ownership restrictions (absent an agreement between the parties) can cause serious difficulties in practice.
- *Expotech's Patent* (BL O/132/05, O/189/04)  
Hearing Officer noted that joint ownership “*causes problems at the best of times, and is a recipe for disaster if the joint owners are daggers drawn*”.
- *Crabtree and Ross's Applications/Patents* (BL O/185/05, BL O/188/04)
- *Paxman v. Hughes* ([2006] EWCA Civ 818 (Court of Appeal); [2005] EWHC 2240 (Pat), BL C/75/05, BL O/143/05, BL O/217/08)

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## Compulsory Licences - Introduction

- Rationale:- Prevent abuse of 20 year monopoly
- Law:- Sections 48-54 of Patents Act 1977
  - TRIPS (agreement on Trade Related Aspects of Intellectual Property)
    - non-discrimination against WTO members
    - introduced new sections 48, 48A, 48B and 52 (29 July 1999)

Focus on “WTO proprietors”, Non-WTO owned patents covered by old provisions

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## Compulsory Licences - Timing

- **s.48(1)** Must wait until three years after grant of patent
- **48A(2)**
  - Must make efforts to obtain licence on reasonable commercial terms
  - Efforts must not have been successful within a “reasonable period”  
(Start “efforts” before end of three year period?)

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## Compulsory Licences - Grounds (1)

- **s.48A(1)** sets out 4 potential grounds
    1. Product patent - demand in UK for product is not being met on reasonable terms (a)
    2. Patentee's refusal to grant a licence on reasonable terms prevents or hinders the exploitation in the UK of another patented invention - involving an important technical advance of “considerable economic significance”. (b)(i)
- NOTE:
- Owner of second patent must be able and willing to grant a cross licence on reasonable terms (s.48A(4))
  - Compulsory licence must authorise assignment of use only in conjunction with second patent (s.48A(5))

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## Compulsory Licences - Grounds (2)

3. Patentee's refusal to grant a licence on reasonable terms unfairly prejudices the establishment or development of commercial or industrial activities in the UK (b)(ii)
4. Patentee has granted a licence or indicated willingness to do so but conditions applied on:
  - grant of licences; or
  - use of patented product/processunfairly prejudice
  - use of materials not protected by patent; or
  - establishment or development of commercial or industrial activities in the UK (c)

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## Compulsory Licences - Relevant Factors

**s.50(2)** The comptroller must take into account:

- the nature of the invention
- the time period since the patent was granted
- measures taken by proprietor or licensees to use the invention
- ability of applicant to work invention to public advantage
- risks of applicant in providing capital and working the invention

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## Compulsory Licences – Example Case (1)

### Swansea Imports v. Carver Technology (*BL O/170/04*)

- Carver owned 2 patents covering caravan heating units
- Following a take-over of Carver by Truma, Carver ceased to supply heaters falling under the patents
- Truma refused to license Swansea under the patents
- Swansea applied for a compulsory licence under S.48.
- S.48A(1)(a) “*a demand in the United Kingdom for the patented product is not being met on reasonable terms.*”

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## Compulsory Licences – Example Case (2)

### Swansea Imports v. Carver Technology

- Truma contended that stocks of Carver heaters and spare parts existed and were available.
- However, evidence indicated that dealers were reluctant to sell complete heaters (set high price), and preferred to keep them for cannibalisation to provide spare parts for repairs.
- Issue seen to be a two-part question: (1) is there a demand?; (2) is the demand being met?
- Evidence pointed to conclusion that current demand being met by existing supplies. Swansea evidence fell far short of standard of proof required.

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## Compulsory Licences - Results

If the preconditions and one or more of the grounds are established the comptroller may (s.48(2))

- order the grant of a licence (not exclusive, must be predominantly for supply of market in UK, scope and duration to be limited to purpose for which licence granted s.48A(6))
- make an entry that licences are available as of right (endorsed “licences of right”)

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## Compulsory Licences - Procedure

- Application made to comptroller of patents
  - s.52 Patents Act 1977
  - Rules 68-71 of Patents Rules
- Application Form and Statement of Facts and evidence
- If prima facie case established - application advertised in Patent Journal
- Notice of Opposition possible

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## CROWN USE

**s.55(1)** Concurrent right of the Crown to do certain acts

(i.e. make, use, import or keep a patented product, use a patented process)

- "any government department and any person authorised in writing by a government department may, for the services of the Crown ... do any of the following acts in the United Kingdom in relation to a patented invention without the consent of the proprietor of the patent ..."

*IPCom v Vodafone* [2021] EWCA Civ 205 – authorisation must be an express authorisation to work a specific patent or an authorisation to do a particular act which necessarily involves working a specific patent.

- Must be "for the services of the crown"

*Pfizer -v- Minister of Health* [1965] RPC 261

Defined to include foreign defence purposes, production of specified drugs, atomic energy (s.56)

- Crown use certificate may be retrospective

*Dory -v- Sheffield Health Authority* [1991] FSR 221

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## CROWN USE - Compensation

**s.55(4) & s.58** Guidelines for determining compensation

- what reward has claimant received or will receive
- has claimant failed to allow crown use on reasonable terms

**s.57A** Compensation for loss of profit and idle plant

**s.57** Rights of third parties

**s.59** Extends scope of crown use during "period of emergency"

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## LICENCES OF RIGHT

### 1. Transitional Provisions of Patents Act 1977

- Last patent affected by transitional provisions expired on 31 May 1998
- Patents granted originally under 1949 Act had term extended from 16 to 20 years - subject to licences of right under 1977 Act transitional provisions  
(Schedule 1, 4(2))

### 2. Compulsory "licences of right" endorsement

### 3. Voluntary "licences of right"

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## LICENCES OF RIGHT - VOLUNTARY (1)

- Patentee may declare that licences of right available under patent (s.46)  
- patent said to be endorsed "licences of right"
- Any person may apply for a licence - if terms not agreed, comptroller sets licence terms
- Half usual renewal fees for patent endorsed "licences of right"  
(s.46(3)(d))
- Voluntarily endorsed patent can be "disendorsed" (s.47)

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## LICENCES OF RIGHT - VOLUNTARY (2)

**s.46(3)(a)** Comptroller settles terms of licence “in default of agreement”

**s.46(3)(b)** Existing licensee may apply to comptroller to exchange licence for one granted under endorsement

**s.46(3)(c)** Defendant can avoid injunction and limit liability in damages (not, apparently, under an account of profits) to not exceed double the royalty awarded, provided they undertake to take a licence on the terms settled

**Note:** In January 2009 the UK IPO launched a database of patents in force in the UK which are endorsed Licence of Right.

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Thank you & Bird & Bird

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