

BL 0/170/86

PATENTS ACT 1977

IN THE MATTER OF an application
by Bauco (UK) Ltd for settlement
of terms of a licence of right under
Patent No 1217908 in the name of
Hilti AG.

DECISION

Patent No 1217908 is dated 12 July 1968 and, by virtue of
Schedule 1 of the Act, its maximum term was extended from 16 to
20 years and licences under the patent became available as of
right after the end of the sixteenth year, that is from 13 July
1984.

The present application was filed on 4 October 1984 together with
a statement indicating the terms of the licence which the
applicants (hereinafter Bauco) were prepared to accept.
According to the statement, having been unable to agree the terms
of a licence with the patentees (hereinafter Hilti), Bauco were
obliged to apply for settlement of terms under Section 46(3)(a).

Following filing of a counterstatement by Hilti on 17 January
1985, the usual directions as to subsequent procedure, i.e. the
filing of evidence, were given in official letters dated
24 January 1985. In the event, Bauco eventually indicated in a
letter from their agents dated 25 June 1985 that they would not
be filing evidence in support of their application, although they
reserved their right to file evidence in reply. Hilti's evidence
was duly filed on 21 November 1985, but in a letter from their
agents dated 19 February 1986 Bauco indicated that they would not
be filing evidence in reply either, rather they would abide by
any decision reached on another application for settlement of
terms of a licence of right under the same patent which was then
due to be heard shortly. This was taken to be a reference to an
application by Structural Fastenings Group Ltd (SFG), on which a

decision settling the terms of a licence issued on 19 May 1986 following a hearing.

After issue of the above-mentioned decisions, Hilti were given an opportunity to submit their views on the position adopted by Bauco, and their agents indicated in a letter dated 9 June 1986 that whilst it was accepted that Bauco were entitled to a licence equivalent to that settled for SFG, the terms should not be finally settled until it was determined that there would be no appeal against the SFG decision or, if an appeal was lodged, until the result of the appeal was known. Shortly afterwards, on 30 June 1986, Hilti did in fact lodge an appeal, but in a letter from their solicitors dated 16 September 1986 they indicated that they had no wish to cause unnecessary delay to Bauco's applications, and that they would not contest settlement of terms in a manner identical (*mutatis mutandis*) to that of the SFG licence, save on the points already the subject of appeal. I have interpreted this as a formal indication that although their views on the points in question remain unchanged, and thus their right of appeal on those points was reserved, they did not, however, wish to be heard further on those matters.

At this point I should mention that notwithstanding their earlier decision not to file evidence of any sort but to abide by the decision reached in the SFG case, Bauco under cover of a letter from their solicitors dated 3 July 1986 filed a draft licence which differed in certain material respects from the SFG licence, and they asked for certain submissions to be considered. Hilti not unnaturally were concerned to answer the points raised and sought further directions, but after further correspondence Bauco, being anxious to have terms settled as soon as possible, withdrew their written submissions and, albeit somewhat equivocally, their proposed variations to the SFG licence. This withdrawal was communicated in a letter from their solicitors dated 2 September 1986 which also indicated in effect that Bauco were content for a licence to be granted on the same terms as for SFG.

I do not consider it necessary to review here the further correspondence mentioned above, save to mention that in the course of that correspondence a dispute arose as to whether the licence should provide for security for royalties. In the event, Hilti indicated in their solicitors' letter dated 16 September 1986 that they did not wish to be heard on that point alone and left me to deal with the issue in the manner I considered appropriate. Having given this matter due consideration, and paying particular regard to a confidential reference from Bauco's bankers which was submitted in response to what in my view amount to unsubstantiated allegations regarding Bauco's credit-worthiness, I am not persuaded that the licence should provide for any security for royalties.

In the circumstances, on the basis of the above-mentioned letters from the respective Solicitors dated 2nd and 16th September 1986 in particular, it is my understanding that the parties are agreed that, save for the points under appeal, Bauco's licence should be the same as that settled in the SFG case. I am required therefore to settle only those issues which Hilti still dispute, including whether the licence should specify a period of 30 or 60 days for Bauco to remedy any breach of the terms of the licence, and whether it should prohibit Bauco from using on or in relation to the licensed product any words or other indications which suggest that the product has been licensed or approved by Hilti. Regarding those two issues, in the absence of any further evidence or argument in this case to support the view that I reached the wrong conclusions in the decision on the SFG case, and pending the hearing of Hilti's appeal, I do not think it would be right for me settle them any differently in this case. The appended licence therefore specifies a period of 60 days for remedying breach of terms and omits the anti-passing-off clause sought by Hilti.

Here, I should mention that SFG's licence provided for the granting of sub-licences to SFG's subsidiary companies, and this

provision was also appealed by Hilti. In the present case, however, Bauco indicated in a letter from their solicitors dated 7 August 1986 that they would not complain if in the exercise of my discretion I omitted that provision from their licence. This I have decided to do for two reasons. Firstly, whilst it is generally accepted that different applicants are entitled to be licenced on the same terms under any given patent whose maximum term has been extended by virtue of Schedule 1 of the Act, and here I am guided by the remarks of Mr Justice Whitford in his recent judgment in the case of Harris v ICI (transcript at B on page 4), it seems to me that the need for a sub-licensing provision was peculiar to SFG and the matter was settled having regard to evidence and argument not applicable to Bauco's application. Secondly, in view of the remarks of Mr Justice Whitford in his judgment dated 10 July 1986 in the case of Generics v Allen & Hanburys (transcript at pages 7-10) regarding sub-contracting and sub-licensing provisions in licences of right settled under Section 46(3), it now seems to me doubtful that such provisions are appropriate in any case. The appended licence accordingly does not provide for sub-licensing.

