

Claim No: HP-2020-000011

Neutral Citation Number: [2020] EWHC 1594 (Pat)

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (ChD)
PATENTS COURT

The Rolls Building
7 Rolls Buildings
Fetter Lane
London EC4A 1NL

Date: Tuesday, 16th June 2020

Before:
MR. JUSTICE BIRSS
(Remotely via Skype)

Between:

NICOVENTURES TRADING LIMITED

Claimant / First
Part 20 Defendant

- and -

PHILIP MORRIS PRODUCTS, SA
(a company formed under the laws of Switzerland)

Defendant / Part
20 Claimant

- and -

BRITISH AMERICAN TOBACCO
(INVESTMENTS) LIMITED

Second Part 20
Defendant

Claim No: HP-2020-000012

PHILIP MORRIS PRODUCTS, SA
(a company formed under the laws of Switzerland)

Claimant

- and -

RAI STRATEGIC HOLDINGS, INC.
(a company formed under the laws of North Carolina, USA)

Defendant

Digital Transcription by Marten Walsh Cherer Ltd.,
2nd Floor, Quality House, 6-9 Quality Court, Chancery Lane, London WC2A 1HP.
Telephone No: 020 7067 2900. Fax No: 020 7831 6864 DX 410 LDE
Email: info@martenwalshcherer.com
Web: www.martenwalshcherer.com

MR. ADRIAN SPECK QC and MR. WILLIAM DUNCAN (instructed by **Kirkland & Ellis International LLP**) for the **Claimant/Part 20 Defendants in Claim No. HP-2020-000011/Defendant in Claim No. HP-2020-000012**

MR. ANDREW LYKIARDOPOULOS QC and MR. TOM ALKIN (instructed by **Powell Gilbert LLP**) for **Philip Morris Products, SA**

Judgment

MR. JUSTICE BIRSS:

1. This case involves litigation between two groups of large international organisations concerned with tobacco: Philip Morris and British American Tobacco ("BAT"). The technology in issue is sometimes referred to as "RRP", which stands for reduced risk products, and also "THP", which stands for tobacco heated products. These are devices in which tobacco, rather than being burned as in a cigarette, is heated, in order to release the tobacco flavour and, I guess, also, the nicotine.
2. There are two sets of patents in issue. One set is called "Robinson", in which the patents have a priority date in 2006. The UK patents are EP (UK) 3 398 460 and 3 491 944. The other set of patents are called "Greim". There are four patents in that family, three of which are: EP (UK) 3 248 484, 3 248 486, and 3 248 483. All four are divisionals and have a 2009 priority date. Broadly speaking both sets of patents relate to the heating devices in these RRP devices together with other aspects of the devices to deliver the heated tobacco product.
3. The evidence for Philip Morris consists of witness statements of Mr. Peter Damerell, who is a solicitor for the Philip Morris Group and Mr. Nixon, who is the Managing Director of Philip Morris Limited, a UK company. The evidence for BAT consists of witness statements of Jin Ooi, who is a solicitor instructed by the BAT Group.
4. One of the patents, I think the earliest to be granted in the Greim set, was granted in May of 2019. The '460 patent in the Robinson set was granted in July 2019. That means that the opposition period in the EPO for the '460 Robinson patent expired in April 2020.
5. On 9th April 2020, BAT started two sets of legal proceedings in Europe. One was an infringement action in Germany against Philip Morris relating to the '460 patent. The product alleged to infringe is a product of Philip Morris called IQOS. BAT also started an invalidity action in the United Kingdom relating to some of Philip Morris' portfolio. These are the Greim patents. I think at the time the action was begun there were three, but there are now four patents in that group.
6. On 15th April, also on or about that date, BAT started proceedings in the US, both in the Federal District Court and in the ITC. I gather there were previously proceedings between these parties relating to the Greim patents in Japan. There may also have been other international patent disputes relating to these patents between these groups.
7. On 15th April Philip Morris brought an invalidity action in the United Kingdom relating to the '460 patent, that is to say the patent on which Philip Morris has been sued in Germany, and also brought an infringement counterclaim relating to the Greim patents in the UK, relating to a product of BAT, known as "glo".
8. The application before me is an application by Philip Morris to expedite the '460 case, that is to say the Robinson portfolio patent action. BAT's position is that a case for expedition has not been made out but if it has, then they seek expedition of the Greim litigation as well, because they say that if the evidence in the Robinson action is sufficient to justify expedition, then the circumstances of the Greim case also justify expedition and that case should be expedited as well. Philip Morris is asking for the Robinson litigation to be heard at a trial in the United Kingdom in about January/February 2021.

