

EIP



The Importance of Being Registered: The Effect of Non-Registration of an Exclusive Licence

A Court of Appeal judgment in *Schutz v Werit* has clarified the effect on claims for costs of failing to register an exclusive licence.

This judgment is a continuation of an earlier judgment, reported in an [EIP newsflash](#) on 20 April 2011, in which the Court found that Werit had infringed a UK patent owned by a Swiss company, Protechna, of which Schutz is an exclusive licensee.

Schutz was entitled, as exclusive licensee, to bring the action for infringement against Werit. However, whilst the licence agreement was entered into during 1994, the patent was not registered at the UK Intellectual Property Office until shortly before the infringement action was commenced.

The effect of non-registration of an exclusive licence is set out in Section 68 of the Patents Act. In its current form, this provision states:

68. Where... a person becomes the ...exclusive licensee of a patent and the patent is subsequently infringed, before the transaction ...is registered, in proceedings for such an infringement, the court ...shall not award him costs or expenses unless -

(a) the transaction...is registered within the period of six months beginning with its date; or

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

However, to complicate matters, Section 68 was amended in 2006 in order to comply with

an EC Directive; prior to amendment, the provision specified that non-registration precluded the award of damages or an account of profits. Werit's infringements took place both before and after the change in the wording of Section 68.

Werit had raised the Section 68 point very late in proceedings, only days before the final handing down of the judgement regarding infringement. There were two main points at issue: a) whether the Section 68 point was raised too late; and b) if not, whether Shutz was entitled to costs (Shutz accepted that, if it was not too late, then it was not entitled to damages for acts prior to the amendment of Section 68).

Speaking for the Court, on the first point Sir Robin Jacob ruled that the wording "shall not" unambiguously barred the Court's powers to award costs; it was not relevant whether the point had been raised in a timely manner or not.

On the second point, he opined that Parliament could not have intended to say that, once a licensee failed to register a licence in time, it could never recover any costs in any subsequent action, even after the licence has been properly registered; it would require "extraordinarily strong words" to reach such a conclusion. Accordingly, Shutz was entitled to an award for costs incurred after registration of the licence.

This case therefore answers the question (raised in an [EIP Newsflash](#) of 1 July 2011) of how recoverable costs are calculated in relation to a late registered exclusive licence. However, and as the Court of Appeal acknowledged, this conclusion does render the provision somewhat toothless, as registration of the licence prior to the commencement of infringement proceedings will prevent any significant loss to the licensee, even if the exclusive licence is only registered years after the deadline.

Thus, whilst it goes without saying that the best course of action for an exclusive licensee is to ensure that the licence is properly registered within the statutory six month period, even where this period is missed, there are clear advantages to ensuring registration occurs as early as possible. In particular, prior to bringing an infringement action (i.e. before incurring significant costs), it should be checked that all relevant licences are properly registered.