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## Scoping Crown use: authorising infringement for the services of the Crown

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*There is a special type of compulsory patent licence which allows the government to use an invention without the patentee's permission, in the United Kingdom this is called Crown use. The scope and process for Crown use has received little attention over the years. However, the recent decision of *IPCOM v Vodafone* addressed two gateway issues – what is meant by the services of the Crown and the scope of authorisations. This discussion considers those two issues and contextualises the findings of the court.*

Crown use has received little attention over the decades, it remains a minority interest at best. However, when it does arise it is clear that the law is framed very much in favour of the government and its contractors. The decision in *IPCOM* is part of a long line of cases emphasising this position, and as have been explored here, that judgment may not even have fully appreciated the flexibility granted to government. It is a flexibility even the government seems to refrain from acknowledging.

### Introduction

There is a special type of compulsory patent licence which allows the government to use an invention without the patentee's permission, in the United Kingdom this is called Crown use. It is an area of practice which is rarely explored either within government or more widely. Before considering the scope of Crown use it is worth returning to its roots. Originally, the government had paid patentees for the use of their inventions<sup>1</sup> but in the 1860s this changed following *Feather v R*<sup>2</sup> where it was held that the Crown was not bound by Letters Patent. The position was changed once more by the Patents,

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<sup>1</sup> The recitals to Letters Patents after 1852 included a requirement for the patentee to provide patented articles to the Crown at a reasonable price, but did not refer to others using the invention to supply the Crown: see Patent Law Amendment Act 1952, Schedule. Under the current law, a clause of a contract which debars a patentee from supplying a product to the Crown is unenforceable: see Patents Act 1977, s 57(1).

<sup>2</sup> (1865) 6 B & S 257 (122 ER 1191); 35 LJ 200; the basis of the decision was that patent grants should be interpreted in favour of the Crown and so it should be assumed the Crown did not wish to give away the right to work the invention. The decision was confirmed in *Dixon v London Small Arms Company* (1876) 50 QB 384, 389-90 (Kelly CB), 394 (James LJ), 396 (Mellish LJ) and 399 (Grove J) on a more satisfactory ground that Acts of Parliament do not bind the Crown unless expressly stated to do so and this should likewise apply to patents. On appeal their Lordships simply assumed *R v Feather* was properly decided: *Dixon v London Small Arms Co* (1876) 1 App Cas 632, 640. It is said the issue was also raised in the unreported case of *R v Clare*. However, this case was reported in *The Times*, 3-7 February (trial) and 22 April 1863 (motion for new trial rejected) and those reports include no discussion of the Crown's right to use patents other than in the general sense Clare was making a claim against the Admiralty.

Designs and Trade Marks Act 1883<sup>3</sup> which provided that the Crown would, in future, be bound by patents<sup>4</sup> but, at the same time, that it was free to use the invention provided compensation is paid to the patentee.

While the Crown use provisions in patent legislation have evolved from a long sentence to numerous sections,<sup>5</sup> its scope has rarely been considered by the courts<sup>6</sup> and aside from passing references little has been said during the current century. Indeed, what is usually thought of as the department undertaking the most Crown use – the Ministry of Defence – now barely uses it at all.<sup>7</sup> So the recent decision in *IPCOM v Vodafone*<sup>8</sup> is important in two respects. First, it shows how Crown use can be relevant outside the area of defence and secondly the judgment considers two central aspects of Crown use - what might be termed the gateways - namely what constitutes “services of the Crown” and the requirements for an authorisation. It is these gateways which will be explored.<sup>9</sup>

## Service of the Crown

### *Background*

The use of a patented invention<sup>10</sup> by the Crown has always been limited allowing some, but not all,<sup>11</sup> uses of an invention when it is for the “services for the Crown”. In the first

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<sup>3</sup> Patents, Designs and Trade Marks Act 1883, s 27.

<sup>4</sup> The Crown could only be sued for patent infringement following the enactment of the Crown Proceedings Act 1947, s 3; before that time, it was necessary to rely on a claim based on a Petition of Right. For a discussion of this procedure see: Walter Clode, *The Law and Practice of Petition of Right under the Petitions of Rights Act, 1860* (Clowes 1887).

<sup>5</sup> See Patents and Designs Act 1907, s 29; later amended by Patents and Designs Act 1919, s 8; further amended by Defence (Patents, Trade Marks, etc) Regulations 1941 (SI 1941/1780), reg 4 and Patents and Designs Act 1942, s 2; the present provisions, Patents Act 1977, s 55-59, are largely the same as those set out in the Patents Act 1949, s 46 to 49 albeit the Copyright, Designs and Patents Act 1988 amended them somewhat further (s 295 and Sch 5, par 16).

<sup>6</sup> In part this was because the periods of greatest Crown use were the First and Second World War after which, in each case, there was a Royal Commission set up to consider claims. The principles they applied were published in 1957: Royal Commission on Awards to Inventors, *Use of Inventions and Designs by Government Departments: Compendium of the Principles and Procedures* (HMSO 1957).

