

seeming to change what had been understood to be its fundamental nature. But there are less radical alternatives by which s. 123(2) could be based in the “no return” concept. It could be allowed to influence the burden of proof. Lord Walker hinted at such an approach, suggesting that the threshold for balance-sheet insolvency was raised where a company is cash-flow solvent (at [42]). But His Lordship eventually adopted a consistent test of “balance of probabilities” (at [48]), and rightly so, because this also risks leaving findings of insolvency to judicial discretion. The preferable approach would be to allow the “no return” concept to inform the valuation of a company’s assets when aggregating them for the purposes of the test. As Professor Goode argues (*Principles of Corporate Insolvency Law* at [4–35]), a company’s assets should be valued more highly when part of a viable, going concern than when part of a business that has sunk past the point of no return (i.e. on a break-up basis). The courts should adopt this approach with vigour to ensure that the policies underlying insolvency law are reflected in its most fundamental tests.

WILLIAM DAY

REPLACEMENT OF PARTS AND PATENT INFRINGEMENT

A PATENT over a product is infringed whenever a third party “makes” the product without the patentee’s consent: Patents Act 1977, s. 60(1)(a). The issue before the Supreme Court in *Schütz (UK) Ltd. v Werit (UK) Ltd.* [2013] UKSC 16 was whether replacing a worn-out part of a product (or, seen another way, repairing the product) amounted to making. The court held that replacement did not constitute making in this case. The decision is significant in two main respects. First, doctrinally, it endorses a multifactorial approach to determining what constitutes infringement by making, with the ill-defined “inventive concept” at the heart of that approach. Second, practically, it has commercial implications for the aftermarket in spare parts and consumables. Before the Supreme Court decision in this case, merely claiming a part or consumable within a patent specification arguably led to a monopoly over that part. Now the question must be answered on a case-by-case basis, with a particular emphasis on where the inventive concept lies in any given product. The impact of this decision will be felt most keenly in patent drafting practice and disputes over products where there is a separate market in replacement parts, such as ink cartridges, coffee capsules (see *Nestec S.A. v Dualit Ltd.* [2013] EWHC 923), razor heads, vehicle parts, and high-end machinery.

The patent concerned containers known as “intermediate bulk containers” (IBCs) used for the transport of hazardous liquids. IBCs consist of a metal cage, a large plastic bottle fitted within the cage, and a flat pallet supporting the cage. The bottles are generally single-use (because of their toxic contents and load-bearing nature), while the cage and pallet may be used multiple times. This discrepancy in the life-spans of bottles and cages created an additional market in replacement bottles which was filled by Werit. In 2008, one year before the IBC patent expired, the exclusive licensee Schütz brought an action for patent infringement against Werit. The principal issue was whether replacing bottles in an IBC amounted to making. There was also a question about recovery of costs in relation to an unregistered licence. This was dealt with in obiter but is not considered further here.

At first instance, Floyd J. based his decision about the meaning of the word “make” on whether, once a bottle was removed from an IBC, what was left embodied the whole of the “inventive concept” of the main claim in the patent specification. He formulated this rule apparently on the authority of the House of Lords in *United Wire Ltd. v Screen Repair Services (Scotland) Ltd.* [2000] 4 All E.R. 353; although the expression “inventive concept” does not appear anywhere in that judgment and is only mentioned in the first instance decision of Robert Walker J. (as he then was). Applying this rule, Floyd J. found that the inventive concept was wholly embodied in the cage and therefore Werit’s activity did not infringe.

The Court of Appeal rejected Floyd J.’s analysis and his reliance on what was termed a “whole inventive concept” test. Instead, Jacob L.J. (with whom Ward and Patten L.J.J. agreed) held that the fact situation was exactly analogous to *United Wire*, a case involving heavy-duty filtration screens. In *United Wire* the House held that once a tensioned filter mesh was removed from its frame, the screen that was the subject of the patent ceased to exist. Refitting a new mesh constituted making and therefore infringement. Similarly, Jacob L.J. reasoned, once a bottle was removed from an IBC, the IBC “ceased to exist”, and inserting a new bottle constituted making. Werit was therefore liable for patent infringement. Jacob L.J.’s approach reflects an emphasis on the terms of the claim, which included not only the cage, but also the bottle and pallet.

