

BLO/180/88

PATENTS ACT 1977

IN THE MATTER OF an application
under Section 46(3) by Generics (UK) Limited
for settlement of terms of a licence of right
in respect of Patent No 1392674
in the name of Eli Lilly and Company

STATEMENT OF REASONS FOR PRELIMINARY DECISION

Patent No 1392674, in the name of Eli Lilly and Company, is dated 9 April 1973 and, by virtue of Schedule 1 to the Patents Act 1977, the term of this patent is extended from sixteen to twenty years. During this extension, i.e. as from 9 April 1989, licences under the patent will become available as of right.

On 23 October 1987, nearly six months before the expiry of the fifteenth year, Generics (UK) Limited ("GUK") filed an application for settlement of terms of a licence of right in respect of the above patent together with a statement accompanied by a draft of a licence which they would be prepared to accept. However, they were informed in an Official Letter dated 3 December 1987 that the Patent Office was not prepared to entertain such an application until the end of the fifteenth year of the patent in suit. Accordingly, the application is being treated by the Patent Office as though it had been filed on 9 April 1988, that is at the beginning of the sixteenth year. The patentees were therefore notified of the application under Rule 63(2) in a letter from the Office dated 28 April 1988.

On 16 May 1988, the patentees' solicitors wrote to the Office objecting to paragraph 2 of the statement as being "the most blatant mis-representation of the facts". It was further alleged that this conduct by GUK represented "a most serious abuse of the process" and they sought an order from the Comptroller that the application be struck out.

The matter of striking out came before me at a preliminary hearing held on 21 July 1988 at which Eli Lilly were represented by their counsel Mr D Kitchen and GUK by their solicitor Mr S D Kon.

At the hearing, I ordered that the application should proceed with the statement as filed and I ordered that Eli Lilly should pay GUK £100 as a contribution to their costs. The following are the reasons for my decision.

Paragraph 2 of the statement reads:

"During the course of negotiations the applicant Generics (UK) Limited ("Generics") requested the patentee to grant a licence under the Patent. To date no agreement has been reached on the terms of such a licence."

On 23 October 1987, i.e. the same day that the present Section 46(3) application was lodged in the Patent Office, GUK wrote to Eli Lilly informing them that the application had been made "on a protective basis on the assumption that terms will not be

agreed". It was added that this assumption was based on their past experience with Eli Lilly. At the hearing, Mr Kitchen agreed that this was the first contact that GUK had had with Eli Lilly in respect of this particular patent but he submitted that he had copies of correspondence which would show that the contents of the GUK letter were not accurate. However, this correspondence was not produced and I take no account of it as Mr Kon objected that this would constitute a breach of the fourteen days' notice required, under Rule 88(3) of the Patents Rules 1982, for the reference at an inter partes hearing to a document not already mentioned in the proceedings.

It was Mr Kitchen's contention that there were two points to be considered. First, he alleged that the statement of case contains a paragraph which is simply not true and is known by the applicants to be not true. Second, it is improper to make a Section 46(3) application before negotiations have commenced. On the second point, Mr Kitchen accepted that I am bound by the unreported decision, dated 9 May 1985, in The Queen v The Comptroller-General ex parte Bayer AG. In the judgment, Mr Justice Whitford stated "that for all practical purposes the machinery provisions under the old section 35 [1949 Act] and the machinery provisions under the new section 46 [1977 Act] are in all material respects indistinguishable" and he ruled that

"The terms of section 35(2)(a), it is suggested, require that at least some attempt to reach an agreement before

any question of entitlement to apply for a licence can arise. Bayer say no attempt was made by Generics in the clotrimazole case to agree terms as to a licence before the application was made. In those circumstances the application should have been rejected.

As I read section 35(2)(a) an attempt to reach an agreement is not a precondition to the making of an application. If it were a great many rather difficult questions might arise. At what point in time must the attempt to agree terms be made? Over what period of time must the attempt to agree terms continue? How much of the four year extension can be occupied by a patentee anxious to avoid the grant of a licence in countering proposals for agreed terms? I regard this as a bad point. A potential licensee makes his application and suggests appropriate terms. If these are acceptable to the patentee that is an end of the matter; if not the Comptroller General has to adjudicate."

Although it was Mr Kitchen's contention that the judge went wider than was necessary in the Bayer case, he accepted I cannot consider this matter and that any reversal of the ruling can only be made by the Court of Appeal.

On the question of the alleged untruth of paragraph 2 of the statement, Mr Kitchen submitted that the paragraph had been put in on behalf of GUK and he assumed that it had been put in for a

purpose and may have some relevance to the proceedings. His principal submission was that the lack of truth in paragraph 2 justified rejecting the whole application but, if I did not accept that argument, then paragraph 2 at least should be struck out. For his part, Mr Kon argued that, in the light of the letter dated 23 October 1987 from GUK to Eli Lilly, there is nothing materially misleading in paragraph 2 and that Eli Lilly's application for striking out is frivolous. Both sides accept that GUK's letter to Eli Lilly was never answered so that it seems that at least by the time that the Patent Office entertained the application there was no realistic prospect of an agreement.

The basis of Mr Kitchen's argument is that to tell lies to a judicial tribunal, in this case the Comptroller, justifies throwing out the whole application. I should want quite clear evidence before proceeding on that basis, and probably evidence of an intention to deceive, but in fact no evidence has been filed in these preliminary proceedings and cannot be filed at this late stage. On the face of it, paragraph 2 of the statement is not sufficiently misleading to warrant throwing out the whole application for settlement of terms of a licence of right. The passage from the Bayer judgment that I have quoted above shows that the facts quoted in paragraph 2 are peripheral to the matters that will ultimately have to be decided. The present matter can be dealt with adequately during the subsequent stages of the proceedings, for example, by a denial in the counterstatement and, if relevant facts are still in dispute, by

the filing of evidence at the evidence stage. Accordingly, I refused to strike out either the whole of the statement or only paragraph 2 thereof.

Mr Kon asked for costs of this preliminary application and, although Mr Kitchen requested that the question of costs be reserved until the substantive hearing, I awarded Generics (UK) Limited the sum of £100 (one hundred pounds) as a contribution towards their costs of this interlocutory matter. In fixing this amount I have taken into account, on the one hand, my decision that this preliminary hearing was unnecessary and, on the other hand, that the GUK have to an extent brought it on themselves by a lack of precision in pleading their case.

Dated this ^{1st} day of August 1988

W J LYON

Superintending Examiner, acting for the Comptroller



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