<sup>7</sup> See *Roughton, Johnson and Cook: The Modern Law of Patents* (4<sup>th</sup> Ed, Lexisnexis 2019), [11.70, fn 7].

<sup>8</sup> [2020] EWHC 132 (Pat), Douglas Campbell QC (sitting as a Deputy High Court judge).

<sup>9</sup> Other areas of Crown use are examined elsewhere: *Roughton, Johnson and Cook: The Modern Law of Patents* (4<sup>th</sup> Ed, Lexisnexis 2019), [11.70-11.106]; Colin Birss (Ed), *Terrell on the Law of Patents* (18<sup>th</sup> Ed, Sweet and Maxwell 2016), Ch 25.

<sup>10</sup> Crown use covers both patented inventions and inventions which are the subject of patent applications: Patents Act 1977, s 56(1); the latter is important both because of the rights conferred by publication (under Patents Act 1977, s 69) and also because certain patent applications are found to be ready for grant but are not granted for reasons of national security or public safety: see Patents Act 1977, s 22(3)(a).

<sup>11</sup> A Crown user can make, use, import or keep the product; but selling or offering to sell the product is only permitted where it is incidental or ancillary (although this restriction is relaxed in for foreign defence purposes and in relation to the production and supply of specified drugs and medicines; and furthermore, products can be sold after they have been used): Patents Act 1977, s 55(1).

three incarnations of the Crown use provisions<sup>12</sup> there was no guidance on whether the “services of the Crown” was a further limitation on the scope of the power. Yet it was described by the Swan Committee in 1947 as a limited user right<sup>13</sup> which had been expanded by defence legislation during the Second World War<sup>14</sup> and the “services of the Crown” was left broadly undefined in the Patents Act 1949 albeit with a limited deeming provision.<sup>15</sup> When those services finally came to be considered by the courts an expansive view was adopted.

### *Pfizer*

The scope of Crown use was pushed, and eventually substantially expanded, by *Pfizer Corp v Ministry of Health*.<sup>16</sup> The case was a result of a strategy of the Minister of Health to rely on Crown use to buy cheap drugs for the National Health Service (NHS) from overseas.<sup>17</sup> The government argued the supply of drugs to hospitals was for the service of the Crown, but conceded supply to other parts of the NHS (such as general practitioners) was not.<sup>18</sup> This brought to the fore the scope of the Crown’s user right with Diplock LJ in the Court of Appeal stating the “services of the Crown”<sup>19</sup> meant:<sup>20</sup>

*An act is done for the services (or service) of the Crown if it is done for the purpose of the performance of a duty or the exercise of a power which is imposed upon or vested in the executive government of the United Kingdom by statute or by the prerogative.*

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<sup>12</sup> Patents, Designs and Trade Marks Act 1883, s 27(2); Patents and Designs Act 1907, s 29 (which was substantially replaced by Patents and Designs Act 1919, s 8); and Patents Act 1949, s 49.

<sup>13</sup> [Swan Committee], *Final Report of the Departmental Committee on Patents and Designs Act* (1946-47 Cmd 7206), [74].

<sup>14</sup> Most notably the Patents and Designs Act 1942, s 2; and (although not mentioned by Swan) the Defence (Patents, Trade Marks, etc) Regulations 1941 (No 1780) 1941, SR & O, Vol II, p 189, reg 4.

<sup>15</sup> Patents Act 1949, s 46; selling articles for foreign defence purposes was deemed to be Crown use: s 46(6) (a new subsection with similar effect was substituted by the Defence Contracts Act 1958, s 1).

<sup>16</sup> [1965] AC 512.

<sup>17</sup> It appears that the Labour party had considered using Crown use for manufacturing and distributing drugs in its 2019 Manifesto: see Labour, *It’s Time for Real Change: The Labour Party Manifesto 2019*, p 35.

<sup>18</sup> For a discussion of the background see Phillip Johnson “Access to medicines and the growth of the pharmaceutical industry in Britain” in Graeme Dinwoodie, *Methods and Perspectives in Intellectual Property* (Edward Elgar 2013), 329 at 353-355.

<sup>19</sup> In Northern Ireland, the Crown user includes a department of Northern Ireland: Patents Act 1977, s 131(b) and (c); and likewise in Scotland, Patents Act 1977, s 131A(b) and (c); there is no provision for the Welsh government or in relation to the Isle of Man. There is also provision for visiting armed forces to be in the same position as home forces: Visiting Forces and International Headquarters (Application of Law) Order 1999 (SI 1999/1736), art 6 and Sch 4, para 2 and 3 (save it does not apply to drugs).

<sup>20</sup> *Pfizer v Ministry of Health* [1965] RPC 261 at 276.

