

High Court considers requirements for an exclusive patent licence (Neurim v Mylan)

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IP analysis: Neurim (the patentee) and Flynn (Neurim's licensee) brought patent infringement proceedings against Mylan, and Mylan counterclaimed for revocation of the patent. As part of its defence, Mylan argued that Flynn was not Neurim's exclusive licensee under the patent and therefore that Flynn had no standing in the proceedings. The High Court (Mr Justice Marcus Smith) held the patent to be valid and infringed, but accepted Mylan's arguments relating to the nature of the licence granted by Neurim to Flynn and in particular whether it was an exclusive licence. This decision could have significant implications on the drafting of patent licences in future. In particular, it is notable that the judge found it was not an exclusive licence despite the terms of the licence grant expressly stating 'Neurim grants Flynn...an exclusive licence'. The judge held that this wording was not determinative. Rather, in view of the relevant provisions of the Patents Act 1977 (PA 1977), Flynn's inability under the licence to enforce the patent independently of Neurim rendered the licence non-exclusive. Written by Will Smith, senior associate at Bird & Bird LLP.

Neurim Pharmaceuticals (1991) Ltd and another v Generics UK Ltd (t/a MYLAN) [\[2020\] EWHC 3270 \(Pat\)](#)

What are the practical implications of this case?

It is generally well-known that exclusivity in respect of a licence means that the grant of rights to the licensee is to the exclusion of all others, including the licensor. This is reflected in [PA 1977, s 130\(1\)](#).

This does not mean that a patent can have only one exclusive licensee. Marcus Smith J records that it is well-established that it is possible to have a 'plurality of exclusive licensees in respect of any one patent'. For example, one licensee might have the exclusive right to manufacture under the patent, another to sell in respect of indication X, and another to sell in respect of indication Y.

However, what Marcus Smith J's judgment makes clear is that merely referring in a licence to the grant of rights being 'exclusive' is not on its own sufficient. The key question is whether the licensee has the right to vindicate the rights granted; that is, to have the same right as the proprietor to bring infringement proceedings, as provided for by [PA 1977, s 67\(1\)](#).

Where the patentee seeks to use other licence terms to retain control over infringement proceedings (as Neurim did), the licensee does not have the same rights as the proprietor and therefore cannot be considered an exclusive licensee.

Parties involved in the licensing of patented technology, and their advisers, should therefore look carefully at the licence terms relating to the control of proceedings to ensure that they do not inadvertently grant what will be construed as a non-exclusive licence when the intention is to grant an exclusive licence.

What was the background?

The licence dispute turned on the construction of two different agreements between Neurim and Flynn (a third agreement was also considered but was ultimately not relevant to this issue)—the November 2011 agreement (the original licence) and the January 2020 agreement (amending the original licence).

These were said to be highly confidential, and unredacted versions were only disclosed very late in the proceedings and on a restricted basis. In passing, it is notable that the judge criticised Neurim and Flynn for not disclosing unredacted versions of the agreements to the court sooner, given that instruments such as contracts must be construed as a whole, taking into account all their provisions.

Licence grant

The November 2011 agreement did not purport to grant an exclusive licence. However, following amendment, clause 3.1 stated:

‘Neurim grants Flynn which accepts, under the Neurim Patents...*an exclusive* licence to Distribute the Product in the Territory for use in the Field during the Term’(emphasis added—the words ‘an exclusive’ were added by virtue of the amendment)

Litigation clause

Clause 17.3 of the November 2011 agreement provided that Flynn may issue infringement proceedings only in the event that Neurim had elected not to do so. However, the judge held that this alone was insufficient to import exclusivity into clause 3.1 when there was no other indication that this was the intention of the parties.

Clause 17.3 was deleted by the January 2020 agreement and replaced with a different clause. This clause was not reproduced in the judgment on the grounds of confidentiality. However, Marcus Smith J noted that Flynn’s ability to maintain infringement proceedings independent of Neurim was even more circumscribed than under the previous clause 17.3. The new clause 17 made provision for joint proceedings, with Neurim taking the lead.

Mylan argued that because Flynn did not have the same right to bring proceedings as Neurim, they could not be considered an exclusive licensee.

What did the court decide?

As mentioned above, the judge rejected Mylan’s invalidity arguments; however, these turned entirely on the facts and so are not discussed here.

Regarding the licence, the starting point was [PA 1977, s 67\(1\)](#) which provides that the holder of an exclusive licence under a patent shall have the same right as the proprietor of the patent to bring infringement proceedings. The judge identified the key issue as being whether, regardless of the wording of the grant clause, if other terms in the licence take away the rights conferred by [PA 1977, s 67\(1\)](#), it can be exclusive.

Marcus Smith J was not provided any authority on this point, but held that the effect of the other licence clauses was to render the licence non-exclusive. He said that the whole point of [PA 1977, s 67\(1\)](#) is to confer an additional right to claim for infringement on the licensee, and that this right was taken away by the licence provisions in this case. Reading clause 3.1 on its own, without considering clause 17, gave an entirely misleading view of Flynn's rights under the licence. Therefore, construing the agreement as a whole, Flynn was not Neurim's exclusive licensee and had no standing in the proceedings.

Mylan also argued that the licence was not exclusive because Neurim was entitled to work the residual part of the invention (put another way, 'salami-slicing' the rights in the patent rendered the licence non-exclusive).

The judge rejected this argument, but he commented that where the scope of the claims of the patent and the scope of licence are different, this could lead to difficulties. In this case, these difficulties were avoided by an amendment to the patent.

Case details:

- Court: Patents Court, Intellectual Property List (Chancery Division), High Court of Justice
- Judge: Marcus Smith J
- Date of judgment: 4 December 2020

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