

PATENTS ACT 1977

CLAIMANT Mrs Gillian Taylor

DEFENDANT Lanarkshire Health Board

ISSUE References under sections 12 d 37 in
respect of UK patent GB2543835B
and related applications

HEARING OFFICER H Jones

DECISION

Background

- 1 In my decision as to the orders and costs I should make following an earlier finding on inventorship and entitlement ([BL O/864/21](#) and [BL O/556/21](#), respectively), I said that I did not consider that section 12 of the Patents Act (“the Act”) gave the comptroller power to specify a royalty rate due to the claimant in circumstances when the invention was already being exploited successfully. As I said in my decision, the Court of Appeal’s judgment in [Hughes v Paxman \[2006\] EWCA Civ 818](#) recognises the comptroller’s authority under section 37 to specify the terms of a licence in cases where there is a deadlock situation between the co-proprietors preventing successful exploitation of the invention, and section 12 is expressed in similar terms to section 37. However, I could find no authority to support the comptroller’s setting of an increased royalty rate to be paid to an inventor as a consequence of being later found to be a co-proprietor when the invention already appeared to be exploited successfully.
- 2 I set out the terms of my preliminary order under section 12 at paragraph 21 of the decision. I said at paragraph 16 that if the parties disagreed with my conclusion regarding the scope of order I could make under section 12 then I would be prepared to take further submissions on that point, while also giving both sides an opportunity to agree a commercial settlement in the meantime. If it became necessary for me to vary the preliminary order based on further written submissions then I would deal with that at a later date.
- 3 Despite best efforts it seems that it has not been possible for the two sides to agree a commercial settlement. I received further submissions from the claimant on 8 February 2022 and from the defendant on 8 and 10 February 2022. This decision deals with those further submissions and considers the specific issue of whether the terms of the preliminary order I made under section 12 should be varied.

Claimant's submissions

- 4 The claimant submits that the comptroller has the power to order that 50% ownership of the relevant rights be transferred from the existing proprietor (the defendant) to the claimant and to definitively state that this transfer is not a “theoretical” transfer in name only but instead also transfers the attached full legal and equitable effect. The defendant refers to section 36(1) of the Act in support of this, which states that where a patent is granted to two or more persons, each of them shall, subject to any agreement to the contrary, be entitled to an equal undivided share of the patent.
- 5 The claimant says that it is not asking for the comptroller to decide upon a commercial matter *per se*, but is instead asking for confirmation of the underlying meaning and intention of some aspects of my decision - for instance where it is stated that the claimant is to be added as joint-proprietor to any licences then this presumably must mean that she is also entitled to any legal or equitable benefits naturally arising therefrom – as would normally be the case since there is no agreement to the contrary.
- 6 The claimant submits that the resultant effect of the legal authorities I referred to in my decision is to confirm that the comptroller does have a sufficiently wide remit to decide on what is being asked. They note that both the claimant and the defendant have previously made submissions arguing that the comptroller does have power to decide on such matters. They say that it is also relevant that all other avenues of resolving the dispute have been exhausted, including mediation, and refer also to the overriding objective in proceedings heard before the comptroller of dealing with cases justly.
- 7 The claimant has not provided any additional authorities on the scope of the comptroller's powers to make the orders he thinks fit to give effect to a transfer of rights to another person. Instead, the claimant submits that my characterisation of the claimant's position as seeking an increased royalty rate (paragraph 14 of my decision) was somewhat of an oversimplification, and that it is instead a claim concerning the transparency and control of the jointly devised invention. The claimant explains that even if the royalty rate and ownership were increased to 50% for the claimant, the claimant would still need oversight of money from any royalties before they are attributed as “costs”. The claimant submits that it should be possible to determine a fair and equitable resolution of the matter by more clearly defining in any amended orders what the intended effect of some aspects of my previous orders are, i.e. whether the claimant is simply to be added to the licences in name but with no legal or equitable right at all, or is to be added with full legal and equitable effect. The claimant says that it is also necessary to clarify whether the effect of my previous order should be *ex tunc* or *ex nunc*.
- 8 The claimant refers to paragraph 15 of my decision and notes that the overriding consideration in determining the orders necessary to give effect to any transfer of rights from one person to another should be that which is necessary to give a “fair result in all the circumstances.” In terms of assessing that “fair result in all the circumstances”, the claimant says that I was correct to say that the claimant is entitled to an equal share of all royalties, both backdated and going forward, arising from licences granted in respect of the applicable applications, but that I was wrong to add that an adjustment would need to be made for costs incurred. This, the claimant says, adds a complication to the situation that should be disregarded. They

