

THE PATENTS ACT 1977

Miss Durow
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IN THE MATTER of an Application under Section 48(1) by Cohmor Holdings PLC for a compulsory licence under Patent No 2133069 in the name of Therma-Tru Corporation.

DECISION

Patent No 2133069, which relates to compression moulded doors, was granted to Therma-Tru Corporation ("the proprietors") on 3 April 1986. Cohmor Holdings PLC ("the applicants") applied under section 48(1) for a compulsory licence under the patent on 10 March 1995, thus meeting the requirement of section 48(1) that such application must be made more than three years after grant.

The application was accompanied by a statement under Rule 68 and evidence from Mr Alain Cohen, a director of the applicants, in the form of an affidavit exhibiting a draft licence. The proprietors opposed the application with a statement under Rule 71 and evidence in the form of affidavits from Ms Rosemary Wardle of Lovell White Durrant, solicitors for the proprietors, Mr David Haddix, Treasurer, Assistant Secretary and Director of Planning of the proprietors, Mr George Templeton III, the proprietors' Director of Research and Development, and Mr Christopher Dixon, Managing Director of Lindman Limited ("Lindman"), a company licensed by the proprietors to finish and distribute doors under the patent in suit. The applicants' evidence in reply comprised a second affidavit from Mr Cohen and an affidavit from Mr Hartley Moyes, Managing Director of Regency Door PLC ("Regency"), who would manufacture doors under the applicants' proposed licence.

The proprietors objected that the applicants' evidence in reply was not strictly in reply and requested a period of six weeks in which to file further evidence concerning what they regarded as newly raised points. They also suggested that the new evidence would include "questions in the form of interrogatories" and asked for discovery of certain documents. The

applicants agreed to the discovery and the documents in question were duly supplied to the proprietors. A preliminary hearing was then appointed to decide the remaining matters. At the hearing on 8 December 1995 the proprietors did not pursue the matter of the applicants' evidence not being strictly in reply. Instead they asked the Comptroller to direct that the applicants should answer certain questions in lieu of formal interrogatories on the basis that the applicants' main evidence had been submitted as evidence in reply and that, as a result, it seemed inevitable that the proprietors would be taken by surprise by matters emerging on cross-examination of the applicants' witness, Mr Cohen, leading to the need for an adjournment of the substantive hearing.

Having considered the arguments, I decided that the proprietors should be allowed to file further evidence, but only in relation to the applicants' 1994 accounts, which had first appeared in the applicants' evidence in reply. I otherwise declined to make any orders, since I considered that all the relevant matters could be properly considered at the substantive hearing without any real risk that an adjournment would be needed. In response to this decision the proprietors filed further evidence in the form of an affidavit by Mr Henry Langer, Financial Director of Lindman. Subsequently, the applicants sought leave to introduce yet further evidence in the form of another affidavit from Mr Cohen replying to Mr Langer's affidavit and including a revised draft licence addressing the issue of who is actually to work the licence, which was alluded to by the proprietors during the preliminary hearing. The substantive matter then came before me at a hearing on the 19 and 20 February 1996, when Mr Richard Hacon, instructed by Wilson, Gunn, McCaw & Co, and Mr Richard Meade, instructed by Messrs R G C Jenkins, appeared as counsel for the applicants and the proprietors respectively. At the hearing Mr Meade did not resist the introduction of the further evidence from the applicants, and as I saw no reason to refuse its admission, the evidence was admitted. At the hearing I also had the benefit of hearing cross-examination of Mr Cohen.

Claim 1 of the patent in suit relates to a door assembly comprising a rectangular frame, a pair of opposed compression moulded skins, and a foamed core within the frame between the skins, the outer side of the skins having a moulded textured pattern simulating wood grain, and the inner sides of the skins having a moulded textured pattern to which the foam core is adhered.

The frame extends outwardly from the edge of the skins to allow trimming of the door so that it will fit into a door opening. All the other claims fall within the scope of claim 1.

