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Inventor's compensation
Kelly v GE Healthcare

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The case

Kelly & Chiu v GE Healthcare Limited **[2009] EWHC 181(Pat)**

Decision of Mr Justice Floyd in the Patents Court, 11 February 2009

GE Healthcare Limited was formerly called Amersham International PLC

Drs. Kelly and Chiu were research scientists employed by the company

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Points to be covered

The invention and the patents

The law

The court’s decision

The likely impact of the case

The invention

A radiopharmaceutical imaging agent.

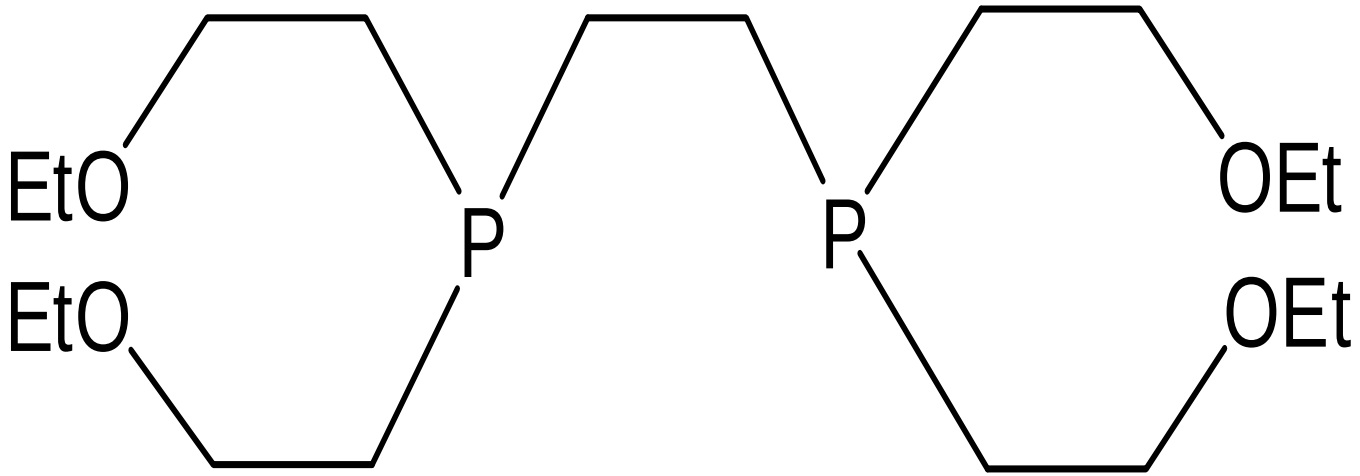
The isotope technetium-99m is a gamma emitter. Favoured for imaging applications – short half life (6 hours) and high energy emissions

Technetium is a transition metal which can form complexes with a ligand

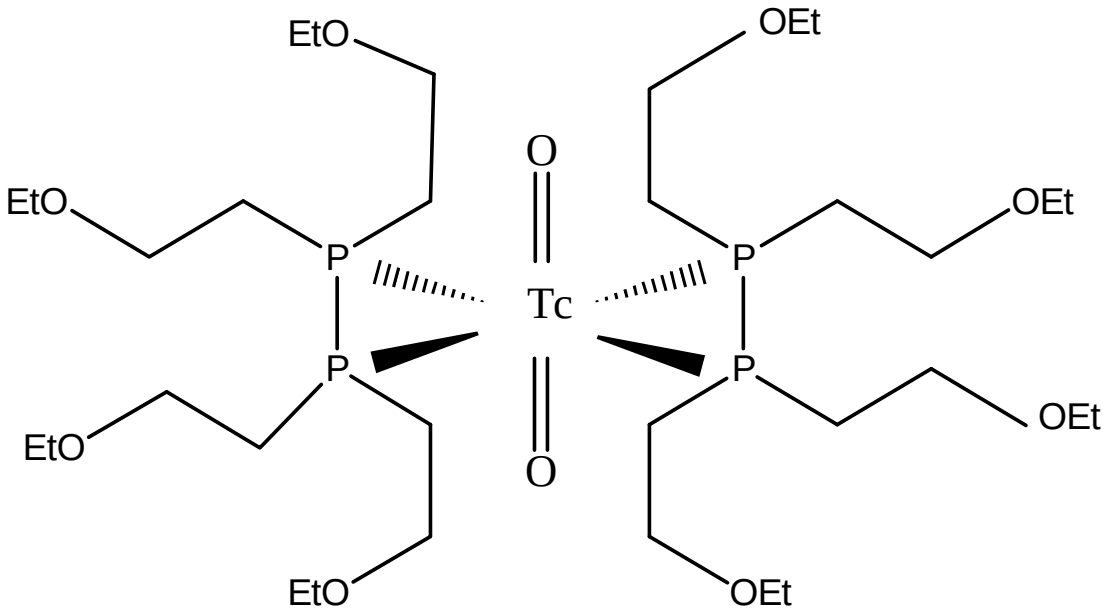
The ligand of the invention is an ether-functionalised diphosphine, two of which form a complex with technetium.