On appeal to the House of Lords this short statement was how the government put its case<sup>21</sup> and it led to a divergence between their Lordships as to whether this broad proposition should be accepted. Lord Wilberforce and Lord Pearce took the view that the services of the Crown meant those being provided for the benefit of the Crown or Crown servants directly; and so Crown use does not extend to use pursuant to the exercise of a duty or power of a Minister.<sup>22</sup> The majority of the House of Lords, on the other hand, while accepting that the term “services of the Crown” provided a limitation adopted a wider, expansive, view (similar to of the Court of Appeal) whereby something could be Crown use whether the benefit from the use of the invention is enjoyed by Crown servants in the exercise of their duty or the benefit is enjoyed by other persons (such as the general public).<sup>23</sup>

This expansive interpretation profoundly worried the pharmaceutical industry and, in due course, the rules relating to Crown use were both broadened and narrowed in 1968; broadened so that they extended to the whole of the NHS (and not just hospitals) and narrowed so that the provisions could only be used in relation to “prescribed”<sup>24</sup> drugs.<sup>25</sup> Thus, in future it would be necessary for a statutory instrument to be made and laid before Parliament specifying a drug before any Crown use could start.<sup>26</sup>

*Exemplary or exhaustive?*

This settlement was maintained in the Patents Act 1977, but it went further with section 56(2) providing a definition:

*“the services of the Crown” includes—*

*(a) the supply of anything for foreign defence purposes;*

*(b) the production or supply of specified drugs and medicines; and*

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<sup>21</sup> See *Pfizer* [1965] AC 512, 566-7, Lord Wilberforce

<sup>22</sup> *Pfizer* [1965] AC 512, 549-50 (Lord Pearce), 568 and 570-2 (Lord Wilberforce).

<sup>23</sup> *Pfizer* [1965] AC 512, 534-5 (Lord Reid), 543 (Lord Evershed) and 552 (Lord Upjohn).

<sup>24</sup> The term “prescribed” was swapped for “specified” in the Patents Act 1977; this was probably because the term prescribed might suggest the drug was provided pursuant to a doctor’s prescription, rather than prescribed in a statutory instrument.

<sup>25</sup> Health Services and Public Health Act 1968, s 59.

<sup>26</sup> There is nothing suggesting that the regulations specifying the drug can be retrospective (see Patents Act 1977, s 56(4)(b)) and so it would not be possible to grant a retrospective authorisation under s 55(6).

*(c) such purposes relating to the production or use of atomic energy or research into matters connected therewith as the Secretary of State thinks necessary or expedient;*

*and “use for the services of the Crown” shall be construed accordingly.*

The scope of these services was not explored again<sup>27</sup> until the recent judgment<sup>28</sup> in *IPCOM v Vodafone*<sup>29</sup> where it was stated that the list of matters in s 56(2) was inclusive and not exhaustive.<sup>30</sup> Indeed, the use of the word “include” in the provision clearly supports this conclusion.<sup>31</sup> Accordingly, with two exceptions, it appears that the meaning of “the services of the Crown” retains the liberal scope adopted in *Pfizer* and the examples given in s 56(2) have little real effect.

This must, however, be qualified, firstly, in that Crown use must be restricted to “specified drugs and medicines” and so does not extend to any drug (otherwise s 56(2)(b) and 56(4) would have no meaningful effect). The second qualification is only one in name, in that Crown use for atomic energy or research must be use which the Secretary of State thinks necessary or expedient.<sup>32</sup> As to allow Crown use in an unnecessary or inexpedient way would be likely be irrational and subject to judicial review this adds little of substance. Thus, while the effect of s 56(2) must generally be exemplary it must be treated as exhaustive in relation to drugs and atomic energy.

#### *Emergency rules – implicit restrictions?*

Section 59 of the Patents Act 1977 provides a power to expanded Crown use during an emergency for particular purposes.<sup>33</sup> It was held in *IPCOM* that the things listed in s 59

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<sup>27</sup> See the statement regarding foreign defence services during the passage of the Copyright, Designs and Patents Act 1988: see John Butcher, HC Deb 25 July 1988, vol 138, col 88; also see Patents Act 1977, s 56(3).

<sup>28</sup> There is a brief comment in *MMI Research Ltd v Cellxion Ltd* [2009] EWHC 1533 (Pat), [11], Floyd J.

<sup>29</sup> [2020] EWHC 132 (Pat).

<sup>30</sup> *IPCOM* [2020] EWHC 132 (Pat), [188].

<sup>31</sup> *IPCOM* [2020] EWHC 132 (Pat), [187-189]; this adopted the view of the *Manual of Patent Practice*, [55.04]; Paul Cole and Richard Davis, *CIPA Guide to the Patents Act* (9<sup>th</sup> Ed, Sweet and Maxwell 2019), [56.04] and Colin Birss (Ed), *Terrell on the Law of Patents* (18<sup>th</sup> Ed, Sweet and Maxwell 2016), [25-10]; while not mentioned in *IPCOM* it was also the view expressed in *Roughton, Johnson and Cook: The Modern Law of Patents* (4<sup>th</sup> Ed, Lexisnexis 2019), [11.77].