9. The case to start with is the decision of the Court of Appeal in *James Petter v EMC Europe Limited* [2015] EWCA Civ 480. That case considered a previous judgment of Neuberger LJ in the well-known (in this context) *Gore v Geox* litigation. The *James Petter* judgment put it into some context and also restated with approval the principles in *Gore v Geox*, which came down to four factors which the court will take into account when considering applications for expedition. Also notable in *James Petter* was that the court reviewed a number of earlier authorities. That included, at paragraph 11, the decision of Lloyd J in *Daltel Europe Ltd (In Liquidation) v Makki* [2004] EWHC 1631 (Ch) in which the judge had identified a need for real urgency as the justification for expedition.
10. The four factors in *Gore v Geox* are set out in *James Petter* at paragraph 12 and I refer also to paragraphs 15, 16 and 17, where the Court of Appeal discuss them.
11. There are three particular matters which I want to pick up. First, an observation by Warren J at paragraph 52 of *Eli Lilly & Company v Human Genome Sciences* [2012] EWHC 2857 (Pat), cited in *James Petter* at paragraph 14. The point is that there are likely to be a large number of litigants in the Business and Property Courts who would like their cases to be tried earlier, therefore granting expedition involves an inevitable degree of queue-jumping and therefore there has to be a good reason for it. What I want to add is that the way the court takes this point into account is by deciding this applications according to the relevant principles and not simply by approaching them on the basis that someone who happens to come to the court wishing for their case to be speeded up will get it.
12. That takes me to the second point, something I said in a previous case and I maintain. I do not believe it is really controversial, but it bears repetition that a mere wish for commercial certainty is not enough to justify expedition. The phrase that is used in *Gore v Geox* and in *James Petter* is that there needs to be a “good reason”. That has to be established in evidence.
13. The third factor is specific to patent cases. A common situation is that there may be with parallel proceedings concerning the same patent family. In Europe, the parallel proceedings may well concern the other designations of the same European patent itself. A frequent occurrence is that there is a parallel German infringement claim. In Germany patent actions are bifurcated whereas they are not in many other European states, including the United Kingdom. Bifurcation refers to the idea that the infringement aspect of the dispute is decided at a different time and a different place from validity. In Germany, as is well-known, patent infringement claims are decided at the regional courts, whereas validity is decided at the Federal Court.
14. A party who has sued for infringement in Germany often seeks to schedule the UK validity action or, rather, to be accurate the UK action which will involve both validity and infringement, in such a way that the outcome relating to validity is likely to be available and public before the German infringement court decides the matter.
15. There have been different words used by different judges of the Patents Court over the years relating to the emphasis that this factor bears in the context of listing decisions and expedition. In a number of decisions between 2011 and 2017, and I refer in particular to *HTC v Europe Ltd v Apple Inc* [2011] EWHC 2396 (Pat), *ZTE (UK) Limited v Telegonaktiebolaget LM Ericsson* [2011] EWHC 2709 (Pat), and *Garmin (Europe) Limited v Koninklijke Philips N.V.* [2017] EWHC 8165 (Pat), Arnold J consistently expressed the view that it was a factor to take into account, however as he put it, it is not a strong factor and will never be sufficient on its own, but it is a factor.

16. In the *Takeda UK Ltd v F Hoffmann-La Roche Ag* [2018] EWHC 2155, Henry Carr J said at paragraphs 11 and 12:

"In my view, it is important to give Takeda at least the opportunity of obtaining a judgment from the UK court, which may have some influence on the Düsseldorf court hearing the infringement action. By a decision of the Bundesgerichtshof, dated 15th April 2010, Xa ZB 10/09, Roll-Forming Machine, the Federal Supreme Court held that:

'The German courts are required to consider decisions rendered by organs of the European Patent Office and courts in other EPC contracting states and pertaining to a largely similar issue and, where appropriate, address the reasons leading to a diverging result in the earlier decision. Insofar as points of law are concerned, this also applies, for instance, to the question of whether the subject-matter of a property right was obvious in the light of prior art.'

The UK courts are always very interested to see decisions of our German colleagues and judges of other EPC Contracting States pertaining in particular to equivalent patents. If I were hearing an infringement case in the UK, I would be very interested to see what decision the German courts had reached."