In their statement the applicants pleaded that :

1. the patented invention is capable of being commercially worked in the United Kingdom, but is not being so worked or is not being so worked to the fullest extent that is reasonably practicable,
2. the patented invention is a product and the demand for the product is being met by importation, and
3. the patented invention is capable of being commercially worked in the United Kingdom and is being prevented or hindered from being so worked by the importation of the product.

Thus the application is made under section 48(1)(a) asking the Comptroller to use the discretion given by section 48(4)(a) to order the grant of a compulsory licence in the terms proposed by the applicants, or upon such other terms as the Comptroller deems appropriate, on the grounds set out in subsections 48(3)(a) (point 1 above), 48(3)(b)(ii) (point 2), and 48(3)(c)(i) (point 3). However, at the hearing Mr Hacon stated that he did not rely upon section 48(3)(c)(i) and point 3 therefore fell away. The first point I must consider, therefore, is whether the applicants have succeeded in establishing on the evidence either of the statutory grounds for the grant of a licence under subsections 48(3)(a) or 48(3)(b)(ii), it being accepted by both sides that the onus lay with the applicants in this respect. These subsections define grounds on which a compulsory licence may be granted as follows:

- "48(3)(a) where the patented invention is capable of being commercially worked in the United Kingdom, that it is not being so worked or is not being so worked to the fullest extent that is reasonably practicable;

(b) where the patented invention is a product, that a demand for the product in the United Kingdom -

(i)

(ii) is being met to a substantial extent by importation;"

Mr Hacon submitted, and Mr Meade did not dispute, that the evidence clearly shows that the proprietors import all the patented doors sold in the United Kingdom from the United States of America, only finishing and marketing operations being undertaken in the United Kingdom by Lindman. On this basis Mr Hacon argued that since there was also evidence from the applicants which indicated that manufacture in the United Kingdom was feasible, it was self-evident that the invention was not being worked to the fullest extent practicable, as required by section 48(3)(a). When I pressed him on this Mr Hacon set out what he regarded as a spectrum of increasing levels of working, starting with importation and immediate re-export of the patented product, through importation and sale, to manufacture and sale within the territory. Thus, Mr Hacon argued, an invention cannot possibly be said to have been worked to the fullest extent that is reasonably practicable if the market for that invention is being met entirely by importation from the United States.

I invited both Mr Hacon and Mr Meade to address me on the guidance provided in *Kamborian's Patent* [1961] RPC 403, the most relevant passage from which, quoting the hearing officer, is at page 405:

"The fullest extent to which an invention may be worked may be expressed, I think, as the highest rate of production which is practicable and necessary substantially to meet the demand. In order to establish a case under this subsection it is, in my view, necessary to bring evidence to show what the demand for the invention might reasonably be expected to be, and how far short, if at all, production under the patent fails, as far as is practicable, to supply it. In the absence of such evidence the applicants, in my opinion, have failed to prove their case."

I note that, although *Kamborian* was decided under the provisions of the Patents Act 1949, the relevant provision appears in substance to be identical to that of section 48(3)(a), and I therefore take it that the guidance it provides as to this provision still applies. Mr Hacon said that Mr Haddix's evidence showed that following a substantial marketing effort by the proprietors and their licensed distributors, Lindman, the market has grown significantly from the time when importation and sales began, but that that marketing effort had now been wound down. Moreover, Mr Cohen had said under cross-examination that in his view there were potential customers who were not being supplied, and that if the applicants were given a licence they would create a new market of around 18,000 units per annum without taking customers from the proprietors and Lindman. Thus, Mr Hacon submitted, the evidence was similar to that referred to in *Kamborian*, albeit unquantified.

Mr Meade, on the other hand, pointed out that Mr Cohen had accepted that there was no specific evidence that there was an unsatisfied demand for the patented product, that Mr Cohen's view of the likely market for the applicants was speculative and unsupported, and that consequently there was no evidence on which an argument could be based.

