

BLO/128/90

PATENTS ACT 1977

IN THE MATTER OF an application
under Section 48 by
Electronic Graphics Limited in
respect of patents numbers 2089625,
2140257, 2113950 and 2157122 in the
name of Quantel Limited

PRELIMINARY DECISION

On 12 March 1990 Electronic Graphics Limited filed applications for compulsory licences under the above four patents and for the patents to be endorsed "licences of right". As required by rule 68 of the Patents Rules 1982, the applications were accompanied by statements of facts and evidence. A further three items of evidence were presented later.

On 16 May 1990 the patentees wrote to both the applicants and the comptroller, complaining that the statements were inadequate and, in some respects, unclear or irrelevant, and that some of the evidence was irrelevant, inadmissible hearsay or vague. They asked for the statements to be amended and for some of the evidence to be withdrawn. The applicants would not admit that the patentees' complaints were justified and so a preliminary hearing was duly appointed. A few days before the hearing the patentees wrote to the comptroller indicating that they now intended to go somewhat further and apply for the whole case to be struck out. Then, on the day before the hearing, the applicants filed amended statements which were somewhat more detailed and specific than the originals. They also gave notice that they intended to file further evidence, a second affidavit by a Mr Burrington. This further evidence was in fact offered on 6 September 1990.

At the hearing on 6 and 7 September 1990 the applicants were represented by Mr Beresford of Beresford & Co, their patent

agents. The patentees were represented by Robin Jacob QC and David Kitchin, instructed by Messrs Herbert Smith. It was agreed that the parties would argue their cases before me on the basis of the amended statements, not those filed originally. Partly as a result, there were some objections raised at the hearing which had not been mentioned in the patentees' letter of 16 May, and conversely, some of the objections in that letter were not raised at the hearing. In reaching my decision I have concentrated largely on what was put to me at the hearing, though I have also taken into account the other objections mentioned in the letter of 16 May so far as they are still relevant and of any substance. I must make it clear however that in deciding these preliminary matters I have not gone into the substantive issues any more than was absolutely necessary.

There are four patents involved, but in the main the issues raised at the preliminary hearing applied equally to all of them. The four amended statements are themselves identical in all material respects, and the evidence is common to all four cases. For convenience, I shall refer to the amended statements simply as "the statement".

I need only say a little about the technical and background details at this stage. The subject matter of the patents is summarised in Mr Justice Falconer's decision in respect of these very same patents reported in Quantel Ltd v Spaceward Microsystems Ltd [1990] RPC 83. It is sufficient to note that all four patents relate to video graphics systems. The first two, 2089625 and 2140257, are concerned with what is commonly known as "painting" and the second two, 2113950 and 2157122, with what is commonly known as "stencilling" or "cut-and-pasting". The patentees market a system called PAINTBOX which embodies the inventions of all four patents. According to the applicants, PAINTBOX is designed with a "closed" architecture. In their evidence they explain that this means the system is based on a large proportion of hardware and firmware and relatively little software and is

thus not readily modifiable by the customer. The applicants were marketing a system which also embodied the inventions, called PASTICHE, until they were stopped by an injunction granted by Mr Justice Aldous - Quantel Ltd v Electronic Graphics Ltd [1990] RPC 272. According to the applicants PASTICHE is designed with an "open" architecture, that is, based largely on software so that it is more readily modifiable by a customer.

The statement effectively has three parts. Paragraphs 1-3 set out the three grounds on which the application is made. They quote parts of sections 48(3) of the Act - subparagraphs (a), (d)(i) and (d)(iii) - verbatim. Paragraphs 4-22 set out the facts on which the applicants rely. Finally, paragraph 23 sets out the relief sought.

