



BL O/303/05

14 November
2005

PATENTS ACT 1977

BETWEEN

Harald Philipp

Claimant

and

(1) Atoma International Corp.
(2) Intier Automotive Closures Inc.

Defendants

PROCEEDINGS

References under sections 8(1) and 12(1) and applications under sections 13(1) and 13(3) of the Patents Act 1977 in respect of patent application numbers (1) WO 02/12669 (PCT/CA01/01122) and equivalents and (2) WO 03/038220 (PCT/CA02/01685) and equivalents

HEARING OFFICER R C Kennell

DECISION ON COSTS

Introduction

- 1 This decision is given following the claimant's discontinuance of these references and applications. The matter of costs remains outstanding and having made submissions the parties are agreed that I should decide the matter on the basis of the papers on file.
- 2 International patent application nos. WO 02/12669 and WO 03/038220 were respectively filed in the name of Atoma International Corp. ("Atoma") and Intier Automotive Closures Inc. ("Intier"), hereinafter "the defendants", in Canada on 3 August 2001 and 4 November 2002, claiming priorities of 3 August 2000 and 2 November 2001 from United States applications 60/223,106 and 60/335,315. It does not appear to be disputed that the two applicants are the same company, Atoma having changed its name to Intier. The two patents each relate to "anti-pinch" assemblies, for use with closure systems for apertures in motor vehicles such as windows and doors, which detect the presence of a foreign object in the closure path.
- 3 The claimant filed statements in broadly similar terms on 2 August 2004. The two sets of

proceedings thereafter proceeded in parallel and have got as far as the exchange of evidence-in-chief by the parties. The period to file evidence in reply was extended a number of times to allow settlement negotiations to take place, but eventually the claimant wrote on 8 August 2005 discontinuing his claim in each case without filing any evidence in reply.

- 4 Although very similar, the two proceedings have not been consolidated. A request from the claimant for consolidation was pending when he at the time that he discontinued the proceedings, but no decision had at that point been taken in the matter and none is now necessary.
- 5 There is also an unresolved dispute between the two parties about whether a meeting between the parties on 11 November 2004 at Munich Airport to discuss a possible settlement was held on a without prejudice basis. As a result of this parts of the witness statement of the claimant Harald Philipp in each of the proceedings (paragraphs 60 - 74) have been redacted from the copies which are open to public inspection, pending determination of whether there is privilege in this matter. Also, the defendants have of their own volition filed further evidence from their in-house counsel Alex Porat to back up their contention about the status of the meeting, to which the claimant has replied with further evidence. Neither party now appears to be pressing for a decision on this matter, and I will consider it only insofar as it appears necessary for me to do so.

Arguments on costs

- 6 The parties have elaborated their views in an exchange of correspondence (see the claimant's letter of 6 September 2005 and the defendants' letters of 6 and 8 September 2005 and 7 November 2005). The defendants first suggested that the "maximum allowable costs" ought to be awarded them, having regard to additional costs incurred by the defendants in dealing with they say are wholly unsubstantiated allegations regarding the content of the settlement discussions at Munich Airport.
- 7 The claimant says that on 13 April 2005 the defendants passed to him English translations of three German patent specifications (DE 4004353 A1, DE 4036465 A1, DE 4416803 A1), from at least the first two of which he concluded (a view with which the defendants disagree) that the patent applications in suit were unlikely to give rise to valid rights. He therefore saw no merit in pursuing the action further at a substantive level, and says that since then he has done nothing other than seek extensions of time for filing evidence in reply in parallel with pursuing settlement discussions. In his view the defendants' work in preparing a counter-statement and evidence is the foreseeable and direct consequence of their delay in informing him of the above prior art, since it was part of their information disclosure to the United States Patent and Trademark Office (USPTO) on 27 January 2004 in respect of the US national phase of WO; they should not therefore be awarded any costs.
- 8 The defendants dispute this, pointing out that the German specifications were each cited in one or both of the international search reports on the international applications in suit, WO 02/12669 and WO 03/038220, which reports I note were published with the applications

on 14 February 2002 and 8 May 2003 respectively. The defendants therefore suggest that the claimant knew, or should have known, of the existence of this prior art before he launched proceedings - and indeed that it was unthinkable that he would have done this without having first considered the prior art cited in the international search reports.

- 9 Having considered the claimant's arguments, the defendants now ask in the light of the decisions in *Stafford Engineering Services Ltd's Licence of Right (Copyright) Application* [2000] RPC 797 and *Rizla Ltd's Application* [1993] RPC 365 for full compensatory costs since the claimant had apparently commenced and maintained an action without genuine belief that there was an action to be tried. They request an award of £27,402.97 as the costs billed to date in respect of the two actions, and point out that this does not represent all the expenses occurred, for instance the costs of two witnesses having to visit the United Kingdom from Canada to prepare witness statements.