17. An important point of detail is that the decision of Henry Carr J was not about expedition as such but with the decision to list the case within the listing window, but nevertheless, in my judgment, he was making an important point that is generally relevant.
18. Despite what was suggested in argument, albeit it was never put quite as starkly as this, there is no conflict between the various statements by these judges. I agree with what was said by Henry Carr J and I also agree with what Arnold J said. As Arnold J said, this factor on its own is not enough. If a party did simply come to court and raised that as the only reason, no doubt they would get short shrift.
19. A party should, if it wishes to seek expedition, put forward evidence of the commercial context in which the dispute arises in order to establish why there is a good reason in commercial terms, if true, that the UK validity trial should be timetabled in the way that is sought. In other words, and I am probably repeating myself, if a party seeks expedition it will always need to support its application with evidence of a commercial context to explain why, in the words of *James Petter* and *Gore v Geox*, there is a good reason for expedition.
20. Mr. Speck mentioned comity and a concern about whether taking this factor into account involved the UK court expressing some sort of implicit view about the way patents were litigated in other countries such as Germany. That is not right and is not the position at all.
21. It is clear in this jurisdiction that the courts will take this factor into account as a factor, but it is never enough on its own for the reasons I have already explained. Doing this is not in any sense a criticism of any other legal system.
22. There was argument about the details of German law relating to the utility of foreign judgments. It is not necessary to get into the detail of that issue. The position is adequately

summarised by Henry Carr J in paragraphs 11 and 12 above. All contracting states of the European Patent Convention take a similar view. They are interested in the decisions of their colleagues in other EPC States. Precisely how these decisions are taken into account does not matter. What does matter is that we are all applying a common law -- common with a small c -- to patents, based on a common legal framework, and it is of interest to courts in the EPC how other courts have taken a decision on the very same patent. The claims are usually identical and the patent specifications will be identical.

23. Before I leave the law, another factor which is always relevant in the Patents Court is that the court's guidance explains that it will always try, if it can, to list a trial within 12 months, without any expedition if the matter can be done.
24. In this case, what one could call the unexpedited window within which this trial would come on starts in April of next year and runs through to July. Therefore, in order for the case to be tried in January or February there will need be an order for expedition.
25. I turn to the four *Geox* factors as a convenient framework.
26. Starting with the second factor, that is administration of justice: this is a Category 3 case. It will be listed for a five or six-day trial. In terms of the Chancery list, there would be problems if a case like this was put into the list before Christmas 2020, but after Christmas, the list could accommodate it in January or February without excessive difficulty. That is a relevant factor.
27. It is also relevant from the point of view of the administration of justice that the degree of expedition necessary to bring this case into January or February when it might have been in April is less disruptive than it would be if, say what was sought was to bring this case into the list in October. The Division is capable, in a proper case, of make an expedition order now (June) for the case to be tried in October if that is justified, but it would involve a greater disruption to the list to do that than would be necessary in order to accommodate the degree of expedition which is sought here.
28. The third factor is prejudice. In my judgment, neither party will suffer any real prejudice if this case is brought to trial in January or February. There was a suggestion there may be a difficulty with experiments relating to the infringement issue and possibly other issues, but I am not satisfied these amount to a real problem. It is highly likely that the functioning of the device will be dealt with in a Product & Process Description or possibly by means of disclosure. I am not at all convinced that BAT would suffer any prejudice if this matter came to trial in January or February.
29. The fourth point is special factors. There are none in this case aside from the issues that arise under the heading of "good reason" and I turn to whether there is a good reason to expedite.
30. Philip Morris obviously wish to have the case ready before the German trial and I will deal with that first. Then I will deal with the other point that they make, concerning the decision-making relating to Philip Morris' UK business and third parties. There is also a point about individual smokers but I mention that to dismiss it. I am not persuaded on the evidence that the position of individual smokers using these devices is sufficient to play a material part in the analysis.
31. The infringement case for the DE designation of the '460 Robinson patent in Germany is due to be tried in Munich on 18th February 2021, with a decision four to six weeks later. There has been, I gather, a request for acceleration of the EPO opposition (Philip Morris

commenced opposition proceedings against the '460 patent in the EPO in about April of this year). I should make the point, as has been made before, that because of the way the EPO operates one cannot draw any inference from the fact that the opposition was not begun any earlier than April. Moreover, even with acceleration in the EPO, which is likely given that there are parallel infringement proceedings, there will not be a decision of the opposition division before February 2021.