<sup>32</sup> The term “necessary or expedient” is probably incredibly broad: *R v Comptroller-General of Patents, ex p Bayer Products Ltd* [1941] 2 KB 306, CA (based on the use of the phrase in the Emergency Powers (Defence) Act, 1939); also see *Progressive Supply Co Ltd v Dalkin* [1943] Ch 54, Farwell J.

<sup>33</sup> Patents Act 1977, s 59 (by Order in Council). These provisions were last applied (under the Patents Act 1949) by the Patents (Extension of Period of Emergency) Order 1957 (SI 1957/2062) which was still extending the war time period of emergency.

would not usually be considered to be uses for “the services of the Crown” and so needed a specific deeming provision.<sup>34</sup> Inherently, this approach is logical – if something were Crown use all the time then there would be no need to specially permit its use during an emergency.

Critically, however, this could be taken to make s 59 a list of exclusion so that anything listed in s 59(1) cannot be Crown use in normal times. For example, the use of an invention “for promoting the productivity of industry, commerce and agriculture”<sup>35</sup> is not normally Crown use but in a time of emergency it would be. However, this simple proposition should be viewed cautiously, the use of an invention for “the efficient prosecution of any war”<sup>36</sup> could cover a wide range of uses many of which would also be Crown use in peacetime, for instance it must include “the supply of anything for foreign defence purposes”<sup>37</sup> and, historically, when it was a Crown function to provide postal services<sup>38</sup> this function would “promote” the productivity of industry.

The drafting of s 59 was directly lifted from s 49 of the Patents Act 1949 and this in turn was an extension of s 2 of the Patents and Designs Act 1942. Put bluntly, it is inconceivable that at the height of the Second World War, Parliament would have legislated to implicitly limit Crown use. Thus, it is suggested that the scope of Crown use during times of emergency should not be used to limit its normal scope.

#### *The scope of the services of the Crown*

There have been very few examples of courts finding something to be “the services of the Crown” post-*Pfizer*. First, there was the importation and use of an antibiotic (tetracycline) by the NHS;<sup>39</sup> secondly, there was the use of a lithotripters<sup>40</sup> by a local health authority;<sup>41</sup> thirdly, a concession was made that a blast proof structure for use in a police station in Northern Ireland was for the services of the Crown;<sup>42</sup> finally,

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<sup>34</sup> *IPCOM* [2020] EWHC 132 (Pat), [189].

<sup>35</sup> Patents Act 1977, s 59(1)(d).

<sup>36</sup> Patents Act 1977, s 59(1)(a).

<sup>37</sup> This could lead round back to a suggestion that because “the efficient prosecution of any war” is included in Patents Act 1977, s 59(1) therefore foreign defence purposes are excluded from s 55 and so needs to be brought back in by s 56(4)(a).

<sup>38</sup> See *Pfizer* [1965] AC 512, 533.

<sup>39</sup> *Pfizer Corp v Ministry of Health* [1965] AC 512

<sup>40</sup> Used for treating kidney stones.

<sup>41</sup> *Dory v Sheffield Health Authority* [1991] FSR 221.

<sup>42</sup> *Henry Bros v Ministry of Defence* [1997] RPC 693, 704; [1999] RPC 442, 446.

providing priority access to the telecoms network (the MTPAS<sup>43</sup> scheme) for the police during an emergency was also found to be Crown use.<sup>44</sup>

The scope of Crown use is, however, much wider than these examples might suggest. Whenever a new function is given to a Minister the scope of the “services of the Crown” expands and likewise where a function is removed from a Minister it ceases to be possible to rely on Crown use. So, for example, if a Minister is given a function of making and delivering pizza under an enactment then anything done to make or deliver that pizza could be Crown use; whereas when Ministers stopped being responsible for providing postal services,<sup>45</sup> Crown use ceased to be available to assist with delivering letters. Nevertheless, Crown use could never extend to things done pursuant to the Minister’s Common law powers (that is the power to do anything which any other natural person can do<sup>46</sup>) as these powers do not relate to the Minister’s functions or duties.

### *Tricky issues*

There are, however, some situations where the breadth of *Pfizer* as explained by *IPCOM* present a challenge. For example, what happens where the Crown accepts a tender, but then upon delivery the goods are rejected.<sup>47</sup> These goods would never be for the “services of the Crown” and thus, despite being authorised at the time, they might be said to fall outside s 55. It also leads to a wider question; whether goods purchased by the government, but never used for the purpose they were sought fall within the services of the Crown.

It is suggested that even wasted goods supplied to the government must fall within Crown use and, by extension, so must goods made which at the time of the infringing act were intended for Crown use (even if they are in fact never used). For instance, if the government (relying on Crown use) made a stockpile of drugs in fear of an

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<sup>43</sup> Mobile Telecommunications Privileged Access Scheme (MTPAS).