There were no serious complaints raised at the hearing about the statement of grounds per se. Mr Jacob did criticise the fact that both the alternatives in section 48(3)(a) have been left in the first paragraph, whereas it is perfectly clear that the first alternative, namely that the invention is not being commercially worked in the UK at all, is not being argued. Whilst I agree it might have been tidier had this alternative been omitted, precisely because it is perfectly clear it is not being argued I do not see that any problem arises from its presence in the first ground.

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Paragraphs 4 and 5 are background facts about which I would have thought there could be no argument, and in fact Mr Jacob raised no objection to them.

Matters were somewhat different when it came to the remainder of the statement and the evidence. Mr Jacob raised objections of one sort or another against almost every paragraph of the statement and the evidence. It would be a lengthy, and to my mind, rather pointless exercise to repeat those objections and Mr Beresford's responses to them here, though I have of course given them careful consideration. I shall instead confine

myself to a more general approach in coming to my decision on whether or not the applicants have put forward a clear and unambiguous prima facie case for a compulsory licence or endorsement, this being the primary consideration which I understood to be at the root of Mr Jacob's detailed objections.

The first ground (ignoring the unargued part) is that the patented invention, being capable of being commercially worked in the United Kingdom, is not being so worked to the fullest extent that is reasonably practicable. The first question which arises is what is required to establish a prima facie case under this and the other grounds? Both parties agreed, and I accept, that a prima facie case is one which, if unanswered, would result in the grant of a compulsory licence.

Mr Beresford directed my attention to Kamborian's Patent [1961]RPC 403 in relation to his third ground, to which I shall come subsequently, but Mr Jacob quite rightly pointed out that that case is relevant to the first ground also. In it the Assistant Comptroller expressed the view that for an applicant for a compulsory licence to succeed he must (and I quote from p.405 l.31).

"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 on this ground."

This implies to me that he had quantitative as well as qualitative measures in mind, and that interpretation would seem to follow from an earlier remark (at p.405 l.22) he made after a discussion of production figures:

"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, to use the words of s.37(2)(a), for the "patented invention". It is to be expected that the demand will include preferences for this or that form of machine embodying the invention, but in the absence of evidence it cannot be assumed that a demand for one form of machine could not be met, if it were not available, by another."

The applicants in the present case have said in paragraph 8 of their statement - according to Mr Beresford this is the applicants' principle pleading - that there is a demand for a video graphics system employing the subject matter of the patent(s) but implemented on a programmable general purpose host computer, and there is evidence which is alleged to support that. However, the applicants have not produced anything which I regard as being quantitative evidence as to the extent of that demand or as to the extent to which the demand is not being met by the patentees. In my view it is not sufficient for the applicants to produce, as they have done, witnesses from the UK who say that they have a specific requirement for the applicants' system PASTICHE and that the patentees' system PAINTBOX no longer meets their requirements. That shortcoming in the applicants' evidence alone would seem to rule out any possibility of a finding that a prima facie case has been made out under the first ground if the observation of the Assistant Comptroller quoted above is to be followed.

The decision in Kamborican's Patent was made under the 1949 Act. The present application is under a different statute which, moreover, is said to establish a new law of patents. I ought therefore to look closely at the present Act to see if, on the wording of it, there appears to be any difference in intention. There would seem to be none, from the wording of the relevant sections themselves, but, unlike the 1949 Act, the 1977 Act includes, in section 130(1), a definition of the term "patented invention" which definition must apply except

so far as the context otherwise requires -

"patented invention" means an invention for which a patent is granted and "patented process" shall be construed accordingly.

The term "invention" is itself defined, in section 125 of the 1977 Act, as

"that specified in a claim of the specification of the ... patent ... as interpreted by the description and any drawings contained in that specification, ..."

To the best of my belief, neither Mr Jacob nor Mr Beresford specifically addressed me on whether or not any point arises out of this, rather the applicants' arguments as I understood them proceeded as though, for the purposes of the first ground, demand for any product, specifically PASTICHE, which included the invention and which would, in the absence of a licence or other consent by the patentees, constitute an infringement of the patent, was no different to demand for the "patented invention". Having considered the matter myself, I am not so sure this is the case.

