

COPYRIGHT, DESIGNS AND PATENTS ACT 1988

IN THE MATTER OF

an application under Section 247

by Azrak-Hamway International Inc

for the settlement of terms of a licence of right

in respect of design right and copyright

owned by Meccano SA

DECISION

Introduction

1. As long ago as 18 August 1995 Azrak-Hamway International Inc (“the applicant”) applied to the comptroller under section 247 of the Copyright, Designs and Patents Act 1988 (“the Act”) to settle the terms of a licence available as of right by virtue of section 237 and paragraph 19(2) of schedule 1 of the Act in respect of designs identified in an accompanying schedule. A statement of grounds of opposition was subsequently filed by Meccano SA (“the respondent”) as the owner of the rights subsisting in the designs in question.

2. Several fairly significant preliminary matters arose, were argued before me at a hearing, and were determined in my Preliminary Decision¹ dated 28 October 1996. In that decision I also set a timetable for the filing of evidence, and deferred the consideration of costs.

The train of events

3. The filing of evidence followed reasonably smoothly, albeit with a few short extensions of time here and there, being completed in June 1997. There then followed on 9 July the customary letter from the Patent Office inviting the parties to agree a mutually convenient date for the substantive hearing. On 16 September 1997, the parties wrote a joint letter to the Office

¹ [1997] RPC 134

requesting that no hearing date be set at that time on the basis that they were involved in “without prejudice” discussions and therefore believed that to set a date at that stage might be premature. I considered the request, and an official letter of 19 September 1997 informed the parties of my decision that in the circumstances a hearing date should not be set, and also asked them to inform the Office of the situation again by 31 January 1998.

4. In early March 1998, in the absence of any communication from the parties, the Office made enquiries, and in the light of an indication that negotiations were still continuing, asked both parties to inform the Office of the position by 31 May 1998. On 30 June, having again heard nothing from the parties, the Office wrote asking about the current situation. In response, on 15 July 1998, solicitors for the applicant reported that the applicant had had difficulties in making contact with an appropriate individual at the respondent, whilst solicitors for the respondent reported their understanding that there had been no further developments. A further official letter asked the parties to inform the Office of the current situation of the negotiations by the end of September 1998. On 28 October 1998, the solicitors for the respondent wrote to confirm that there had been no further discussions or development between the parties.

5. In view of the apparent lack of progress, the Patent Office wrote on 2 November 1998 to the applicant asking whether it wished to withdraw the application, or still wished to proceed. The respondent, by an official letter of the same date, was invited to submit any further views as to the future course of the action. Neither party replied. An official letter of 2 February 1999 reported my disappointment at the lack of a response from either party to the previous official letters, my concern that cases should not remain unresolved for a long period, and my noting that no progress had been made since 9 July 1997, when the case was ready for substantive hearing. The letter indicated that it seemed to me that I should either dismiss the application for lack of prosecution or proceed to set a substantive hearing date without further delay.

6. In a letter dated 12 February 1999, solicitors for the respondent stated that the previous without-prejudice negotiations had come to nought and that it appeared to them that the applicant was unable or unwilling to proceed with its application. They also made representations about the substantial amounts of time and money that the respondent had spent. In a letter dated 16

March 1999, the solicitors for the applicant reported that they were without instructions, despite having made a number of attempts to find out how they should proceed from the New York lawyers from whom they had previously received instructions. The letter requested that the Patent Office formally withdraw them from the records as the solicitors acting for the applicant.

7. In view of this development, the Office wrote direct to the applicant at its address in New York, among other things asking it to confirm whether or not it wished to continue with the application. It was clearly stated in the letter that if the applicant did not respond within the period it specified, I was likely to conclude that it did not wish to proceed with the application and intended it to be treated as withdrawn. On the same day, the Office wrote to the respondent inviting it, within the same period, to make any further submissions. Both parties were invited to submit comments on the issue of costs.

8. No response to these letters was filed, and so on 5 August 1999 official letters were sent to the applicant at its New York address and to the respondent stating that, in the light of all the circumstances, I was minded to treat the application as withdrawn, and to terminate the proceedings by issue of a decision, which would also deal with costs, unless either party requested to be heard in person. The letter to the applicant was “returned to sender”, and therefore apparently not received by the applicant. In a final attempt to establish communication, the Office wrote again to the applicant in September, once again without obtaining any reply.

Reasoning

9. Neither party having asked to be heard, I have considered very carefully all the circumstances of this case on the basis of the papers on file.

10. It is now some 4½ years since the application was made to the comptroller, and over 2½ years since the evidence rounds were complete and the issue ready for substantive hearing. It has also been over 1½ years since the applicant has made any response to letters from the Office. Delay, of itself, may not be sufficient cause for proceedings such as these to be struck out, but it seems to me that where a party has launched an application for the settlement of terms of a

licence of right, it is incumbent upon it to pursue that application with diligence and endeavour so that it may be brought to a just conclusion within a reasonable time. In this case, the Office has written four letters since November 1998 indicating, with escalating emphasis, a view that the application should be treated as withdrawn, and the applicant has not replied to any of them. This failure to respond in my view amounts to an abuse of process by the applicant. I also believe that it would be a further abuse if I were to allow the application to continue.

11. I should add that in my view it is clear from the correspondence that the prospect of there being no new proceedings is sufficiently real for it to be just and convenient to strike out the current proceedings. There is a very real and lively possibility that a new action will not be started and pursued. In these circumstances, I do not believe it would be right to leave the present proceedings hanging over the respondent indefinitely; there is benefit to the respondent in having the proceedings struck out.

Conclusion

12. In view of the opportunities the applicant has been given, but failed to take, to keep these proceedings alive, I find that in all the circumstances the application should be treated as withdrawn for want of prosecution. I therefore decline to settle any terms under which a licence might be granted, and instead dismiss the application.

Costs

13. Turning to the question of costs, it is the comptroller's normal practice not to make any award of costs when settling the terms of licences of right save in exceptional circumstances. In the present proceedings, there are two aspects beyond the ordinary for me to consider. The first arises from costs which were associated with the preliminary hearing and consideration of which in my subsequent decision was deferred. The second stems from the applicant's conduct.

14. On the first aspect, I recognise that the respondent raised significant points of law in the preliminary hearing, but in the event I found against it. This might weigh in favour of an award

to the applicant. On the second aspect, I note that although at the outset both parties requested that a substantive hearing date should not be appointed, subsequently it was the applicant which ceased to take any part in the proceedings which it had launched. The respondent has submitted that it has been put to substantial expense, wasted time and extensive work in defending what now appears to have been an unnecessary and abortive application. I have considerable sympathy with this position, which it seems to me militates in favour of costs in this later part of the proceedings to fall against the applicant.

15. Having considered all the circumstances, I am inclined to the view that these two factors largely balance one another, and therefore decide to make no order for costs.

Appeal

16. Under section 249 of the Copyright, Designs and Patents Act 1988, any appeal from this decision lies to the Appeal Tribunal constituted under section 28 of the Registered Designs Act 1949. Since this is a decision other than on a matter of procedure, any appeal shall be filed within six weeks after the date of this decision.

Dated this 10th day of March 2000

S N DENNEHEY

Divisional Director, acting for the comptroller

THE PATENT OFFICE