say that it is only due to the defendant's incorrect/unwitting/misleading actions that the whole situation arose.

- 9 In the event that I remain of the view that the comptroller does not have the power to make the orders asked of it, the claimant says that in an effort to resolve what would be an unworkable scenario for both parties, that I should consider making an order that both parties be allowed to work the invention independently of one another (including the ability to licence the invention) without the consent of the other. Several authorities are cited in support of this approach.

Defendant's submissions

- 10 The defendant concurs with my analysis that the comptroller does not have the power under section 12 to make orders other than those identified at paragraph 21 of my decision, i.e. there being no power to make an order that the claimant be provided a certain percentage of royalties arising under licences relating to the applicable applications given the circumstances of the case.
- 11 The defendant contends that no additional orders ought to be made in relation to these proceedings. They say that if I should find that section 12 does give the comptroller power to make orders in relation to royalty rates and other commercial terms then such additional orders should relate to the rate and terms of any licence agreement relating to the applicable applications only.
- 12 The defendant refers to section 38 of the Act which sets out the effect of transferring a patent under section 37. Section 38(1) states that where an order is made to transfer a patent from the old proprietor to one or more persons (whether or not including the old proprietor) then any licences or other rights granted or created by the old proprietor shall continue in force and be treated as granted by the person or persons to whom the patent is ordered to be transferred. The defendant says that they understand that an order under section 12 would be addressed in an equivalent manner. Therefore, in accordance with the order I made in my decision, the defendant says that the claimant will accordingly be inserted into the existing licence between the defendant and Scottish Health Innovations Limited ("SHIL"), and that this licence will continue in force. The defendant explains that under the terms of the licence, in addition to recovering all its approved costs, 20% of royalties generated will be paid to SHIL. The maximum global royalties available to the claimant and the defendant after costs and under any scenario, are 80% of the total royalties received. The defendant says that this would provide an increased royalty rate to the one currently received by the claimant as recognition of her contribution as inventor.
- 13 In their further submissions following sight of those from the claimant, the defendant suggests that it is not open to the claimant to argue against the terms of the order provided in my decision or to suggest a possible rewrite of them since this should have been done by way of an appeal. The defendant says that the claimant's submission that I should consider making an order that would allow both parties to work the invention independently of one another without the consent of the other should not be allowed as it is a new issue and should not be considered at this late stage. If I were to consider it then the defendant asks for an opportunity to respond.
- 14 The claimant provides a summary breakdown of costs incurred on the project.

Should my preliminary order be varied?