Having regard to the above findings, I therefore order that Hilti grant to Bauco a licence under patent 1217908 in the form appended to this decision, the licence to take effect from the date of this decision. The licence corresponds to that settled in the SFG case, save for the omission of sub-licensing provisions and the inclusion of a clearer definition of the Royalty period and of provision for notification of change of address.

Finally, I have to deal with a request made by Bauco for an award of costs, particularly in regard to expenses incurred by them since filing the above-mentioned letter dated 3 July 1986. This request is contained in their solicitors' letter dated 7 August 1986 and, as I understand it, is based mainly on them being required to respond very late in the day to what they regard as ill-founded and unsubstantiated allegations as to their

credit-worthiness. In considering this issue, I have given due regard to the fact that that issue was indeed raised at a very late stage in the proceedings by Hilti and ultimately not effectively pursued by them. That in itself would, I feel, have entitled Bauco to an award of costs. However, I have also given due regard to the fact that by the letter of 3 July 1986 Bauco too raised a number of issues late in the day, as mentioned above. In the result, I have come to the conclusion that the one factor counters the other and I make no award of costs.

Dated this 13th day of October 1986.

N G TARNOFSKY

Superintending Examiner, acting for the Comptroller.



PATENT OFFICE

APPENDIX

THIS LICENCE is made this day of
Nineteenhundred and eightysix BETWEEN HILTI AKTIENGESELLSCHAFT of
FL-9494 Schaan, Liechtenstein, of the one part and BAUCO (UK)
LIMITED of Lion House, 25-27 High Street, Thames Ditton, Surrey,
KT7 OSD, of the other part

Definitions: In this licence:

"The Patent" means United Kingdom Patent No 1 217 908

"Hilti" means Hilti Aktiengesellschaft

"The Product" means a cartridge magazine falling within the
claims of the Patent

"The Licensee" means Bauco (UK) Limited

"Current Index" means the latest Price Index (for materials and
fuel purchased) prepared by the Central Statistical Office
relating to Standard Industrial Classification No 5 (Construction
Materials) (or in the event of discontinuance of SIC No 5 the
nearest equivalent index) published prior to a sale or disposal
being made.

"Base Index" is the latest Provisional figure published up to the
date of this licence for the Price Index as defined above under
"Current Index".

"Royalty Period" shall have the meaning assigned by clause 3 of
this licence.

1. (a) The Licensee is hereby granted a non-assignable non-
exclusive licence under the Patent to manufacture and
sell the Product in the United Kingdom.

(b) For the avoidance of doubt it is hereby declared that no licence is granted to import the Product into the United Kingdom, save from manufacturers in member states of the EEC.

2. In consideration for the licence granted under clause 1 hereof the Licensee shall pay to Hilti in respect of each Product sold or otherwise disposed of by it in each three month Royalty period in each year during the term of the licence a royalty calculated as follows:-

$$\frac{3 \text{ pence} \times \text{Current Index}}{\text{Base Index}}$$

3. Within 30 days of the end of the three month period ("the Royalty Period") ending 31 March, 30 June, 30 September and 31 December in each year during the term of the licence the Licensee shall send to Hilti a statement showing details of the sales and other disposals made by it in the preceding Royalty Period together a remittance for the royalty payment thereby shown to be due.

4. The Licensee shall keep proper books and records to enable the royalties payable hereunder to be ascertained and shall permit Hilti or at the Licensee's request Hilti's independent representative to inspect such records upon reasonable notice during the terms of this licence and within six months of the termination thereof.

5. (a) The Licensee shall take reasonable precautions to ensure that any Product sold under the licence for use with Hilti DX fastening tools is safe and suitable for use in such tools.

(b) In the event that there is reasonable cause to believe that any Products are not safe or suitable as aforesaid, and that belief is communicated to the Licensee, the

Licensee shall forthwith take all necessary steps to withdraw to the fullest extent practicable all such Products from the market.

6. The Licence shall terminate on the happening of any of the following events:

- (i) If the Licensee shall become insolvent, go into liquidation or have a receiver appointed over any of its assets, save for the purpose of bona fide reconstruction of the Licensee.
- (ii) Upon written notice from Hilti in the event of any breach of the terms of the licence by the Licensee, save that where the breach is capable of being remedied the licence shall only terminate if the Licensee fails to remedy the breach within 60 days of receipt or written notice given by Hilti.

7. In the event that the licence is terminated for whatever reason the Licensee shall within 30 days send to Hilti a statement showing the sales and other disposals made since the end of the last royalty period together with a remittance for the royalties due in respect of such sales and disposals.

8. Any notices to be given under the provisions of this licence shall be deemed to be properly given if sent by prepaid post addressed to the party for whom the notice is intended at the respective address specified below, any change of address of either party to be notified without delay to the other party.

Hilti:

Hilti A G
FL9494 Schaan
Furstentum Liechtenstein.

The Licensee:

The Company Secretary
Bauco (UK) Ltd
Lion House
25-27 High Street
Thames Ditton
Surrey
KT7 0SD