For my part, I note that the use of the word "production" in the passage I have quoted from *Kamborian* might seem to support Mr Hacon's view that manufacture necessarily provides a greater degree of commercial working than importation. However, the evidence that the market was slow to get off the ground despite a large marketing effort mounted by the proprietors and Lindman and that that effort has subsequently been relaxed does not seem to me to be conclusive either way. It is not inconsistent with Mr Hacon's view that the proprietors' efforts to exploit the market have been somewhat half-hearted in that they relied upon importation and made no real efforts to move to manufacture in the United Kingdom. Equally it is not inconsistent with the position suggested by Mr Haddix and Mr Dixon in which the proprietors have made all reasonable practical efforts to expand a conservative market reluctant to change from the use of wooden doors, by starting with imports and subsequently considering moving to manufacture within the United Kingdom only when the market has reached a minimum, commercially sustainable level, which Messrs Haddix and Dixon put at 50,000 units per annum in their evidence.

Mr Hacon also noted that Mr Haddix had suggested in his affidavit that litigation in the United States had absorbed all the proprietors' efforts and that this was the reason why they had not begun manufacture in the United Kingdom earlier. Mr Hacon argued that this was not a valid argument because even the most intensive litigation did not stop the running of a company and the taking of decisions such as licensing manufacture overseas. He therefore argued that this supports the view that the proprietors' efforts to move towards manufacture in the United Kingdom or elsewhere in the European Economic Area were half-hearted and that a greater level of commercial working, viz manufacture, was possible in the United Kingdom. Having considered this, I am not sure that this is in fact the thrust of Mr Haddix's point, because it seems to me that in talking about the effects of the litigation in the United States, Mr Haddix is primarily addressing the question of serving writs for infringement in other countries and not overseas manufacture.

What this comes to is that there is in my judgement no conclusive evidence which clearly shows one way or the other whether or not commercial working to the fullest extent that is reasonably practicable has already been achieved by the proprietors through importation rather than by manufacture within the territory. All that I have in this regard amounts simply to assertion and counter assertion by the two parties. Since the onus to establish any particular ground for the grant of a licence under section 48(3) on the evidence lies squarely with the applicants, I must conclude that they have failed to discharge that onus to my satisfaction as regards subsection 48(3)(a). The issues I have had to consider in relation to subsection 48(3)(a) also arise in relation to section 50(1)(a), and I will therefore return to them later when I come to address the requirements of section 50.

Section 48(3)(b)(ii) requires that demand for the product is being met to a substantial extent by importation, and Mr Hacon submitted that since all of the proprietors' doors were imported from outside the European Economic Area, it followed that the demand was being substantially met by importation. Mr Meade, however, argued that, while it was admitted that all the proprietors' door blanks were imported from the United States of America, section 48(3)(b)(ii) referred to the *market* being met to a substantial extent by importation, and there was in fact no evidence to show what proportion of the market was being met by the importation of the

proprietors' doors. Indeed, Mr Meade referred to Mr Cohen's evidence under cross-examination where he indicated that his knowledge of the market came second hand from members of a trade association and that he did not know the proportion of the market being supplied. Moreover, Mr Meade also pointed out that Lindman did work in the United Kingdom on finishing and furnishing the door blanks, and consequently the mischief which section 48 was designed to cure, namely a lack of employment in the UK, did not arise.

In reply, however, Mr Hacon observed that Mr Dixon had estimated that Lindman's sales of doors accounted for around 60% of the annual UK sales of fibreglass doors, and that this figure of itself represented a substantial portion of the market for the purposes of section 48(3)(b)(ii), even if the remaining 40% were doors falling within the claims of the patent and were being manufactured in the United Kingdom or elsewhere in the European Economic Area. Indeed, Mr Hacon further argued that since there may be other kinds of fibreglass doors on the market, the figure for the proportion of the market for the patented doors which is being supplied by importation may be higher than the 60% cited by Mr Dixon. Moreover, he concluded that, since there was no evidence of any UK manufacture of any type of fibreglass door, the probability was that 100% of the market for all fibreglass doors, including doors falling under the present patent, was in fact being met by importation.