<sup>44</sup> *Pfizer* [1965] AC 512, [209].

<sup>45</sup> The General Post Office ceased to be a government department by reason of the Post Office Act 1969.

<sup>46</sup> This is the basis of the so-called Ram doctrine: see Anthony Lester and Matthew Weait “The Use of Ministerial Powers without Parliamentary Authority: the Ram Doctrine” [2003] Public Law 415. The powers were confirmed in *R v Secretary of State for Health ex p. C* [2000] 1 FLR 627, [17] (minister can do anything which a natural person can do); there was some concern expressed by some of the Court of Appeal in *Shrewsbury & Atcham BC v Secretary of State for Communities & Local Government* [2008] EWCA Civ 148, [43-49; 72-75 and 78-81].

<sup>47</sup> See submissions in *Dixon v London Small Arms Company* (1875) 10 QB 130 at 133; also see *Dixon v London Small Arms Company* (1876) 1 App Cases 632, 651-2 (Lord Penzance).

epidemic, but the virulence of the disease was less than expected leading to most of the drugs never being used, it would be absurd if the original manufacture then became infringing.<sup>48</sup>

## **Authorisations**

### *Powers of government departments*

Any Crown use is predicated on an authorisation from a government department. Traditionally, government departments did not have legal personality so could not enter contracts, sue or be sued. There is now a split between administrative departments (those which have no legal personality) and other departments which have limited personality.<sup>49</sup> In the normal course of things, this distinction matters little. Claims are made against, and contracts signed by, the relevant Minister and, in practice, it is even more straightforward by reason of the so called *Carltona* Principle: acts of officials being treated as if they are the acts of the Minister.<sup>50</sup> In simple terms, this means a departmental official (civil servant) can sign a contract on behalf of a Minister.

Notwithstanding this constitutional principle, s 55 provides for an authorisation from a “government department”. The use of the term government department began with the Patents and Designs Act 1907<sup>51</sup> before the enunciation of *Carltona* and this probably explains why the terminology has persisted. A standard definition of a government department is one of the organisational units of central government, which is staffed by civil servants headed by a Minister of the Crown with assigned functions. It would also now include executive agencies of the department<sup>52</sup> (for instance, the Intellectual Property Office is an executive agency of the Department for Business, Energy and Industrial Strategy). In short, this means that an authorisation for Crown use can be given by departmental officials (without the direct involvement of the Minister).

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<sup>48</sup> See for instance, Adrian O’Dowd “Government says it would stockpile Tamiflu again” (2014) 349 British Medical Journal 6386 (the government did not actually rely on Crown use to build this stockpile but the problems would have occurred had it done so).

<sup>49</sup> See Crown Proceedings Act 1947, s 17.

<sup>50</sup> *Carltona Ltd v Commissioners of Works* [1943] 2 All ER 560; and such functions can also be contracted out to private companies under the Deregulation and Contracting Out Act 1994 (see in particular s 72(2)); Mark Freedland “Privatising *Carltona*: Part II of the Deregulation and Contracting Out Act 1994” (1995) Public Law 21.

<sup>51</sup> Patents and Designs Act 1907, s 29; the earlier Patents, Designs and Trade Marks Act 1883, s 27 referred to “the officers or authorities administering any department” which is essentially an earlier version of what became the *Carltona* Principle.

<sup>52</sup> See Daniel Greenberg (Ed), *Jowitts Dictionary of English Law* (5th Ed Sweet and Maxwell 2019).

The requirement for a written authorisation<sup>53</sup> means in the usual course of things Crown use is established before the courts by the mere production of the authorisation itself.<sup>54</sup> Such an authorisation may be given to *any* person before or after a patent is granted and, critically, it may be given before or *after* the use itself has been undertaken.<sup>55</sup> Indeed, in *Dory v Sheffield Health Authority*<sup>56</sup> the authorisation was actually provided after the proceedings were started demonstrating how anything done for the services of the Crown can be authorised at any point.<sup>57</sup> So, in theory, a company could make something speculatively with the expectation (or hope) the government would later authorise it.<sup>58</sup> If it is so authorised it ceased to be infringing, but if not then the manufacturer must face the wrath of the patentee.

