VERBAL GYMNASTICS IN PATENT LAW

Pfizer Corporation v. *Ministry of Health*

The U.K. Patents Act, 1949 [1] section 46(1) reads:

> Notwithstanding anything in this Act, any Government department, and any person authorised in writing by a Government department, may make, use and exercise any patented invention for the services of the Crown in accordance with the following provisions of this section.

Pfizer Corporation v. *Minitry of Health* [2] was concerned with the interpretation of this section. The facts was as follows:— In May, 1961, in order to reduce the expenditure of the servicce, the Minister of Health invited tenders for the supply of tetracycline and other drugs to the National Health Service hospitals. One tenderer was Frazer Chemicals Ltd., whose business was that of importers. Their tender showed that supplies would be obtained from manufacturers in Italy where drugs enjoy no patent protection. The Minister accepted this tender and in due course gave the company an authorisation, purportedly under section 46, to make, use and exercise the invention. The effect of this was claimed to be to authorise the company to import and supply the patented product without any payment by way of royalty or licence fee to the patentees, who were said to be delegated to a right to claim compensation, under the terms of the Act, from the Ministry. The patentees, in *Pfizer Corporation* v. *Ministry of Health,* brought an action challenging the validity of the Minister's authority.

Their Lordships decided three things:—

(1) (Lord Pearce and Lord Wilberforce dissenting) that the supply of the drug to the National Health Service hospitals for administration to out-patients and in-patients was a use "for the services of the Crown," and was accordingly within the authority conferred by section 46(1) of the Act.

(2) (unanimously) that on the footing that out-patients were not entitled to demand he supply of the drug to them, save on payment of a prescribed nominal charge under the National Health Service regulations, there was a statutory relationship and not a sale, in the sense of a consensual contract, express or implied; and

(3) (also unanimously) that authority to "use" the invention for the services of the Crown under section 46(1) must carry with it authority to sell to the appropriate department.

This paper will not be directly concerned with the second ratio but intend to look more closely at the judgments to see the full extent and implication of the first and third rationes decidendi.

Firstly, Lord Reid was not clear whether "for the services of the Crown", covers public services performed by persons other than the Crown or its agents. His Lordship says:

> ... in addition to the services of the Crown in that sense there are a number of bodies carrying out services for the public benefit which are not services of the Crown and whose servants are not Crown servants. The respondents do not suggest that those bodies are entitled to take advantage of this provision in the Patents Act. Indeed, the drug with which we are concerned is also provided and used in the administration of the general medical services by general practitioners and chemists who are not servants or agents of the

1. 12, 13 & 14 Geo. 6, c. 62.
2. [1965] 2 W.L.R. 387.
3. *Ibid.,* at p. 391.
4. *Ibid.,* at p. 392.
5. *Ibid.,* at p. 393.

> Crown, but the respondents do not contend that this is covered by section 46(1).

Secondly, Lord Reid also saw the possibility of the exception reserved in the Crown being used as a Trojan horse to subvert what was theoretically a grant of monopoly to the patentee. In the words of his Lordship:

> It is true that the proliferation of Government services may have impaired the protection given to inventors by patents, by increasing the number of cases in which patents can be used by the Government without the consent of the patentee. But if it has created any legitimate grievance it is for Parliament to provide the remedy.[4]

The third ratio is supported by *dicta,* which, though cogent, cannot be described as altogether lucid.[5] Lord Reid has this to say:

> It is necessary to see what the position is when the authorised person makes the patented article. He is only authorised to make it if it is for the services of the Crown, that is for use by the Crown servants or agents. But before it can be so used, it must be transferred by the maker to the department and that will normally be by sale. So the authority to make must be construed as including authority to the maker to sell to the department. And the same must apply to authority to use the invention.

Similarly where the authorised person does not make the article his Lordship says[6] that "importation of the drug by Frazers involved a use of the appellant's invention which *had to be protected* by the authorisation given under section 46(1)."