Having considered this, I am satisfied that Mr Hacon is right and that such evidence as there is establishes that the demand for the patented doors is being met to a substantial extent by importation from the United States of America. Accordingly, I find that the ground cited under section 48(3)(b)(ii) for the grant of a compulsory licence has been established.

This being so, it is now necessary for me to go on to determine whether I should exercise the discretion given to the Comptroller by section 48(4) to grant a licence, and in doing this, I must have regard to section 50, which states :

"50(1) The powers of the comptroller on an application under section 48 above in respect of a patent shall be exercised with a view to securing the following general purposes:

(a) that inventions which can be worked on a commercial scale in the United Kingdom and which should in the public interest be so worked shall be worked there without undue delay and to the fullest extent that is reasonably practicable;

(b) that the inventor or other person beneficially entitled to a patent shall receive reasonable remuneration having regard to the nature of the invention;

(c) that the interests of any person for the time being working or developing an invention in the United Kingdom under the protection of a patent shall not be unfairly prejudiced.

(2) Subject to subsection (1) above, the comptroller shall, in determining whether to make an order or entry in pursuance of such an application, take account of the following matters, that is to say -

(a) the nature of the invention, the time which has elapsed since the publication in the journal of a notice of the grant of the patent and the measures already taken by the proprietor of the patent or any licensee to make full use of the invention;

(b) the ability of any person to whom a licence would be granted under the order concerned to work the invention to the public advantage; and

(c) the risks to be undertaken by that person in providing capital and working the invention if the application for an order is granted,

but shall not be required to take account of matters subsequent to the making of the application."

I would observe at this point that, although I am satisfied that the onus lies with the applicants to show why I should exercise discretion so as to grant a licence, a view from which Mr Hacon did not demur, he actually presented the applicants' case at the hearing in terms of arguments to rebut objections to the grant of a licence which had been raised by the proprietors. Thus, rather than making a positive case for the exercise of discretion in the applicants' favour in the light of the provisions of section 50, Mr Hacon in effect sought to show that there was no good reason why I should not exercise discretion in favour of granting a licence which is not at all the same thing. I am not convinced that such an approach necessarily fully addresses the applicants' need to satisfy me that they have discharged the onus upon them to show that I should exercise discretion in their favour, since it seems to me that it effectively seeks to reverse the onus, implying that if the applicants persuade me that none of the proprietors' objections are decisive then that will suffice for the applicants' to win their case. That is not my understanding of how the discharge of onus works. It is, rather, up to the applicants to demonstrate positively on the evidence that I should exercise discretion in their favour by ordering grant of a licence. Nevertheless, I believe that the ground was sufficiently covered for me to be able to decide the matter on the basis of this form of submission. In approaching the issues raised in relation to section 50 I will in general, therefore, follow the structure used initially by Mr Hacon and adopted by Mr Meade, although to some extent this cuts across the provisions of section 50. I will then, however, consider how the points raised in counsel's submissions touch upon those provisions.

Mr Hacon and Mr Meade divided the issues arising under a number of heads, as follows:

1. whether the applicants have the necessary technical expertise to manufacture products successfully;
2. whether the applicants have the finances necessary to work the invention and to pay the royalties involved; and
3. whether the grant of a licence would unfairly prejudice the interests of the proprietors' existing licensees, Lindman and the Anglian Group Plc.

Mr Meade also raised the issue of whether the applicants, Cohmor Holdings PLC, really are the true applicants, given that they will only work the invention through one of their subsidiaries, Evergreen Doors ("Evergreen"), and another independent company, Regency. In respect of each of these issues Mr Hacon sought to persuade me that the proprietors' objections were not sufficient to justify my declining to order the grant of a licence.