P53 – tetrofosmin 1,2-bis[bis-(2-ethoxyethyl)phosphino]ethane

Et = ethyl (-CH_2CH_3)



P53 Tc99m dioxo complex – technetium-essential cation



The patents

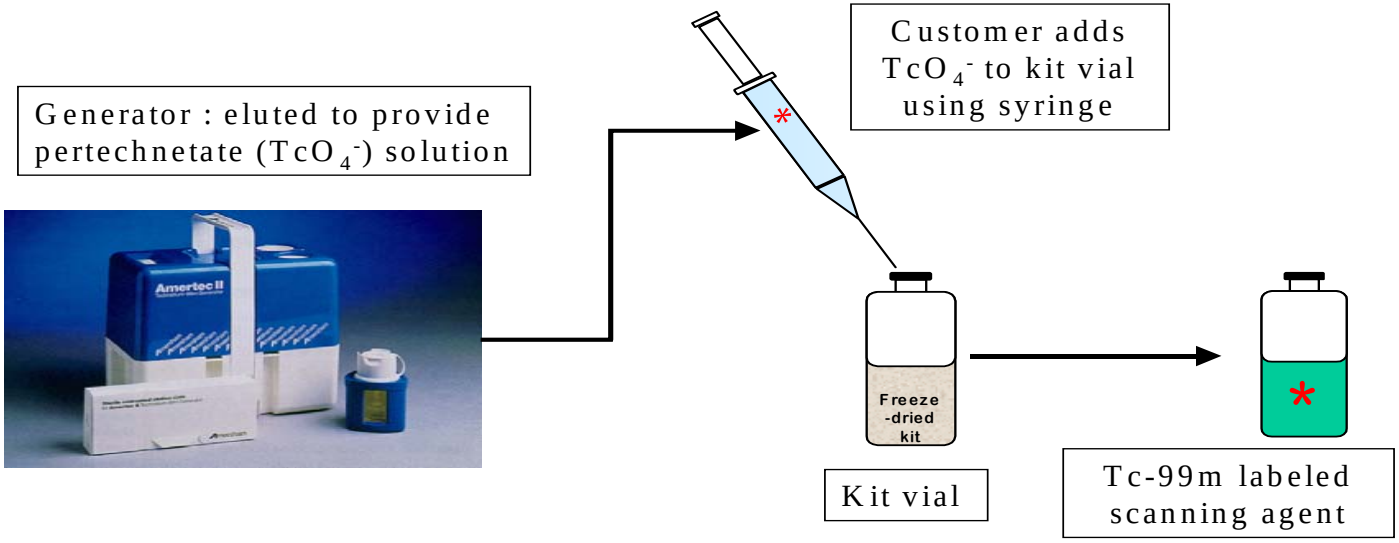
The patents in suit cover:

- The tetrofosmin ligand
- The TC-99m dioxo complex

Patents granted in all the main countries. Expiry around 2008

The product as sold is called “Myoview”

Technetium kit concept



The law in context

Section 40 was included in the Patents Act 1977 after much debate in the UK parliament.

It is a purely national law, not part of the EPC.

Germany, France and Japan have their own laws. The USA does not.

30 years went by without a successful case in the UK. Most thought it was a dead duck.

