

UK - Internet patent infringement

In the first UK judgment on patent infringement in relation to the use of a networked system in an Internet context, Mr Justice Jacob held on 15 March in *Menashe Business Mercantile v William Hill Organisation* that patent infringement in the UK can be found where a part of the defendant's activities is sited outside the UK but has effect in the UK via the Internet. The judgment was on a preliminary, and very specific, question of law. The decision may yet be appealed.

William Hill sought to enable its customers to use an Internet betting system. It distributed a CD in the UK but also allowed customers to download the same program from the Internet. Once the program was installed on the customer's computer, that computer would connect via the Internet to a host computer run by William Hill in Curaçao in The Netherlands Antilles. The betting activity could then be carried out via the customer's computer.

Menashe argued that William Hill's activities fell within the scope of its European patent on gaming systems and infringed under s60(2) of the Patents Act 1977. In particular, Menashe claimed that William Hill had offered to supply or had supplied in the UK means relating to an essential element of the invention for putting the invention into effect in the UK. William Hill replied that the activity complained of could not infringe even if it fell within the scope of the patent, because it was carried out partially outside the UK. The parties asked the court to determine whether that defence was available to an otherwise substantiated allegation of infringement under s60(2).

The general principle is that activities must be in the UK to infringe under the Patents Act 1977. However, there has been some discussion as to how and whether new e-commerce systems over the Internet might in practice infringe, if they are organised and implemented by siting networks and computers outside the UK, but the

effect or benefit of the systems is still felt in the UK.

In *Menashe*, the court determined how s60(2) is viewed in this context. The main criteria are whether the supply of an essential element of the invention is in the UK, and whether the invention has effect in the UK. The first of these two points was conceded by counsel for William Hill for the purposes of the present question only. As to the second, the court held that it was irrelevant where the system was sited, as long as it had effect in the UK.

Concluding after lengthy analysis that there clearly was effect in the UK, the judge indicated that the test was also a practical one:

"No businessman would think for a moment that the effect of the invention is not within the UK when the whole point of the defendants' system is to get UK punters to play their system. ... Accordingly I reject this defence. The answer to the question is 'no'. ... The wheeze of putting the host computer abroad is of no help to them."

This ruling clarifies the law and is also a clear signal that courts are prepared to apply statutory infringement concepts in a flexible way in the situations and scenarios now possible because of the Internet. This in turn means that the growing body of e-commerce and business system patents will continue to be significant to financial and other sectors of the economy becoming increasingly reliant on Internet-based e-commerce.

The judgment addresses UK patent law but does not say anything about foreign patent laws. The international dimension must however be borne in mind, since to a large extent the practical consequences of the interoperation of many parallel patent systems in an Internet context are still unresolved. Potentially, for example, US patents (as well as UK patents and perhaps also patents of other countries) will all be relevant at the same time to one business operation being carried out on the Internet. Can

an organisation running such an operation be mindful of all these patents at reasonable cost?

From the point of view of the patent owner it is beneficial that the court signalled that it will adopt a practical approach when considering the effect of Internet systems, perhaps making it harder to work around many e-commerce patents. Although the court supported the patent owner in the present case, in analogous situations in relation to trade marks, UK courts have set limits and have required that the use of a sign on the Internet be directed at the UK for it to infringe a UK registered trade mark. It may well be that there is still room for similar limitations in relation to patents when suitable cases come before the courts (perhaps under the infringement provisions in section 60(1)).

Although significant in clarifying one area of the law, the case leaves other areas untouched. For example, it was conceded by William Hill's counsel (for the purposes of the present question only) that there was a supply in the UK of an essential element. In other cases, and perhaps even in this case if the provision of the betting program had only been via the Internet and not on CD, the same point might be less easily conceded or decided. The judgment does not explore infringement under section 60(1) or under case law principles such as joint tortfeasorship, leaving much scope for future debate. Further, the claims in the patent in this case were expressly directed to a networked system with a separate host computer. Where patent claims are less clear on how a system can be divided into networked components, a court may be less ready to accept that the remote physical distribution of sub-components of a system is an infringement of the patentee's rights.

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