Looking at these issues in turn, the question of whether the applicants have the technical expertise necessary to work the invention touches matters raised in sections 50(1)(a) and (b) and 50(2)(b). Mr Meade argued that it did not follow that the applicants' experience in steel doors would enable them successfully to manufacture fibreglass doors. Moreover, there was no evidence to show that the applicants could successfully make fibreglass doors of an acceptable quality, and the proprietors' concern was that, in a market which had been resistant to a new product and which was only now starting to take off after significant marketing efforts, any defective or low quality doors produced by the applicants would sour the market for all fibreglass doors and thus prejudice the proprietors and their licensees.

Against this, Mr Hacon argued that evidence such as the Thermatru brochure exhibited by Mr Cohen showed that the whole thrust of the marketing by the proprietors and their licensees, Lindman, was directed to doors bearing a particular trade name "Fiber-Classic[®]", and that any damage which might be inflicted if the applicants were to market defective doors would apply only to the applicants' trading reputation and not to that of the proprietors or their trade names. Consumers were well used to distinguishing between brands and would not condemn a whole class of product on the basis of defective goods from one manufacturer sold under one brand name. In any event, he contended, the main issue arising was quality, and he indicated that the applicants would be happy in principle to accept terms in the licence dealing with quality control, which would solve the problem even if it were true that defective goods from one manufacturer would prejudice the whole market for all fibreglass doors.

The issue of quality control provisions also arose during cross-examination of Mr Cohen, who indicated in answer to questions that he would be prepared in principle to accept terms along the lines of the Sale of Goods Act to the effect that the product must be of merchantable

quality and fit for its purpose. Mr Hacon subsequently indicated that the applicants would indeed be prepared to accept a provision of this nature and which afforded them a reasonable opportunity to correct any notified defects but which, in the event that the defects were not corrected within a particular specified period, would result in termination of the licence. In this connection, Mr Hacon observed that all the proprietors' evidence about the applicants' technical abilities was speculative, necessarily so since no doors were being produced, and he argued that the proposed quality control provision was all that was necessary to ensure that the invention was properly worked by the licensee without any possibility of prejudice to the proprietors' markets.

It seems to me that although it might be said that there is no specific evidence expressly showing that the applicants do have the necessary technical expertise, Mr Cohen's evidence does show that the applicants have gone to some lengths to obtain supplies of the necessary materials, equipment and advice. This, together with the applicants' offer to include quality control provisions which would lead to the termination of the licence in the event that they were breached, leads me to the view that, so far as the applicants' technical expertise is concerned, there is no reason on the evidence why I should not grant a licence. As far as it goes, therefore, Mr Hacon was successful on this limb of his argument.

Turning now to the applicants' financial position, this also touches issues raised by sections 50(1)(a) and 50(2)(b), and also 50(1)(b). This matter has generated a substantial portion of the written evidence in this case, dealing with the accounts of the applicants and their subsidiaries. In this connection Mr Meade made what was essentially a series of related points stemming from the fact that the 1994 accounts showed that the applicants depend to a large extent on consultancy income which was earned by Mr Cohen for his work managing a firm of solicitors but which was paid to the applicants. In essence Mr Meade was saying that the applicants and their subsidiaries were of only small, or even negative, net worth, and that they would be in severe difficulty, if not insolvent, without the consultancy income, the future of which was not guaranteed. Thus, Mr Meade argued, there was a real risk that the applicants would not be able to pay royalties due to the applicants, particularly if Regency, which is part of a large group of companies, started to manufacture very large numbers of doors under the

licence. In this connection, Mr Meade also referred to a related strand of argument as to who is the real licensee. I shall return to this later. For the moment however, suffice it to say that Mr Meade was concerned about the applicants' ability to pay royalties.