The requirements of section 40

- the patent is of outstanding benefit to the employer
- having regard among other things to the size and nature of the employer's undertaking
- it is just that the employee should be awarded compensation

Amendment to section 40

For patents applied for from 2005 the requirement changed to:

- **the invention or the patent for it (or the combination of both) is of outstanding benefit to the employer**

(not applicable in the Kelly case)

“Outstanding”

It is the benefit that has to be outstanding, not the invention

It is a relative term in this context

More than substantial or good

The patent has to be a cause of the benefit, but not necessarily the only cause

“Courts will recognise an outstanding benefit when it occurs”

“The benefit must be something more than one would normally expect to arise from the duties for which the employee is paid”

Some figures

- R&D cost up to launch, including clinical trials - £2.4 million
- Sales of Myoview to 2007 - £1,300 million. A blockbuster in radiopharmaceuticals.
- Profits – exact figure is confidential but “very high”

The approaches to benefit

No patents = no product = no benefit, therefore all the actual benefit is because of the patents. Rejected.

Assume that Myoview went ahead without patent protection. Compare that with the actual situation. Adopted.

The time period is limited to the years following expiry of data exclusivity (2002)

Conclusion on whether there was outstanding benefit

"*The benefits went far beyond anything which one could normally expect to arise from the sort of work the employees were doing*"

Two main aspects:

(1) The patents kept generics off the grass after 2002

(2) Having a blockbuster transformed Amersham as a company

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Approaches to putting a figure to the "outstanding benefit"

(1) What the parties might have agreed as a royalty at the outset – GE's "*ex ante*" argument

(2) The reduced profits if the product went ahead without patents – the inventor's argument

(3) Value of keeping generics off the grass – where the judge ended up - a component of (2). He broad-brushed this at £50 million from 2002

"…the absolute rock-bottom figure for the benefit from the patents….In qualitative terms I have no doubt that the real benefit to Amersham's business overall is very much greater."

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The second hurdle – assessing the amount

If there is outstanding benefit under s.40 you move on to consider s.41

A check list of factors to arrive at a figure

They are subjective as to the way the invention was made, the contribution of the company and others, the employee's salary and benefits

Balancing out the factors

In the inventors' favour:

- The minimal R&D cost
- The inventors' creativity

For the company:

- They provided the facilities and the opportunity
- Good downstream work – manufacture and marketing
- The employer carried the risk

So, how much then?

The employer's positions

(1) A nominal award; or, if not…

(2) A bonus based on salary in 1989 ; or, if not…

(3) 5% of the benefit post-2002 less royalties paid to external inventors

The employee's arguments

(1) Discounted rates based on external licensing arrangements in the field; or

(2) A percentage based on what the employer could have paid to an external inventor in a related field; or

(3) Payment based on what was actually paid to universities (co-inventors of the diphosphine ligand)

The judge placed some reliance on (2)

Decision on fair share

"*I have taken a very conservative figure for…the benefit. Taking the same approach to the share…I consider that 3% of the value of the benefit represents a just and fair award to the employee claimants*"

£50m x 3% = £1.5m

= 0.1% of turnover

= 72 hours' profit from Myoview

What happened next?

There was no appeal by either side

The judge lumped the PO and the court costs together and ordered GE to pay

The inventors had CFAs with solicitors and counsel

The inventors recovered most of their actual costs.

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Big pharma's view of section 40

Sir Richard Sykes, witness for GE

"…it would be unacceptable to an organisation such as GSK to have to be faced with a legal obligation to pay more than a relatively modest extra payment to its research scientists who were responsible for making inventions which evolved into a marketed product through the efforts of so many others"

"During my time at GSK… I would not have envisaged making … [any significant] payouts to research scientists for their involvement in working on a product which subsequently reached the market"

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And, as for the future…

"…the cost of potential awards…would have to be factored in when decisions were being taken about where to make investments in future research and development facilities"

"…an added cost of conducting research in the UK"

"… a great disservice to British industry"

The likely impact

The case breaks the duck but it is still a high hurdle

Unlikely to be a flood of cases

These inventors faced a rocky road, others might flinch

Benefit from “invention” easier to assess than benefit from patent

Bonus schemes can impact on whether it is “just” to pay anything; plus a happy employee is less likely to run the risk of suing

Can I be an inventor too?

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