Analysis

- 10 At first blush, there is some merit in the defendants' arguments. The claimant's attempt to evade an award of costs against him by putting the blame on the defendants for late disclosure to him of the German prior art is not convincing. On his own admission (see paragraphs 2 and 5 of his witness statement) the claimant is familiar with patents, and he exhibits at HP1 a schedule of 22 patents or patent applications in which he is the inventor. I find it surprising, to say the least, that he would not have taken some cognisance of prior art which was explicitly mentioned as relevant in the published international applications in suit when he started proceedings on 2 August 2004. Further I find it difficult to see how he could still claim to be unaware of this art when he made his witness statement on 6 January 2005, since the defendants' information disclosure to the USPTO on 27 January 2004 on which he bases his argument is actually referred to in that witness statement (see paragraphs 53 - 59) and exhibited thereto at HP 23.
- 11 I do not therefore think that the claimant can escape an award of costs against him for the expenses to which the defendant has been put, and the question is whether those costs should be above the comptroller's normal scale.
- 12 Although the suggestion in the claimant's letter of 6 September 2005 that he still sought extensions of time for filing his evidence in reply after he had taken a decision not to pursue the proceedings at a substantive level might seem suspicious, I think I need to consider it in a rather wider context. Whatever might or might not have passed between the parties in relation to the German prior art on 13 April 2005, they were jointly prepared on three occasions after that to agree the above-mentioned extensions of time (up to 29 July 2005) in order to continue settlement negotiations - although the defendants were reluctant to agree any further extensions. I think that even if the claimant had come to a view that there was little chance of obtaining valid patents it was not necessarily wrong for him to weigh this up with other factors arising in the negotiations before finally deciding to discontinue the proceedings - which he did very soon after the last extension of time had expired. As stated by the Deputy Judge in *Rizla*, "if there is some hope of settlement it does not seem to be unreasonable for an appellant to delay his decision to withdraw until such negotiations are

over” (the appellant in *Rizla* similarly being a referrer in entitlement proceedings before the comptroller).

- 13 Also even if the claimant was, or ought to have been, aware of the German prior art at the outset, I do not think it necessarily follows that he started the proceedings “without genuine belief that there was an action to be tried”. I see nothing on the papers from which I can reasonably infer such an abuse of the comptroller’s process, bearing in mind that the issues to be tried are entitlement and inventorship, not validity.
- 14 The defendants also appear to be suggesting that the disclosure by the claimant in his witness statement of details of the allegedly “without prejudice” meeting at Munich Airport might justify maximising any award of costs. I think I need to tread with some caution here. Although the defendants have filed evidence to show that the meeting was held on a without prejudice basis, I note that they have taken no objection to the details of the meeting given in the first witness statement of George East for the claimant.
- 15 Taking all these factors into account, I see no justification for anything remotely approaching full compensatory costs. On the relatively limited facts before me the worst that can be said about the claimant is that he has put forward an unconvincing explanation as to why the defendants should not receive any costs, and that there is an unresolved dispute between the parties about whether the claimant acted in bad faith as regards disclosure of “without prejudice” negotiations. I see nothing here corresponding to the substantial and deliberate abuse of process, dishonest representation and causation of unnecessary and large delays that - exceptionally -justified full compensatory costs in *Stafford*.
- 16 Nor do I think that *Rizla* helps the defendants very much. That case indeed confirmed that the comptroller did have the power to award compensatory costs where a case had been commenced without genuine belief that there was an issue to be tried. However, it should not be forgotten that a compensatory award by the comptroller was overturned by the Deputy Judge in *Rizla*, which has some similarities with the present proceedings as involving an entitlement dispute with (as is not uncommon) some animosity between the parties.
- 17 In *Rizla*, the Deputy Judge observed that the comptroller had no established yardstick by which he could assess whether to depart from the normal scale of costs. However, as is made clear in the Office’s “Patent Hearings Manual” (March 2005) at paragraphs 5.47 - 5.48, such a yardstick has since evolved through consultation with the Office’s users, giving power to deal proportionately with situations falling short of the “without genuine belief” criterion of *Rizla*.
- 18 I have therefore considered whether I ought to make some increase to the scale costs, albeit short of full compensation. However - even if rather late in the day, and for whatever reason - the claimant has decided that the action is no longer worth pursuing and I do not think that the costs I award should discourage anyone from such a course of action unless there genuinely has been some unreasonable or abusive behaviour. On the information before me (including the redacted parts of the claimant’s evidence which I confirm that I have considered) I do not think there is anything about these proceedings which is particularly out

of the ordinary for entitlement proceedings before the comptroller where there is some ill-feeling between the parties. I do not think therefore think that an increase over the normal scale costs is justified in respect of the claimant's behaviour, or for the defendants' decision to file the further evidence from Alex Porat concerning the status of the Munich Airport meeting.

Award

- 19 I have therefore decided to award the defendants costs on the normal scale as a contribution to their expenses up to and including the filing of their evidence for the two sets of proceedings, including the evidence from Alex Porat.
- 20 Although they have not been consolidated, the two cases are based on the same underlying sequence of events and the defendants have effectively prosecuted the two cases as one. Save for the different names and patent application numbers the only difference of substance between the counter-statements and evidence lies in the section "Claimed features of the invention" in the witness statements of Andrew Ralph Daniels. I will therefore make a single award covering both cases, and I do not propose to make anything more than a token award over and above the amount appropriate for a single case.
- 21 Taking all the above factors into consideration I award the defendants £1800 in respect of both sets of proceedings. This sum should be paid by the claimant within 7 days of the expiry of the appeal period below. Payment will be suspended in the event of an appeal.
- 22 For the avoidance of doubt, I confirm that I make no decision as to whether the redacted matter from the claimant's witness statement is in fact privileged, although the matter will be retained off the files which are open to public inspection.

Appeal

- 23 Under the Practice Direction to Part 52 of the Civil Procedure Rules, any appeal must be lodged within 28 days.

R C KENNELL

Deputy Director acting for the Comptroller