In this latter respect, Mr Cohen indicated in cross-examination that there was no real difficulty with the applicants' accounts. The consultancy income was balanced by directors' emoluments which would cease in the event that the consultancy income ceased. Mr Hacon also argued that the accounts of firms such as the applicants and their subsidiaries which are in the building trades and in transport often looked to be under pressure, but that this was just a reflection of difficult trading conditions in the real world and not an indication that the companies were about to go under. Indeed, he cited the accounts of the proprietors' licensees, Lindman, which in 1990 had shown similar difficulties but which had subsequently improved significantly. In any event, Mr Hacon dealt with this matter head on by indicating that the applicants were willing to include provisions in the licence which obliged them to deposit sufficient funds to cover outstanding royalties in an escrow account and which, in the event that the account was not topped up as required, would terminate the licence. Moreover, in his submissions in reply Mr Hacon handed up a draft provision which would set up such an account, and although Mr Meade pointed out what he regarded as certain flaws in the proposal, it did seem to me that this could well form the basis of a workable proposal.

Having considered this, and in view of Mr Cohen's evidence which shows that the applicants plan to enter the market in a relatively slow way by initially manufacturing only one type of door, and of the applicants' proposal to set up an escrow account thereby guaranteeing that the proprietors would receive the outstanding royalties, it seems to me that the applicants have shown that they are financially sufficiently viable to be able to work the invention if I were to order the grant of a licence to them. To that extent, then, Mr Hacon was also successful in the second leg of his efforts to demonstrate that there is no reason why I should not order the grant of a licence.

The next issue was the possible prejudice to the proprietors and their existing licensees Lindman and the Anglian Group PLC, which relates to section 50(1)(c). In this respect,

Mr Meade argued that the granting of a licence to the applicants would be likely to prejudice the interests of those already trading in the patented product because it would be likely that they would lose some market share. Mr Hacon, however, reminded me that the test was not simply whether the interests of existing players would be prejudiced, but whether they would be *unfairly* prejudiced. On this basis he argued first that Mr Cohen's evidence showed that the applicants' plans involved creating and exploiting a new market and not simply taking market share from the proprietors and their licensees. His second argument was that this was not a case where the existing licensees had made a large investment, for example in a manufacturing plant, and where any loss in market share at this stage would be "unfair".

While I accept that if I were to grant a licence there would be bound to be some risk that the applicants, whatever their intended market, would take some market share from the proprietors and their licensees, it seems to me that this is inherent in the grant of any licence and therefore cannot of itself be said unfairly to prejudice the proprietors and their licensees. Moreover, I agree with Mr Hacon that the nature of Lindman's involvement and the applicants' plans are such that there appears to be no unfairness involved. Thus, on this ground also I consider that Mr Hacon has countered the proprietors' objection to the grant of a licence.

Mr Meade's final objection concerned who was actually to work the licence. The applicants themselves are a holding company which, according to Mr Cohen, in effect simply sells management services to its wholly owned operating subsidiaries. Consequently, although the applicants would be the licensees and as such would be responsible to the proprietors for the working of the licence and the payment of royalties, the invention would actually be worked by one of their operating subsidiaries and also by Regency, a wholly independent company. Thus, if only the holding company were to go into liquidation, the sub-licensees might continue to work the invention while the proprietors might not get the royalties to which they were entitled. Similarly, if there were to be a breach of the quality control or other provisions of the licence by the companies actually working the licence, the proprietors could not deal directly with the company responsible but only indirectly through the licensee. Finally, Mr Meade was concerned that there should be provisions terminating the licence in the event that there was a change of ownership or control at any of the licensees or sub-licensees. This

does I think touch on questions raised in section 50(1)(b) and (c). To deal with the proprietors' concerns Mr Hacon indicated that the applicants would accept specific provisions in the licence for the sub-licensing of the two named companies who were actually to work the invention, *ie* Evergreen and Regency, to whom all the terms of the licence would apply. Thus, for example, in the event that one of the companies actually producing doors under the licence and sub-licence did not correct defects duly notified under the proposed quality control provisions, the whole licence would be terminated. Mr Hacon also suggested that the applicants would be prepared to accept a provision terminating the licence in the event that Evergreen ceased to be a subsidiary of the applicants, and argued that these proposals would provide all the protection that the proprietors needed. Mr Hacon did not, however, expressly propose a similar provision for the other potential sub-licensee, Regency.