- 15 There is a point made in the claimant's submissions that I have not addressed above which I agree that some clarification of the order is necessary, and that is in respect of placing a timescale requirement for performance. This makes eminent sense given the degree of disagreement between the two sides. I note that the claimant did not propose such a time-limitation in the submissions it made before my decision, but this was before it became apparent that the two sides could not agree a commercial settlement.
- 16 My view as to the power the comptroller has to specify a royalty rate due to the claimant in circumstances when the invention is already being exploited successfully remains the same, not least because of the lack of further caselaw cited in support of the claimant's position. However, the continuing disagreement between the parties regarding the practical effects of my order has made me question whether further clarity is necessary to give effect to the overall finding set out at paragraph 15 of my decision. In other words, what does it mean to be a "joint proprietor of the applicable applications and to any licences thereunder"?
- 17 The claimant refers to section 36 of the Act and the defendant refers to section 38, which set out respectively what is meant by co-proprietorship and the effect of any transfer of rights in respect of UK patents and UK patent applications. Even though section 38 is concerned with the effect of transfer of rights under section 37, which transfer I have found to be time-barred in respect of the UK patent, the defendant accepts that similar effects should apply in respect of the other related applications ("the applicable applications"). So too for the claimant and section 36, this section setting out the effects of co-ownership of UK patents and patent applications and clearly does not apply to the applicable applications (bar the EP application should it proceed to grant in the UK). However, it appears to be agreed by both sides, or at least neither side has argued to the contrary, that whatever is meant by co-proprietorship of patents here in the UK should apply equally to the applicable applications.
- 18 That being the case, it seems to me unnecessary to provide clarification of what is meant by being a co-proprietor of a patent application when the effect of co-proprietorship is set out in legislation and caselaw. In other words, if the claimant is entitled to be named as co-proprietor then the law sets out what the co-proprietor is entitled to. Under section 36 of the Act, this is specified as being to have an equal and undivided share in the patent, to be able to work the invention without being sued for infringement by the other co-proprietor (subject to any agreement to the contrary), and so on through the remaining sub-sections. The claimant says that it is necessary that my order (to register Mrs Gillian Taylor as a joint proprietor of the applicable applications) makes clear that it is not an administrative transfer in name only but instead also transfers the attached full legal and equitable effect. I am happy to confirm that that was indeed my intention, which I believed I had already made clear at paragraph 15 of my decision. I do not think it is necessary to vary the preliminary order to clarify this intent – the claimant's rights in the applicable applications derives by implication from my finding that she is, and always should have been, a co-proprietor.
- 19 In my previous decisions I found that the claimant was entitled to be named as proprietor in the applicable applications (in addition to the defendant) from when the

applications were filed, so she is entitled to an equal share of the legal and equitable benefit arising from the applications from those dates, i.e. *ex tunc*. I thought that I had already made this clear at paragraph 15 of my decision when I referred to the claimant being entitled to an equal share of all royalties “both backdated and going forward, arising from licences granted in respect of the applicable applications”. I do not consider it necessary to vary the preliminary order in this respect.

- 20 So far as the issue of adding the claimant’s name as a proprietor and/or joint-licensor in all licences arising out of the applicable applications is concerned, it is again my view that no further clarification of the preliminary order is required. The defendant argues that any or all licences that it had agreed before my finding in favour of the claimant must continue in force and should now be treated as granted to the claimant and defendant as co-licensors, and I agree with that.
- 21 As I have said above, the implication of being named a co-proprietor is set out in law, i.e. to have an equal and undivided share of the legal and equitable benefits arising from the applicable applications. The claimant and defendant should be on the same legal and equitable footing going forward - whatever rights or benefits the defendant derived from licences arising out of the said applicable applications must now be shared equally with the claimant, including an equal share of the royalties, an equal control over the attribution of costs, an equal access to the information required to maintain the licence, an equal say in any variations to the licence, etc. I do not consider it necessary to pick through the terms of the relevant licence(s) and specify each and every shared benefit and right that the claimant is entitled to, simply because it should be exactly the same as what the defendant is entitled to. This should be sufficient to deal with matters going forward. The claimant submits that I should order the defendant to provide a copy of all such relevant licences for the claimant and to vary my orders accordingly, which seems entirely reasonable if the claimant is to become a party to such licences.
- 22 What remains to be determined is the extent to which the claimant should be compensated for not having been named as co-proprietor in the applications. In my decision I said that the claimant was entitled to an equal share of all royalties, “both backdated and going forward”, and qualified this by saying that an adjustment would need to be made “for the costs incurred by the defendant in prosecuting the applications and in developing the inventions to a licensable product”, as well as “many other commercial considerations”. I have already dealt with the situation going forward. As for the retrospective position, I said in my decision that this was a commercial consideration that ought to i) make good the claimant’s loss of rights and benefits by not being named as co-proprietor of the applications from the outset, ii) to recognise that the defendant had incurred reasonable expense that the claimant had not, iii) to recognise that the claimant had already received a royalty income as inventor, plus anything else that would need to be taken into account to give a fair and equitable resolution of the matter.
- 23 It is clear from the submissions that the two sides have been unable to determine the value of the claimant’s “loss” for themselves. The claimant is of the view that this must be something for the comptroller to decide, arguing that it is within the overriding objective of enabling the comptroller to deal with cases justly. However, as I said in my decision, which was not appealed, a dispute about the commercial value of this is beyond the scope of section 12, and nothing the claimant has said in further submissions has persuaded me otherwise. I do not intend to vary the preliminary