### *Application of TRIPs*

In *IPCOM*,<sup>59</sup> the comptroller took the view that Crown use is a compulsory licence and so must comply with all the requirements of article 31 of the Trade Related Aspects of Intellectual Property Agreement (TRIPs). In most cases, this has little practical significance as the domestic provisions for Crown use are stricter than those imposed by international rules. So, for instance, the need for a compulsory licence to be non-exclusive,<sup>60</sup> non-assignable,<sup>61</sup> authorised on its individual merits,<sup>62</sup> and to be for a limited purpose<sup>63</sup> fits squarely with Crown use. There is also a requirement for the payment of compensation by the Crown for its use<sup>64</sup> and where the parties cannot agree the matter can be referred to the court<sup>65</sup> which satisfies the TRIPs requirements of adequate payment<sup>66</sup> and judicial oversight.<sup>67</sup> There are two restrictions in article 31

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<sup>53</sup> Patents Act 1977, s 55(1) (“authorised in writing”); this requirement follows a recommendation of the Parker Committee 1916. Its Report was unpublished at the time, but it has now been published: Phillip Johnson “The Report of the Parker Committee on Patent Law 1916” (2017) 7 QMJIP 156 at 163.

<sup>54</sup> See *MMI Research v Cellxion* [2009] EWHC 1533 (Pat), [8 to 10].

<sup>55</sup> Patents Act 1977, s 55(6).

<sup>56</sup> [1991] FSR 221 at 231, Falconer J.

<sup>57</sup> In *MMI Research Ltd v Cellxion* [2009] EWHC 1533 (Pat) the parties argued the use *could* become Crown use if the party sought an authorisation (but they had not yet done so).

<sup>58</sup> A situation criticised in *Dixon v London Small Arms Company* (1875) 10 QB 130 at 135-6.

<sup>59</sup> *IPCOM* [2020] EWHC 132 (Pat), [185].

<sup>60</sup> TRIPs, art 31(d).

<sup>61</sup> TRIPs, art 31(e).

<sup>62</sup> TRIPs, art 31(a).

<sup>63</sup> TRIPs, art 31(c); as the authorisation is limited in purpose the termination rules have little impact: art 31(g).

<sup>64</sup> Patents Act 1977, s 55(4) and 57A.

<sup>65</sup> Patents Act 1977, s 58.

<sup>66</sup> TRIPs, art 31(h); compensation is usually assessed on a willing licensee/licensor basis (see *Patchett’s Patent* [1967] RPC 237) which must be “adequate” for TRIPs purposes.

<sup>67</sup> TRIPs, art 31(i) and (j).

which might present challenges. The first is the requirement to try to negotiate a licence fee with the patentee before granting a compulsory licence<sup>68</sup> and the second is the requirement that the use be for the supply of the domestic market.<sup>69</sup>

*Prior negotiation and public non-commercial use*

Turning to the first requirement, the comptroller took the view in *IPCOM* that because of article 31(b) “some form of negotiation (meaning negotiation with the relevant patentee) should have occurred before Crown use was invoked.”<sup>70</sup> But TRIPs itself provides that this requirement may be waived firstly, “in the case of a national emergency or other circumstances of extreme urgency” and, secondly, “in cases of public non-commercial use” and in the second case, “where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly”.

This makes it clear that for the purposes of article 31 “public non-commercial use” at least extends to use by the government and its contractors, and in British law this suggests (at first blush at least) that it covers all forms of Crown use (which also covers both use by the government and by its contractors). Nevertheless, in *IPCOM* the comptroller’s submission that an authorisation was required before Crown use started must have been made because Crown use and “public non-commercial use” were not seen as coterminous. The judge took this further in a slightly Delphic passage where, after accepting that the defendant’s use was for the service of the Crown,<sup>71</sup> found it was not a “public non-commercial use” rather it fell within the first limb of article 31(b) namely it was “other circumstances of extreme urgency”.<sup>72</sup>

His reasoning seemed little more than the service was provided as part of a multi-billion pound business and so could not be seen as non-commercial. If this is right then non-urgent Crown use, not being public non-commercial use, would require prior negotiation. Furthermore, if the scope of Crown use is broader than public non-commercial use this might restrict the rules in the Patents Act 1977 allowing for

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<sup>68</sup> TRIPs, art 31(b).

<sup>69</sup> TRIPs, art 31(f).

<sup>70</sup> *IPCOM* [2020] EWHC 132 (Pat), [196].

<sup>71</sup> *IPCOM* [2020] EWHC 132 (Pat), [209].

<sup>72</sup> *IPCOM* [2020] EWHC 132 (Pat), [211]; the judge did not consider whether TRIPs, art 73(a) and (b) might sometimes be engaged.

retrospective authorisation.<sup>73</sup> Such authorisations would be contrary to international law which the government is duty bound to uphold<sup>74</sup> even if, as a matter of domestic law, the Act could not easily be construed to be so limited.<sup>75</sup>

However, it is difficult to see how something which has been found to be for “the services of the Crown” is not also a “public non-commercial use”. In the usual course of things, contractors are operating commercially<sup>76</sup> to make a profit. If all Crown use which directly or indirectly created a profit were excluded from being “public non-commercial” then the latter’s scope would be confined to government employees only<sup>77</sup> and this cannot be right as article 31(b) itself expressly extends “non-commercial” use to inventions used by government contractors. So in principle Crown use by a business (or even a multi-billion pound business) is non-commercial. Therefore, contrary to the implication of *IPCOM*, “public non-commercial” in TRIPs should be interpreted liberally and anything which domestically is considered to be for the services of the Crown should fall within its scope. This leads us to the discussion of notifications.

