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Employees awarded £1.5 million for invention of outstanding benefit to employer

Intellectual Property team briefing
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Kelly and Chui -v- GE Healthcare Limited, Mr Justice Floyd, 11 February 2009

Last week, for the first time ever in the UK, two employees were awarded compensation under the Patents Act 1977 for the outstanding benefit that their efforts conferred on their employer.

INVENTIONS OF "OUTSTANDING BENEFIT" TO EMPLOYERS

Sections 39 to 42 of the Patents Act 1977 introduced a regime which entitles employees to compensation if they make a patented invention which is of outstanding benefit to the employer. In the intervening 31 years no employee has ever successfully brought proceedings under these provisions, presumably because of the difficulties in establishing outstanding benefit to the relevant employer.

In Mr Justice Floyd's recent decision in *Kelly and Chui -v- GE Healthcare Limited* (delivered on 11 February 2009), he awarded two employees, Dr Kelly and Dr Chui, £1,000,000 and £500,000 respectively. The two doctors played a key role in the first synthesis of a compound (known as compound P53) which formed the basis of a patented radioactive imaging agent. The imaging agent became a commercial success for the defendant employer and was sold around the world under the brand name, Myoview.

In what circumstances should an employee be compensated?

As the decision was the first to compensate employees, Mr Justice Floyd made a number of observations about how these provisions should be interpreted. These are likely to be followed in subsequent actions. He concluded that:

- The employee must be the inventor in the sense of being the "actual devisor" of the invention, not merely a contributor.
- The invention must be made in the ordinary course of employment or in the course of specifically assigned duties.
- In order to be of "outstanding benefit" to the employer, the benefit must be "something special" or "out of the ordinary", and not merely "substantial", "significant" or "good".
- To assess the benefit to the employer, a Court may find it helpful to consider what the employer's position would have been if the patent had not been granted, compared to its position with the granted patent.

- The patent must have been a cause of the outstanding benefit to the company, but it does not need to be the only cause of the benefit. Other causes will not exclude the employee from compensation, although the Court will try to apportion the benefit conferred by the patent from any such other causes.
- If a compensation payment is appropriate, once the level of compensation is determined, the Court must assess whether or not the payment represents a just and reward to the employee.

Factors taken into consideration

Mr Justice Floyd identified a number of factors that helped the employer's case. First, the employee's work was dependent on the opportunity that the employer provided to make inventions. The employer also took on the risks associated with the project. Further, the invention made by Dr Kelly and Dr Chui was not without its problems, which had to be solved at a later stage in the development process by other employees. Finally, the particular market conditions relating to this product helped the employer to develop the invention in the leading US market for Myoview.

Nevertheless, the judge recognised that Dr Kelly and Dr Chui's contributions involved significant thought and creativity. Perhaps crucially, the overall R&D costs to the employer were extremely small compared to the profits generated by the employer.

The Court was presented with evidence that the total sales of Myoview between 2002 and 2007 amounted to some £1 billion. However, Mr Justice Floyd recognised the difficulties in quantifying the value of the benefit to the employer. He assessed what he considered to be the "absolute rock bottom figure for the benefit from the patents" to the employer as £50 million. He then considered the nature of the employees' duties, remuneration and other advantages from the employment and concluded that Dr Kelly and Dr Chui were entitled to a 2% (£1,000,000) and 1% (£500,000) share respectively of the benefit derived by the employer from their invention. In the context, the judge decided that these figures represented a fair and just reward to the employees.

What does this mean?

This judgment is the first time that an employee has successfully sought compensation under sections 39 to 42 of the Patents Act 1977. It is unclear whether or not this judgment will lead to a flurry of claims by employees who believe that their contributions to an employer's success are sufficiently outstanding to merit compensation.

Whilst the circumstances in which an employee succeeds with a claim of this nature are likely to remain few and far between, employers should be aware that this regime exists and may apply in relation to market-leading blockbuster products.

In practice many employers already have contractual provisions in place to compensate inventive employees. These are often generous, especially in research-based companies and in academia. Nonetheless, these bodies and any without an additional contractual scheme over and above the statutory minimum should be reviewing the position in the light of this development.

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