Can it be that, if there is an unsatisfied demand for a product which includes a "patented invention", regardless of the contribution which the invention makes to the value of, or demand for, the product, there is necessarily a basis for a prima facie case to be made under the first ground?

Under much earlier legislation it was established as a general principle that a patentee should not be called upon to manufacture any mechanism or machine which he has not specifically described or claimed. This principle is referred to in Terrell Edition 13 (at page 291), Mr Beresford having referred me to p287 in the general context of the principles applicable to the granting of compulsory licences.

A great deal of time was taken up at the hearing by both sides presenting arguments in connection with facilities which, on the applicants' side were alleged to be in demand and which are provided by PASTICHE but not by PAINTBOX, but which, it must be said, are not described or claimed in any of the patents. It was an oft-repeated complaint by Mr Jacob for the patentees that he could not understand what these facilities had to do with the case, and, having had an opportunity to reflect on these arguments, I must confess to sharing his perplexity.

I accept Mr Beresford's submission that painting and stencilling are essential facilities in an electronic graphics system, but I infer from the apparently accepted fact that the patentees have not more than 80% of the market for such systems, that forms of paint and stencil facilities other than those protected by the patents are available.

It may be that the patented forms of paint and stencil are the best available, but, as far as I can see, there is nothing in the applicants' statement or evidence which specifically indicates that the patented inventions are essential to the provision of an electronic graphics system including the additional facilities for which the applicants allege there is a demand.

What, at most, the applicants' evidence seems to show is that there is a demand for PASTICHE which, there is no dispute, includes the patented inventions for its paint and stencil facilities. What the evidence does not show in sufficient measure to my mind is that any demand for an integrated programmable electronic graphics system providing the additional facilities could not be satisfied by a system employing alternative paint and stencil facilities. Not only that, but, as Mr Jacob was at great pains to impress upon me, it is far from clear, notably from the statement paragraph 15(c) and the evidence of Mr Shaw, precisely what these additional facilities are. I think one could be forgiven if

one gained the impression, from the length of the lists of additional features said to be provided by PASTICHE but not by PAINTBOX, that in fact the paint and stencil features form only a relatively small part of the PASTICHE system. There is also the point made by Mr Jacob, with which I agree, that it is not clear that the programmability of PASTICHE has anything at all to do with the paint and stencil facilities.

The net result of all this is that I am not satisfied that the applicants have made out a prima facie case under their first ground.

In reaching this conclusion I have taken note of the decision in Richco Plastic Co's Patent [1989] RPC 722 where an application for a compulsory licence was struck out because there was insufficient evidence provided to establish prima facie that the patentee was meeting the demand for the patented invention by importation, there being another possible explanation for the absence of manufacturing costs in the patentees' records. In the present case there seems to me to be a possibility that instead of the demand for PASTICHE arising from the fact that PASTICHE employs the patented inventions, in actual fact the demand for PASTICHE stems from providing an integrated system which includes other facilities. It is noteworthy, and I think worth repeating, that none of the applicants' witnesses specifically states that PASTICHE only meets their requirements because it includes, amongst other things, the patented inventions, though at one point, and without directing me to any evidence in support, Mr Beresford did submit that the inventions were fundamental and that without them one could not do good painting.

The second ground is that by reason of the refusal of the proprietor of the patent(s) to grant a licence or licences on reasonable terms a market for the export of any patented product made in the United Kingdom is not being supplied.

Again, I think I should first look at section 130(1) for the definition of a "patented product" ie

"patented product" means a product which is a patented invention or, in relation to a patented process, a product obtained directly by means of the process or to which the process has been applied.

Putting in this the definition of a "patented invention" one arrives at this definition of a "patented product" (unless the context requires otherwise) -

"patented product" means a product which is (my emphasis) an invention for which a patent is granted"

and the same definition of "invention" applies as before.

