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Unnamed inventors can benefit from s.40 employee compensation, but only if you get there in time

Parsons v Convatec [2023] EWHC 1535 (Pat)

Background

In this judgment of Mr Justice Zacaroli in the Patents Court, it was held that s.40 of the Patents Act 1977 did not require the inventor, Dr Parsons, to be named as inventor in the patent in order to benefit from employee compensation under the Patents Act. However, as Dr Parsons had no evidence explaining delay for a claim made well outside the prescribed period of the Limitation Act 1980, the court was not prepared to exercise its discretion in extending the time to make a claim.

Dr Parsons was employed by Convatec in 2005 when he claims to have made alone, or jointly with others, various inventions involving the production of silver fibres for use in antimicrobial plasters and/or dressings.

In September 2022, Dr Parsons commenced an action seeking compensation from Convatec in relation to four of five patents related to the invention. Pursuant to s.40 of the Patents Act 1977 (PA 1977), Dr Parsons sought employee compensation from Convatec. This judgment concerns Convatec's application to strike out (or summary judgment of) part of the claim.

The statutory provisions relating to a claim under s.40

s.40(1) PA 1977 provides as follows:

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Where it appears to the court or the comptroller on an application made by an employee within the prescribed period that—

a) the employee has made an invention belonging to the employer for which a patent has been granted,

b) having regard to the size and nature of the employer's undertaking, among other things, the invention or the patent for it (or the combination of both) is of outstanding benefit to the employer, and

c) by reason of those facts it is just that the employee should be awarded compensation to be paid by the employer,

the court or the comptroller may award him such compensation of an amount determined to be a fair share of the benefit which the employer has derived.

"Prescribed period" is further defined by s.40 (6) as "the period prescribed by rules of court." CPR 63.12(2) defines the prescribed period as beginning on the date of the grant of the patent and ending one year after patent expiry.

Two of the four patents, EP1343510 and EP1539070, had both expired for over a year (having been revoked). It was common ground amongst the parties that the court has jurisdiction to extend the prescribed period in relation to these.

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Convatec's strike-out action

Convatec sought to strike out Dr Parsons's claim on the following three bases:

1. The patent was granted to Accordis Speciality Fibres (ASF) with whom Convatec was in a joint venture around 1999-2000, not Convatec;
2. Dr Parsons was not named as an inventor;
3. It is partially barred by the operation of s.9 of the Limitation Act 1980.

The first two grounds, namely that the patent was granted not to Convatec and Dr Parsons was not named as an inventor were both swiftly rejected, as the judge concluded that those two grounds were not requirements for an employee to be entitled compensation under s.40.

On the first ground, counsel for Convatec argued that Dr Parsons was not entitled to make a claim under s.40 of the Patents Act because the patent granted in respect of the relevant invention must have belonged, at the time of the invention, to Convatec. Zacaroli J disagreed that this was what s.40 required, clarifying that the section was clear in requiring that the invention belonged to the employer. In any case, Convatec benefited from the patent via its joint venture with ASF before it later acquired the patent in 2004.[1]

On the second ground, Zacaroli J did not consider there was any requirement the Patents Act that an employee seeking to make a claim under s.40 had to be a named inventor, particularly as s.13 of the same Act grants the inventor the right to be mentioned but does not impose an obligation to do so. The judge also mentioned that the Manual of Patents Practice, to which counsel for Convatec pointed, was wrong to suggest that an employee who wishes to make a claim under s.40 should be named as inventor of the patent.

The third ground was also rejected, as the judge firmly concluded (stating that “[a]ny other conclusion would in any event be unworkable”)[2] that s.39 of the Limitation Act 1980 disapplied other provisions of that Act where a limitation period was prescribed by a different Act and that CPR Rule 63.12 and Rule 91 of the Patents Rules 2007 specified the period of limitation prescribed under section 40 PA 1977 that is up to one year after the patent expired.[3]

Conclusion

Having dismissed all the Defendant’s grounds, the judge further decided against summary judgment on the basis that the fact that a patented invention was not used in any product marketed by Convatec is not in itself a bar to a claim that outstanding benefit accrued to Convatec from the patents.[4] The judge also stated that due to a dispute of fact on the “launch” of the patented product which may result in the patent being invalidated by means of prior disclosure, such invalidation would need to be decided after an investigation of the facts by the Court.[5]

Despite his conclusions, Zacaroli J decided that the court did not have sufficient reason to exercise its discretion to extend the prescribed period for EP1343510 and EP1539070. Counsel for Dr Parsons gave four reasons to persuade the judge to exercise his discretion to extend the prescribed time, all of which were rejected.

The first reason given was that it would have been impractical and disproportionate to bring a separate claim for the two revoked patents instead of bringing a single claim for all the patents. This was rejected by the Judge, stating

“Section 40 envisages the possibility of multiple claims being brought in respect of the same patent, and a fortiori permits multiple separate claims relating to different patents. I accept that an employee will not necessarily have enough information, during the year after the revocation of one patent, to decide to bring a claim relating to other, continuing, patents. I do not think, however, that waiting to see whether there may be a claim in relation to other patents provides a good reason for not having launched a claim in relation to the revoked patent during the prescribed period [6].”

Secondly, counsel submitted that the questions relating to the invention of the two revoked patents will be explored in trial regardless of whether time is extended. The Judge accepted this point, but he did not consider that the lack of impact on the trial process was a sufficient reason to remove the protections granted to employers against claims imposed on them many years after the event.[7]

The third and fourth reasons submitted by counsel for Dr Parsons, respectively, were that it would cause Dr Parsons prejudice and that there is an asymmetry of resources between the employer and the employee such that the court should lean in favour of the employee. Both grounds were rejected by the judge as he found neither reason persuasive.[8]

The judgment can be accessed **here**.

[1] [20]-[25]

[2] [37]

[3] [33]-[34]

[4] [47]

[5] [49]-[53]

[6] [58]

[7] [59]-[60]

[8] [61]-[62]