



## INTELLECTUAL PROPERTY UPDATE | 16 FEBRUARY 2009

### COURT AWARDS COMPENSATION TO EMPLOYEE INVENTORS OF OUTSTANDING PATENTS

#### James Duncan Kelly and Kwok Wai Chiu vs GE Healthcare Limited Decision of English Patents Court - 11 February 2009

In an unprecedented decision, the English Court has awarded two research scientists, Drs Kelly and Chiu, inventors of the highly successful radioactive imaging agent, Myoview, compensation under Section 40 of the Patents Act. The Court ruled that the patents on Myoview were of outstanding benefit to the employer, Amersham (now GE Healthcare Limited), such benefit being estimated to be in the order of £50 million and that a fair share of that benefit was £1million for Dr Kelly and £500,000 for Dr Chiu.

#### THE STATUTORY PROVISIONS FOR COMPENSATION

Section 40 of the Patents Act 1977 (prior to the recent amendments introduced by the Patents Act 2005) states:

*“Where it appears to the court or the comptroller ...that the employee has made an invention belonging to the employer for which a patent has been granted, that the patent is (having regard among other things to the size and nature of the employer’s undertaking) of outstanding benefit to the employer, and that 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 under section 41 below.”*

Section 41 states:

*“An award of compensation to an employee...in relation to a patent for an invention shall be such as will secure for the employee a fair share (having regard to all the circumstances) of the benefit which the employer has derived, or may reasonably be expected to derive, from the patent...”*

In determining fair share, the factors to consider are listed in the statute and include the nature of the employee’s duties, his remuneration, other advantages he has derived, his effort and skill in making the invention, the contribution of others who are not inventors and the contribution made by the employer by the provision of opportunities, facilities and other assistance.

---

In its decision, the Court interpreted 'outstanding' as meaning "something special" or "out of the ordinary" and more than "substantial", "significant" or "good". The benefit must be something more than one would normally expect to arise from the duties for which the employee is paid.

The Court recognized that it was inevitable that the employer's benefit would not arise solely from the patent, for example, even after identification of the compound, it had to be taken forward into development of a commercial product following which there would be its manufacture, promotion and perhaps licensing. For a successful claim, the employee needed to show that the patent was a cause of the benefit - it did not have to be the only cause. However, the contribution of other causes may impact the share of the benefit awarded to the employee under Section 41.

The Court ruled that it was not a requirement of obtaining compensation for the employee to prove he had suffered a loss, for example, inadequate remuneration for his employment or where the invention did not fall within the employee's day to day work so he could be regarded as having done work beyond the call of duty for which he needed compensation.

### SHOULD COMPENSATION BE AWARDED TO THE AMERSHAM EMPLOYEES?

The Court recognized that Myoview was commercially very successful, its sales to 2007 having exceeded £1.3 billion. Given its high profit margins, its R&D costs were recovered in the first year's sales. In terms of industry recognition, Amersham won the Queen's Award for Technological Achievement for Myoview. The Court heard evidence of the importance of the existence of patents to the Myoview project and its success.

Furthermore the Court noted that the fact that Amersham had a patented product in Myoview was a significant factor in achieving its joint venture deal with Sumitomo (which established Amersham as a global player in the radiopharmaceuticals market) and thereafter its acquisition of Nycomed.

The Court decided that the patents were of outstanding benefit to Amersham and that the benefits went far beyond anything which would normally be expected to arise from the sort of work the employees were doing. The patents protected Amersham's business against generic competition and reduced profits after the expiry of regulatory data exclusivity on Myoview. The existence of a patented blockbuster was also a major factor in achieving the company's corporate deals with Sumitomo and Nycomed.

### VALUING THE BENEFIT OF MYOVIEV PATENTS AND THE SHARE TO BE AWARDED TO THE EMPLOYEES

The Court considered what the reduction in profits would have been in the absence of any patent protection through generic entry at the expiration of the regulatory data exclusivity. It reached what it stated to be the very conservative estimate of £50 million, representing a drop of 10% on half of Myoview's sales. It noted that the benefit to Amersham's business overall was likely to have been very much greater but that the broader benefit was not capable of quantification.