### *Notification*

The requirement under TRIPs in cases of public non-commercial use is that where either the government or contractor is aware of the patent, the patentee must be notified, but no patent search is required to identify patent rights (ie there is no constructive knowledge).<sup>78</sup> The rules of Crown use are stricter in that notice must be provided to the patentee as soon as possible after a patent or invention is used;<sup>79</sup> and so it applies whether or not the Crown user is aware of the patent. However, logically an obligation cannot arise before the user knew the patent existed as it would be impossible to fulfil;

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<sup>73</sup> Patents Act 1977, s 55(6).

<sup>74</sup> See the short judgment in *Gulf Centre for Human Rights, R (On the Application of) v The Prime Minister* [2018] EWCA Civ 1855.

<sup>75</sup> It would be difficult to construe s 55(6) of the Patents Act 1977 in any way which was compatible with TRIPs; for the time being, complying with TRIPs is an EU obligation (C-414/11 *Daiichi Sankyo and Sanofi-Aventis*, EU:C:2013:520) and so the rule requiring domestic legislation to be in accordance with EU law applies (the *Marleasing Principle*: C-106/89 *Marleasing v La Comercial Internacional de Alimentación*, EU:C:1990:395). After the UK leaves the EU, there will still be a “strong” presumption that domestic law should be construed in accordance with TRIPs: see *Assange v The Swedish Prosecutor* [2012] UKSC 22, [122] (Lord Dyson).

<sup>76</sup> A not-for-profit businesses or social enterprises could be contractor but this is not the usual case.

<sup>77</sup> Indeed, any “private” non-commercial use would be excluded from infringement: Patents Act 1977, s 60(5)(a).

<sup>78</sup> TRIPs, art 31(b).

<sup>79</sup> Patents Act 1977, s 55(7); there is also a periodic requirement to provide any necessary future information (eg the use that has been made).

thus, the only question becomes whether the Crown user must do patent searches before use (in other words does domestic law apply a higher standard than TRIPs).

The Patents Act 1977 waives the obligation to notify whenever it appears contrary to the public interest.<sup>80</sup> While the public interest would clearly cover disclosures which might affect national security<sup>81</sup> it goes further; but how much further is difficult to ascertain. Some might argue notifying is never in the public interest as without notification there would be no payment and reducing public expenditure is always in the public interest; this clearly cannot be right. But a narrow version of the argument is tenable, undertaking patent searches for every product for which the government tender would be very expensive; and so undertaking these searches is not in the public interest (bringing the law back to the TRIPs minimum standard).

### *Domestic supply*

The second requirement of article 31 which might present issues, albeit only in exceptional cases, is that any Crown use must be predominately for the supply of the domestic market.<sup>82</sup> As the potentially infringement act must take place in the United Kingdom<sup>83</sup> any use overseas would not fall within the scope of the Patents Act 1977 in the first place. But it may be, for instance, that military technology is made in the United Kingdom for sale to other countries. This situation is unlikely to be explored before the courts due to the nature of the technology,<sup>84</sup> but it is arguable that supplying weapons to an ally for the purposes of mutual defence (or even enhanced global security) might fall within the services of the Crown (as the United Kingdom benefits from increased military security). Indeed, the Patents Act 1977 actually caters for this sort of arrangement,<sup>85</sup> nevertheless it is not permitted by article 31 of TRIPs save to the extent the national security exclusion applies.<sup>86</sup> The same sorts of issues could also arise in relation to non-military technology but such cases would be truly exceptional.

### *Requirements of the authorisation*

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<sup>80</sup> PA 1977, s 55(7).

<sup>81</sup> TRIPs, art 73 would enable art 31(b) to be dispensed where necessary for national security in any event.

<sup>82</sup> TRIPs, art 31(f).

<sup>83</sup> Patents Act 1977, s 60(1) and (2).

<sup>84</sup> And the fact that commercial contracts are used for defence contracts rather than Crown use: see *Roughton, Johnson and Cook: The Modern Law of Patents* (4<sup>th</sup> Ed, Lexisnexis 2019), [11.70, fn 7].

<sup>85</sup> Patents Act 1977, s 55(1)(a)(ii) and 56(3).

<sup>86</sup> TRIPs, art 73.