order to specify a royalty rate due to the claimant that would make up for this. However, I expect that confirmation of the intent of my preliminary order as set out above should bring a sharper focus to future discussions aimed at resolving this commercial dispute.

- 24 The final point to consider is the claimant's submission that if I remain of the view that the comptroller does not have the power to make the requested orders under section 12, which I do, that I should consider making an order that both parties be allowed to work the invention independently of one another, including the ability to licence the invention, without the consent of the other. The claimant says there is precedent for this in *Crabtree v Ralph Barclay Ross* ([BL O/185/05](#) and [BL O/267/05](#)) and in *Ernest Ogden v John McKenzie and Projectile Limited* ([BL O/158/07](#)). The defendant says that this is a new issue that should not be allowed to be raised at this late stage in proceedings, adding that if I was minded to admit this new issue then they request an opportunity to respond.
- 25 It seems to me that the cases cited by the claimant all support the principle that the comptroller has wide discretion to make orders under section 12 that enable the invention to be exploited rather than stifled. On the basis of everything I have heard in this dispute, it is not the case that commercial exploitation of the invention is being stifled in any way, and for that reason I do not consider that the approaches set out in the cited cases are appropriate here. The claimant's right to work the invention without the defendant's consent is already an entitlement of a co-proprietor. It would not be right in the present circumstances to allow the claimant to licence the invention without the consent of the defendant as this would likely undermine the existing licence and could stifle the commercial exploitation of the invention, which cannot have been the intention of the legislation. That said, I consider that the hearing officer's approach in *Crabtree v Ross* (paragraph 33) of allowing the parties to return to the comptroller "to vary the terms of the order if there is any material change in the circumstances after it has come into effect" seems a very sensible one given the disagreement between both sides in this case. I propose to vary the terms of the preliminary order to allow for that.

Order

- 26 I hereby order that:

the defendant shall make arrangements with the relevant IP offices to register Mrs Gillian Taylor as a joint proprietor of the applicable applications at the defendant's cost, and shall begin the process formally at each of said relevant IP offices within 28 days of the present decision¹;

the defendant shall make arrangements to add Mrs Gillian Taylor as a proprietor and joint-licensor in all licences arising out of the said applicable applications and shall complete this process formally on each relevant licence within 28 days of the present decision;

the defendant shall provide a copy of all such relevant licences for the claimant within 7 days of the present decision;

¹ The applicable applications are: EP16801282; US15/771895, CA3041194; HK1254981 (and foreign equivalents thereof); CN201921745685.7 (and foreign equivalents thereof)

Mr Ken McCorkingdale shall be named as a joint inventor in GB2543835 in addition to Mrs Gillian Taylor;

the parties may apply to the comptroller to vary the terms of the order if there is any material change in circumstances after it comes into effect (i.e. the date of the present decision).

Appeal

27 Any appeal must be lodged within 28 days after the date of this decision.

Huw Jones

Deputy Director, acting for the Comptroller