Lord Neuberger gave the decision for the unanimous Supreme Court in *Schütz*, rejecting both approaches below as overly simplistic. He considered Floyd J.’s formulation conflicted with the statutory test of infringement as well as the approach in *United Wire* (though this criticism failed to acknowledge the broader context of Floyd J.’s reasons). On the other hand, Jacob

L.J.'s approach was too broad and potentially implied that replacing any part of a patented product amounted to making that product.

Lord Neuberger strongly emphasised that whether the relevant product is "made" in any given case is "a matter of fact and degree". At the beginning of his judgment he set out 10 considerations relevant to interpreting the term "makes". The first six recognise that the term is imprecise and must be interpreted contextually in a reasonable and practical manner having regard to the facts of the case, but also in a way that can offer clarity and certainty to other cases across widely varying products. Seventh, there is a need to protect the patentee's monopoly while not stifling reasonable competition. This was a general comment with no specific reference to competitors in the aftersales market. Eighth (and somewhat ambiguously), "the precise scope of a claim may be a matter almost of happenstance" to the question of making, because "all sorts of factors, only some of which are rational, can influence the person drafting a claim". Ninth, interpretation should accord with UK precedent. Finally, interpretation should also have regard to other jurisdictions under the European Patent Convention 1973.

Having set out these considerations, Lord Neuberger reviewed *United Wire*, several German decisions (including the parallel case, where the issue was not fully resolved but remitted to the trial court to obtain economic evidence), and the utility of contrasting "repair" with "making" as a cross-check. Recognising that "the issue is by no means clear", he found that it was legitimate and helpful to consider whether the bottle was a subsidiary part of the IBC product. Although necessary and integral to the product, as well as being physically substantial, the bottle was subsidiary because: (1) it had a shorter life-expectancy than the cage and was easily replaceable; and (2) it did not include any aspect of the inventive concept of the patent. In addition, the bottle was free-standing and required no additional work to be reintegrated with the cage. A hypothetical countervailing factor might have been evidence that empty cages had low market value, but Lord Neuberger was not prepared to follow the German approach and remit the case to adduce this evidence, nor did he consider it would change the result in any event. Overall, therefore, the subsidiary nature of the bottles meant that bottle replacement did not constitute making. Lord Neuberger reinforced his conclusion by contrasting *United Wire*, observing that replacing bottles in an IBC was "an exercise of a very different order" to reconditioning screens, which involved a significant element of demolition to replace an integrally connected and significantly improved part that contained or was closely connected to the inventive concept.

The factual outcome of the case is logically supportable and consistent with the decision in *United Wire* and various hypotheticals explored in the judgments, though it is difficult to predict how effectively the approach will transpose to more complex claims and fact scenarios where there is more substantial interaction between different parts of patented products such that there is no clear distinction between subsidiary and main parts.

The Supreme Court decision in *Schütz* is particularly notable for its endorsement of an inventive concept approach, albeit embedded in a multifactorial analysis. Lord Neuberger recognised that a focus on the inventive concept was not mandated by *United Wire*, but nor was it inconsistent with that decision. This endorsement provides considerable overlap with the approach taken in the German authorities as well as the decision at first instance. However, it departs from those decisions in various respects and there is a degree of ambiguity in all approaches. Lord Neuberger expressed a surprising degree of confidence in the ability of courts to identify (or divine) the inventive concept in patent cases (particularly at [69]), though nowhere does he or Floyd J. clearly identify what is meant by the inventive concept, except to state summarily that it resides in the cage rather than the bottle. Lord Neuberger seems to view the inventive concept as a stable entity, despite case law that has interpreted it in different ways in different contexts, such as entitlement, inventive step, patentable subject matter and amendment. Presumably he equated the inventive concept with the claimed inventiveness set out in characterising portion of the claim, which emphasised features of the cage welding. Both Lord Neuberger and Floyd J. distanced themselves from the strict language of the claim, invoking some notion of the substance of the invention beyond the claim. Neither, however, seems to use inventive concept expressly in the sense it is used in German law or in the harmonised provisions on unity of invention, as reflecting the technical advantages, effects or features of the invention. It remains to be seen how the ill-defined notion of inventive concept, which occupies an increasingly central role across various areas of patent law, will continue to develop and apply.

JULIA POWLES

ANTISUIT INJUNCTIONS AND ARBITRATION AGREEMENTS

IF one party to a dispute ignores a London arbitration agreement by suing in a foreign court can an English court grant the other party an antisuit injunction although neither intends to arbitrate? The UK