Not having been addressed specifically on this point of interpretation, indeed Mr Jacob seemed to accept that the applicants' system is a "patented product", I will say no more than that there is more than a seed of doubt in my mind as to whether it is necessarily appropriate to regard PASTICHE, because it includes the subject matter of the patents, as a "patented product" for the purposes of the second ground.

I have reviewed the applicants' statement and evidence carefully, but I can find no clear averment in either that any identified export market is not being supplied by the patentees from their manufacture in the UK. Mr Jacob submitted that it was necessary for the applicants to identify an export market which the patentees are not supplying.. Mr Beresford, in so far as he answered this submission, relied on the fact that the applicants have produced evidence to the effect that they have sold, or had prospects of selling, PASTICHE in certain specified foreign countries. As he put it, "the demand is there". But the demand is for PASTICHE, and whether or not that demand, if met, would be at the expense of PAINTBOX made in this country, I have no means of

telling.

In many respects, the same sort of unanswered questions seem to arise under the second ground as under the first, namely - what precisely is the demand for, and can it be met in alternative ways? - For similar reasons therefore I am not satisfied that the applicants have established a prima facie case under the second ground.

Next I turn to the third ground that by reason of the refusal of the proprietor of the patent(s) to grant a licence or licences on reasonable terms the establishment or development of commercial or industrial activities in the United Kingdom is unfairly prejudiced.

As far as the applicants are concerned I cannot see that any prejudice to them caused by the patentees' refusal to grant a licence could be properly described as unfair. The applicants may or may not have known of the existence of the patents when they embarked upon the development of PASTICHE, or they may have had a genuine reason for believing the patents were invalid. The fact of the matter is that they chose to take the risk of either not making a thorough investigation beforehand of what obstacles to commercial exploitation might lie in their path, or of infringing the patents which, in the event, were held to be valid by the Court.

As for potential users of PASTICHE, there seems to me to be a lack of clear evidence and specificity, as I have touched on previously, as to precisely what it is that they are prevented from being able to do by the refusal of the patentees to grant a licence. To select but two areas in which, in my opinion, the applicants have signally failed to provide adequate facts and support for this ground, I would cite the programmability aspect and its apparent irrelevance to the patented inventions, and a lack of precision in identifying those facilities which are necessary for the establishment or development of commercial or industrial activities in the UK

which are not provided by the patented inventions and which are not obtainable satisfactorily as accompaniments to the equipment supplied by the patentees or in some alternative manner.

For all these reasons I find that the applicants have not discharged the onus upon them to establish a prima facie case for the relief they seek under any of the grounds specified in paragraphs 1 to 3 of their statement. With this result I now have to decide whether to strike out the application altogether or to exercise the Comptroller's discretion to allow the applicants an opportunity to amend their case. I am mindful of the provisions of section 50(2) and, in particular, of the consequences for the applicants which the final part of that section may have should they be placed in the position of having to make a fresh application.

After giving very careful consideration to these matters and to the possibility that my finding above may have resulted from the manner in which the applicants' case has been presented rather than from the non-existence in reality of any possible prima facie case, I have decided, with some reluctance, that the application should be struck out in its entirety. In my view the extent to which the applicants' statement and evidence would have to be revised to put matters right would be substantial and mere revision could well result in further difficulties rather than in a smooth progression of the application.

Finally there is the matter of costs. The patentees having been successful in the application to strike out the case, I regard it as appropriate to make an award of costs in their favour. In all the relevant circumstances I do not consider it appropriate to depart from the Comptroller's usual practice of only making an award as a contribution towards costs.

Accordingly, I order the applicants Electronic Graphics Ltd to pay to the patentees Quantel Ltd the sum of £500 as a contribution towards their costs.

Dated this 13th day of November 1990

K E PANCHEN

Superintending Examiner, acting for the Comptroller



THE PATENT OFFICE

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