Mr Cohen did not give any reasoned explanation under cross-examination as to why all the three parties involved in working the licence had not been joined as applicants, which would arguably have been the proper way to deal with this to ensure that the rights and obligations of all were clear. However, the same practical effect would be achieved by the proposals now being made by the applicants for an express sub-licensing provision, a quality control provision providing for termination of the licence in the event on unremedied defects in the product and an escrow account which would always hold a sum sufficient to meet any outstanding royalties. While it might be said that for the proprietors to have to pursue any issues arising with one of the manufacturing companies involved through the intermediary of the licensee would be rather cumbersome and difficult, equally it might be argued that this sort of arrangement would make it simpler for the proprietors in that they will have to deal only with one licensee rather than three. Such an arrangement might therefore largely meet the proprietors objection in this respect, though the position in relation to ownership of Regency might require further consideration.

Thus Mr Hacon has answered the main objections to the grant of a compulsory licence raised by the proprietors. However, as I indicated earlier, the onus is on the applicants to show on the evidence that I should exercise discretion to order the grant a licence, in the light of all the provisions of section 50, and this onus is not necessarily discharged merely by refuting

objections raised by the proprietors. I must therefore turn directly to section 50 for guidance on the exercise of the Comptroller's discretion. Section 50 has two parts, the first setting out the general purposes I should seek to secure, and the second setting out certain matter of which I must take account.

Section 50(1)(a) requires me to ensure that inventions that can and should in the public interest be worked in the United Kingdom (or the European Economic Area) shall be so worked without undue delay and to the fullest extent that is reasonably practicable. The requirements of this section were of course touched upon by counsel when considering the technical and financial position of the applicants, and the issue of what constitutes commercial working to the fullest extent that is reasonably practicable was also canvassed in connection with the applicants' arguments under section 48(3)(a). On the latter point, as I indicated above, I have found that the applicants have failed to establish on the evidence that the invention is not already being worked to the fullest extent reasonably practicable. It follows, then, notwithstanding that I have found that there is a statutory ground for the grant of a licence under section 48(3)(b)(ii) precisely because the product is presently being imported, that the applicants have equally failed to establish that I should exercise discretion to order the grant of a licence to serve the purpose set out in section 50(1)(a).

Moreover, section 50(1)(a) refers to inventions "which should in the public interest" be commercially worked in the United Kingdom being so worked "without undue delay" and "to the fullest extent that is reasonably practicable". It thus admits of circumstances in which less than the maximum possible theoretical extent of working is sufficient, and it requires me, in addressing this "general purpose", to be satisfied that there is a public interest in the invention in suit being as fully worked as is practicable without undue delay. In this respect, I am, on the contrary, satisfied that there is in reality no evidence to suggest that such a public interest arises in relation to the manufacture of this particular patented door as such. Any requirement of working in the public interest must, I think, therefore relate in the circumstances of this case simply to the general wish to provide as great a level of employment as is practically possible. On that basis, and even if it is the case in fact that the invention is not presently being commercially worked in the United Kingdom to the fullest reasonably practicable extent which

is theoretically possible, it is still arguable on the evidence in this case that the steps that the proprietors have taken to move progressively towards manufacture in the United Kingdom, as set out in Mr Dixon's evidence, should be regarded as commercially and practically sensible and such as will lead to full commercial working "without undue delay". On this ground too, then, there appears to be no reason to grant a licence to secure the purpose of section 50(1)(a).

I therefore find that the applicants have not discharged the onus on them to show that there are positive reasons why the objective of section 50(1)(a) requires me to exercise discretion by ordering the grant of a compulsory licence.

Section 50(1)(b) requires that the inventor or other person beneficially entitled to a patent shall receive reasonable remuneration having regard to the nature of the invention, and aspects of this were raised in the course of counsel's submissions. This goes essentially to the issue of settlement of an appropriate royalty in the event that I find that a compulsory licence should be granted in these proceedings. It does not therefore, in my view, touch on the question of whether there should actually be a licence, and I am satisfied that I would need to return to it only if I were to conclude, on other grounds, that the applicants had discharged the onus upon them of showing that I should exercise discretion to order grant of a licence.