The issue of whether the authorisation itself needs to specify the patents to which it relates is more complex. Essentially, the question is whether an express authorisation to do a specific act implies an authorisation to infringe one or more patents or whether each patent needs to be individually identified. The difficulty with the second approach was explained by the defendants in *IPCOM*:<sup>87</sup>

*... the relevant government department might have to identify all the acts that the government department and/or its agents may wish to carry out; identify any patent that might arguably be infringed by any one or more of those acts; analyse (and, more realistically, engage advice to help with) the risk of infringement of each such patent by each such act; identify and engage with each relevant rightsholder; and give notice of each of the relevant proposed acts to the respective rightsholders “as soon as practicable” after the relevant triggering event. Even if this sufficed for purposes of s 55(7), there would still be the matter of actually reaching agreement with each such rightsholder as to the infringement position...that it would be difficult enough to complete the relevant tasks even when given plenty of time, but if they had to be completed before the infringing act was done at all then this might be impossible...*

There has to be one qualification to this statement, while it might be necessary to engage with right holders to determine whether a patent is infringed or not, for the reasons outlined above, it would not be necessary to engage with them in relation to payment until after the authorisation has been given. Indeed, there is no reason why the government could not be over cautious and authorise the use of identified patents even where it was not clear whether those patents would actually be infringed. This approach negates many of the difficulties. If there was no underlying infringement there is no need to rely on Crown use and if it does infringe it would be covered by the authorisation. On the other hand, the authorisation is ineffective if it is broader than necessary for the services of the Crown even if the individual patents are identified.

The jurisprudence on authorisations is very limited. In *Dixon v London Small Arms Co*<sup>88</sup> it was suggested by Lord Penzance<sup>89</sup> that a government contract to make

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<sup>87</sup> *IPCOM* [2020] EWHC 132 (Pat), [194].

<sup>88</sup> *Dixon v London Small Arms Co* (1876) 1 App Cas 632.

<sup>89</sup> *Dixon v London Small Arms Co* (1876) 1 App Cas 632, 655; there was also a comment in by Lord O’Hagan at 658 which was referred to in *IPCOM* [2020] EWHC 132 (Pat), [201].

something without any mention of a particular patent could not be taken as an authorisation by the Crown. Slightly more recently, in *Pyrene Company v Webb Lamp Co*<sup>90</sup> the authorisation was for making a particular fire extinguisher without reference to any patent yet the court rejected the contention that the authorisation must “expressly or by necessarily implication” provide that the manufacturer had to use the patented invention.<sup>91</sup> Most recently in *IPCOM* the judge held where:

*the written authorisation identifies the relevant act then Crown use is established. In particular it need not be shown that it is necessary to infringe patent X when carrying out that authorised act in order for there to be a defence of Crown use to a claim of infringement of patent X.*<sup>92</sup>

The court had no clear precedent to follow when devising the test and neither the Patents Act 1977 nor TRIPs gave clear guidance. The judge took this approach because it was simpler (and avoided questions about determining whether the user needed to infringe the patent); he also highlighted that it avoided problems where a person has to choose between two products designs each infringing different patents; and finally (as a matter of policy) he stated that because the Crown is ultimately responsible for the use it should not be for the contractor to bare the burden of undertaking a patent search to protect itself.<sup>93</sup>

This final statement shows very a different mindset to the courts in *Dixon*. At first instance and to some extent in the House of Lords (with the Court of Appeal taking a different view), the court saw a patentee suing a independent contractor as a commercial dispute<sup>94</sup> which is little different from any other. Indeed, in a world of competitive tenders the approach in *IPCOM* presents an interesting situation. A tenderer can propose a price without considering patent rights and the Crown can later pick up the cost of any Crown use.<sup>95</sup> A rival tenderer, who does a patent search, might lose the tender for putting forward a more expensive tender price by taking these rights into account. Such problems aside, the requirement imposed by the court in *IPCOM* is

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<sup>90</sup> (1920) 37 RPC 57 at 65.

<sup>91</sup> *Pyrene* (1920) 37 RPC 57, 65.

<sup>92</sup> *IPCOM* [2020] EWHC 132 (Pat), [203].

<sup>93</sup> *IPCOM* [2020] EWHC 132 (Pat), [203] and [205].

<sup>94</sup> “Between subject and subject”: *Dixon v London Small Arms Co* (1874-75) 10 QB 130, 136 (Cockburn CJ), 136 (Mellor J) and 137 (Archibald J).

<sup>95</sup> In practice, the Crown could include an indemnity clause in the contract which could push the cost back to the contractor but there is no need for such a clause as a matter of law.

straightforward and easy to apply for both government and contractors which does much to commend it. Notwithstanding all the issues raised here, there is an argument not raised by the court but strongly supporting the approach adopted: Crown use can be authorised retrospectively and so any failure to meet a requirement to identify each patent could be remedied by issuing a new or amended authorisation, making any requirement for strict identification of the patents used futile.

*Concluding thoughts*

Crown use has received little attention over the decades, it remains a minority interest at best. However, when it does arise it is clear that the law is framed very much in favour of the government and its contractors. The decision in *IPCOM* is part of a long line of cases emphasising this position, and as have been explored here, that judgment may not even have fully appreciated the flexibility granted to government. It is a flexibility even the government seems to refrain from acknowledging.