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Schütz (UK) Limited v Werit UK Limited and another [2011] EWCA Civ 1337

Brian Cordery (Bristows) · Monday, December 12th, 2011

We revisit this case, not this time regarding the question of what constitutes the 'making' of an invention as resolved by the Court of Appeal in March 2011, but with regards to the question of costs in relation to Schütz as an exclusive licensee. The general position under English law is if an exclusive licence relating to a UK patent is not registered with the UK IPO, then the licensee may struggle to recover costs in subsequent infringement proceedings. But what happens if the registered licence is later superseded by a non-registered exclusive licence between the same parties? At the end of last month, the English Court of Appeal gave us an answer to this very question.

The background to the case is as follows:

Schütz entered into an exclusive licence agreement with the patentee in 1995. The patent in question claims containers consisting of large plastic bottles in metal cages for use in the transportation of powders and liquids. This licence was eventually registered in 2008. The licence was replaced in November 2009 with a licence on substantially the same terms as the earlier licence. The 2009 licence was never registered at the UK IPO.

Section 68 of the UIC Patents Act 1977, as amended, states that "*Where… a person becomes the proprietor or one of the proprietors or an exclusive licensee of a patent and the patent is subsequently infringed, the court or the comptroller shall not award him costs or expenses unless the transaction, instrument or event is registered within the period of six months beginning with its date; or …it was not practicable [to do so]*".

Having been granted their appeal in March 2011, Schütz, triumphant with a licence over a valid and infringed patent, was awarded costs for the period before the date of the amendment of s. 68 Patents Act 1977, requiring the licence to be registered, and for the period after the 1995 licence was eventually registered.

The Court of Appeal was then faced with the task of interpreting s. 68 in deciding whether costs should also be awarded for the period after the 1995 licence was replaced by the unregistered 2009 licence. A literal interpretation of this section is clear: costs should not be awarded where the licence has not been registered.

The Court of Appeal had to balance this literal interpretation with Article 14 of Directive 2004/48

where "*reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.*"

The question that the Court of Appeal faced was whether the 2009 licence re-activated the sanction provisions in s.68. It was decided that a less than literal approach to s.68 was needed to avoid conflict with Article 14. The Court of Appeal opined that the purpose of registering an exclusive licence was to ensure that the public knew who had real control over the patent. The purpose was not to reveal the exact details of the licence since there is no statutory requirement for the actual licence to be put on the register. And so, whilst a change in the identity of the licensee would bring s. 68 into play because it would change who had control over the patent, a mere change in the details of the licence held by the same licensee would not.

At all times since the registration of the 1995 licence, the public had been able to ascertain that Schütz was the exclusive licensee and so, following Article 14, it would be unfair to deprive the winner of its costs because it had failed to take a trivial bureaucratic step which would have told the public no more than it already knew.

The Court of Appeal awarded Schütz additional costs beyond the 2009 licence.

Ward LJ, who is not a regular panellist in patent appeals, was sceptical that the Court's decision would completely resolve the conflict between Article 14 and Section 68. Without any ostensible degree of sarcasm, the Judge declared himself to be sensitive to: "*the shivers of apprehension – or is it excitement? – tingling down the otherwise upright spines of those who inhabit the arcane corners of the Patent Office that their practices may be turned upside down*" but he has left this question to be "*put to the test on another exciting day*."

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