Section 50(1)(c) requires that the interests of anyone presently working or developing the invention shall not be unfairly prejudiced, and this issue was fully explored by counsel in the course of their arguments which I have considered above. As I have already noted, I believe that the grant of a licence in this case would not be incompatible with achievement of this objective. However, it appears to me that the legislature's intention in including this subsection must have been the avoidance of harm, in the sense of prevention of unfair prejudice arising from the grant of a compulsory licence. It is clear, on that basis, that a decision on my part not to order the grant of a licence could not be regarded as unfairly prejudicing the interests of those presently working or developing the invention. Thus, while the effect of this subsection is neutral in the circumstances of the present case, it does not, in my judgement, contribute anything positive towards the applicants' case that I *should* order grant of a licence.

As for the matters I must take into account, the first is set out in section 50(2)(a), which requires me to consider the nature of the invention, the time elapsed since the patent was granted, and the steps taken by the proprietors and their licensees to make use of the invention. This subsection appears to be closely related to sections 48(3)(a) and 50(1)(a) in that it requires to me to take a balanced view of whether in the particular circumstances of the case there are grounds for believing that the proprietors have not done all they might to make full use of the invention, and if so whether this points towards giving someone else the opportunity to use the invention under a compulsory licence. In this respect there was argument as to whether the proprietors' decision so far to exploit the invention through importation rather than manufacture in the United Kingdom represented the best that could have been done to make full use of the invention in the United Kingdom in the commercial circumstances which prevailed, or whether it simply represented an effort to increase the market for products produced in the United States without real regard for the use of the invention in the United Kingdom. As I indicated above, I have found the evidence inconclusive in this respect and, in particular, am satisfied that the applicants have failed to establish on the evidence that this sort of reasoning should lead me to a decision to order the grant of a compulsory licence. I therefore conclude that consideration of section 50(2)(a) does not contribute to a finding that I should order the grant of a licence.

Section 50(2)(b) requires me to take into account the ability of the applicants to work the invention to the public advantage and has, I think, been fully taken into account in the matters which I have already considered. It does not, on the analysis earlier in this decision, lead me to a view that I should order the grant of a licence.

Finally, section 50(2)(c) requires me to take into account the risk to be undertaken by the applicants in providing capital and working the invention in the event a licence is granted. I take it that this provision requires me to form a view of the chances that the applicants will fail in their attempt to work any licence I might grant, and, should I conclude that there is a real possibility of failure, to be less inclined to grant a licence. To that extent, the issues raised are essentially those raised by counsel on the subject of the applicants' financial ability to work the invention and have I think already been fully taken into account. So, while this matter

does not on my analysis of the evidence contribute to a view that the financial risks to which the applicants would be exposed would be such as to preclude grant of a licence, this does not in itself persuade me that I should exercise discretion to order grant of a licence.

In summary, then, I have found that the applicants, having established on the evidence that the ground set out in section 48(3)(b)(ii) is met, have failed to discharge the onus upon them of showing, again on the evidence, that I should exercise the discretion afforded me by section 48(4)(a) to order the grant to them of a licence under the patent in suit. That being so, I decline to order the grant of a licence.

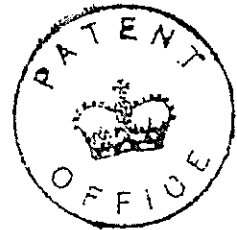
Both parties sought an award of costs. In all the circumstances, and having regard to the outcome of the proceedings, I award the proprietors the sum of £1000 as a contribution to their costs in the proceedings, and order that this sum should be paid to them by the applicants.

Any appeal from this decision must be lodged within six weeks from the date of the decision.

Dated this 5 day of June 1996

DR P FERDINANDO

Superintending Examiner, acting for the Comptroller



THE PATENT OFFICE