The limits of the decision are indicated by Lord Evershed who said: [7]

> ... in respect of these supplies there has been no trading by the Ministry and, therefore, nothing done by the Ministry outside the scope of its powers under the terms of section 46(1) of the Patents Act, 1949.

This passage clearly implies that the Ministry may not *sell* patented drugs. Again[8] his Lordship describes importation with a view to sale as an "activity", thus—

> this activity on the part of Frazer Chemicals Ltd., would be and was a use and exercise of the subject matter of the appellant's patent within the scope and language of section 46(1) of the Act of 1949 and was therefore an activity, a use or exercise, which the Ministry was properly entitled by the patent clause properly to exercise.

It is submitted that by a process of verbal gymnastics which amounts to judicial legislation, the House of Lords has re-written section 46(1) to read as follows:—

(1) Notwithstanding anything in this Act and in accordance with the following provisions of this section, any Government department may —

(a) make, use or purchase any patented invention for the performance of its public services, or

(b) authorise any person to make for or vend to, a Government department, any patented invention.

(c) it is hereby declared that any person authorised under paragraph (b) of subsection (1) to vend any patented invention to a Government department shall be deemed to be authorised to purchase, import and supply the same.

The reasoning of Lord Wilberforce in holding that the Crown had not acted *ultra*

6. *Ibid.*

7. *Ibid*., at p. 401.

8. *Ibid*., at p. 402.

vires and thus caused Frazers to infringe the appellant's patent, appears to be somewhat illogical.

His Lordship first dealt with the decision in cases in which neither the Crown, nor persons purporting to act under the Crown's authorisation, were involved. He cites[9] *Von Heyden* v. *Neoustadt*[10] in support of the proposition that "importing and selling is using the invention". His Lordship goes on to state, quoting Lord Herschell in *Badische Anilin und Soda Fabrik* v. *Basle Chemical Works, Bindschedler*: [11]

> On the other hand, mere possession, or transport in the United Kingdom of an article, the sale of which would be an infringement, does not necessarily 'attract liability'.[12]

His Lordship then turns to the present case (which, it will be borne in mind, involves an authorisation under section 46(1)) and concludes:

> Frazer Chemicals Ltd., whose trade was that of importers, acting on behalf of foreign manufacturers, agreed, as and when required, to make available supplies of the drug in this country; in fulfilment of their contract they had to import it, ready for it to be supplied to hospitals as required. *It seems to me but common sense to say that in doing this they were using the invention.* Before they sold any of the drug they placed themselves in the position of traders, in whose trading stock were supplies of the patented article .... Beyond question this was a user of the invention .... I would therefore agree that, on the basis that Frazer Chemicals Ltd., used the invention, the authority given by the Minister to make, use and exercise it covered what was done.[13]

I suggest that His Lordship has sought to import the meaning given to the word "use" in actions between the patentee and other subjects of the crown into the sphere of an action arising out of the exercise of the right of "exceptional user" by the Crown itself under section 46(1). When seen in its basic form, this line of reasoning reveals a *non sequitur.*

It can be summarised as follows:—

(A) (1) An ordinary person may not *inter alia,* "use" a patented article.

(2) If he sells a patented article — held, he "uses" the invention.

(3) Hence he infringes the patent.

(B) (1) The Crown may, *inter alia,* "use" an invention.

(2) In premise A, to sell is to "use" a patent.

(3) Therefore since the Crown may "use", it may sell — without infringing the patent.

The argument breaks down when we remember that the Crown's right to "use" is derived by way of statutory exception to the general rule that a person may not make, use exercise or vend a patented invention.

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9. *Ibid.*, at p. 423.

10. (1880) 14 Ch.D. 230 (C.A.).

11. [1898] A.C. 200.

12. (1965) 2 W.L.R. at p. 423.

13. *Ibid.*, at p. 424 (Italics supplied).