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Supreme Court awards compensation to a Professor for an invention created during his employment

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Under English Law an invention made by an employee shall be taken to belong to his employer if it was made in the course of his normal duties. However, pursuant to section 40 of the Patents Act 1977 ("the Act"), employees are entitled to compensation in respect of a patented invention if he or she establishes:

1. The patent is of outstanding benefit to the employer (having regard to the size and undertaking of the employer's undertaking); and
2. It is just that he or she be awarded compensation.

The Case

Professor Shanks was an employee of Unilever's UK subsidiary, CRL, and was responsible for creating and developing the Electrochemical Capillary Fill Device ("ECFD"). It was accepted by Professor Shanks, that the right to this invention belonged to CRL in accordance with the Act. CRL later assigned all of these rights to Unilever who subsequently filed successful international patent applications. Once the glucose testing market expanded considerably the ECFD technology eventually appeared in most glucose testing products resulting in Unilever's net benefit from the patents amounting to around £24.3m.

Having witnessed the success of his invention, Professor Shanks made an application under section 40 of the Act back in 2006; after a number of unsuccessful appeals, the Supreme Court has now ruled that the benefit provided by his patents was 'outstanding', awarding him £2m in compensation.

The Supreme Court in its judgment has given guidance and clarification about the circumstances in which courts might award compensation under the Act and what approach should be adopted when determining what constitutes a "fair share" of the benefit. In particular it held that:

- The meaning of outstanding in "outstanding benefit" means exceptional or such as to stand out in respect of the benefit received by the employer. They stated that it must be *"something out of the ordinary and not such as one would normally expect to arise from the results of the duties that the employee is paid for"*. Unilever argued that the financial contributions made by the patents were insignificant compared to the group's overall profitability, however the Supreme Court instead concluded that the ECFD patents had made a significant contribution in comparison to other inventions protected by patents.
- 5% was an appropriate "fair share". This percentage, which the hearing officer had arrived at, had regard to Professor Shanks' duties and that he was employed to invent, his remuneration which was commensurate with his level of responsibility, the effort and skill he

expended in making the invention, and the contribution made by Unilever in developing the invention and its licensing effort.

Implications for Employers

Unlike the case of Kelly v Healthcare Limited, which held that the ‘outstanding benefit’ was crucial to the company’s success, the Supreme Court in Shanks v Unilever adopted a wider scope when determining whether the test in section 40 of the Act had been met., Specifically by considering the profitability of the patent in respect of the company’s wider income. This wide interpretation of ‘outstanding benefit’ may result in an increased number of claims under the Act.

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