In reaching his final assessment of what share of this £50 million benefit should be awarded to the scientists, Mr Justice Floyd considered the following factors:

- The employees had already received other advantages as a result of their inventions which would apply a downward pressure on their share of the benefit. For Dr Kelly, the invention led to his promotion within Amersham, with the associated salary benefits and other financial payments and it gave him recognition outside Amersham. For Dr Chiu, his status as inventor allowed him to negotiate a higher salary at his next place of employment.
- The level of effort and skill which the employees devoted was high, as recognised in a memo at the time by Amersham's Manager of Pharmaceutical R&D. Success in finding a viable candidate for development was not guaranteed and Dr Kelly directed the Project to success on a modest research spend and under considerable pressure to produce results. Dr Chiu was conducting skilful work and made monumental efforts in his own sphere of responsibility. Neither employee was carrying out routine operations: their job involved significant thought and creativity.
- The Court emphasized the significance of Amersham's contribution. They had accepted the risk and initiated the group which gave the employees the opportunity to conduct research. They had provided facilities and a high level of external assistance from Universities. They had been responsible for the well executed downstream work and the development of the market for this product.

Mr Justice Floyd stated that in principle the employee's share of the benefit could lie somewhere in the broad range from nil to 33% but because of the above factors should lie towards the bottom of the scale. Taking a conservative approach to the share of the benefit, he considered that 3% of the value of the benefit represented a just and fair reward to the employees.

### IMPACT OF THE DECISION

Claims for employee compensation are few and far between and prior to this decision no such claim had been successful, although a number are known to have settled.

In awarding compensation to the Amersham employees in this case, the English Court has arguably lowered what was once perceived to be the almost insurmountable hurdle of proving "outstanding benefit to the employer". Whilst Mr Justice Floyd was clearly influenced by the particular facts of this case, it is worth noting that such factual circumstances are by no means exceptional. Arguably, any blockbuster drug developed by skilled and imaginative employees leading to patent rights and consequently large profit margins for the employer may now satisfy the requirements for a successful claim under the Act.

The Court, recognizing the other advantages received by the employees and the employer's own contribution, made a conservative award which is likely to reduce the floodgates opening to some extent. Nevertheless, the decision may have unfortunate consequences to R&D research of the type voiced by industry when it was consulted before the introduction of the statutory compensation scheme, namely reduced collaboration amongst employees, reluctance to work on projects less likely to lead to patentable inventions and less recognition of employee's achievements and contributions by employers.

**FOR FURTHER INFORMATION:**

If you require more detailed information about this particular case or any other Intellectual Property issue please call any attorney at Howrey LLP with whom you have an existing relationship, or contact one of our offices below:

**Amsterdam:** +31 (0)20 592 4411

**Brussels:** + 32 (0)2 741 1011

**Chicago:** +1 312 595 1239

**East Palo Alto:** +1 650 798 3500

**Houston:** +1 713 787 1400

**Irvine:** +1 949 721 6900

**London:** +44 (0)207 936 5300

**Los Angeles:** +1 213 892 1800

**Madrid:** +34 91 426 44 70

**Munich:** +49 (0)89 20 308 1200

**New York:** +1 212 896 6500

**Northern Virginia:** +1 703 663 3600

**Paris:** + 33 (0)1 42 22 4611

**Salt Lake City:** +1 801 533 8383

**San Francisco:** +1 415 848 4900

**Taipei:** +886 2 8175 6600

**Washington, DC:** +1 202 783 0800

© 2009 Howrey LLP. This document is intended as a report on legal developments. It is not intended as legal advice. Readers should not act upon the contained information without professional advice. No portion of this paper may be reproduced without express permission.

Howrey LLP is the Data Controller for any personal data that it holds about you. To correct your personal details, or if you do not wish us to provide you with information that we believe may be of interest to you, please contact Camilla Todd on +44 (0)20 7936 5332 or at [toddc@howrey.com](mailto:toddc@howrey.com)