32. Therefore, it is obvious that a major reason from Philip Morris' point of view, why they wish to schedule the UK trial for January and February is to have a trial on both validity and infringement before the German case. As I have already said that is not on its own a sufficient reason for expedition. If I was not persuaded that there were other factors that would justify it, then I should not expedite this case simply for that reason. Nor am I persuaded that the position in other countries will help Philip Morris. That does not add any weight to the issue relating to Germany.
33. The real issue is the commercial position of Philip Morris. There are two dimensions: Philip Morris' decision-making itself as a group and the position of the third parties. I have read the evidence of Mr. Damerell, Mr. Nixon and Mr. Ooi. The evidence of Mr. Nixon and Mr. Damerell makes out Philip Morris's case in two respects. First, the IQOS UK market has been building slowly, but now recently it has begun to take off. This case does come, as Mr. Lykiardopoulos QC put it, at a critical time for that market. Second, important decisions will have to be made for the UK market in early 2021. Those decisions relate both to the Philip Morris Group itself, for example relating to shops run by the group which I think are possibly contemplating being branded with the name IQOS; and also relate to third parties with which Philip Morris intends to work in the UK market. The details of what is planned to be done with third parties are confidential but that does not matter. It is clear in my judgment that investment decisions will have to be made and on that timescale, and that a trial in April will be materially later from that point of view.
34. BAT argues to the contrary and makes a number of points. First, that the major income for Philip Morris in the United Kingdom is from traditional cigarettes and the market for IQOS is now small. I accept that but it is clear to my mind, as Philip Morris submit, that the future is in these heated tobacco products. That explains why there has been a huge investment by Philip Morris in them. It is also clear that the IQOS product is an important product for Philip Morris.
35. The second point made by BAT is that the UK is a small market globally for this kind of product. That is clearly true, but it does not alter the fact that in the future in this market the IQOS product will be important, nor does it alter the fact that decisions for the UK market itself, albeit a small market relative to the rest of the world, have to be made on the timescale that Philip Morris have suggested.
36. The third point and a very important aspect of BAT's case on this application is that Philip Morris has alternative products to IQOS. Therefore investment decisions will not just be about IQOS, they will be about this group of products as a whole. Therefore, one cannot say that expediting a decision which might affect IQOS will necessarily make any difference to the investment decisions. This is a major aspect of BAT's case. However, I do not accept it on the evidence. It is clear that IQOS is the product Philip Morris are planning to launch. There are two alternatives mentioned but they have not been commercialised. The other, if it was to be used instead of IQOS, would be a backward step. It would involve a vaping-type e-cigarette product and is clearly not the product which Philip Morris wishes to use.

37. So I do not accept the fundamental submission from BAT that one can say in a simple way that these investment decisions are product neutral and need to be made irrespective of the outcome of a patent dispute about IQOS.
38. BAT's fourth point is to focus at Philip Morris' past approach. It is said that they must have known, and do not deny that they have known, about the '460 patent for well over a year. After all it was granted in July 2019, but in fact the public Notice of Intention to Grant by the EPO was in November 2018. Therefore one can say that they have already had to factor in the risk associated with this product.
39. In my judgment, that submission is unreal. Philip Morris submits the risks changed when they were sued in Germany. I think that is credible and I accept it. From the position of an international group like Philip Morris, there is a major difference between the risk presented by a rival who has patents which may or may not present a risk to your business in a given jurisdiction such as the UK but which are not being litigated, and the risk which eventuates when that rival then initiates infringement proceedings under another designation of the same EP patent.
40. The fact that Philip Morris was obviously prepared to make decisions about its future UK launch in before BAT had sued on the '460 patent, but knowing that patent was going to grant, does not undermine the cogency of its case that now that it is being sued in Germany, there is a higher need for speed and a higher need for certainty in the UK.
41. Standing back, overall, in my judgment, there is a real urgency in the '460 Robinson case from Philip Morris' point of view. That is a good reason to expedite it to be heard in January or February of this year. It can be accommodated without serious prejudice to BAT and without serious prejudice to the administration of justice and I will therefore order expedition.
42. BAT contended that if I did that I should then order expedition of the Greim litigation and I will now consider that.
43. Philip Morris submitted that the logic did not follow. They submitted that the Greim situation was an example of what has been called a mere wish for commercial certainty. What the Greim case is about is past acts in the United Kingdom, which according to the patentee may justify a claim for damages relating to the worldwide sales of the product of BAT, which is called the "glo" product. The reason is because glo was developed, in part, in the UK. I am told that the glo product is on the market, although it is being phased out in the future by BAT. What is the case is that there is no subsisting UK business for the glo product.
44. The submission from BAT is it would be helpful to them to have this litigation decided earlier and allow them to make their international decisions. For example, if there was a market in another country where the position in relation to the damages exposure would be one based on lost profit damages rather than on reasonable royalty damages, the potential financial risk to BAT from launching in that market in this context is different and so the sooner they can know whether this claim is well-founded or not, the better.
45. I recognise that like any business it would be helpful to BAT to have that matter resolved earlier. The dispute, although characterised by Philip Morris as entirely historical, is not, as the example I have just given shows. There are decisions with BAT needs to make which are linked to some extent to the outcome of this case. However, I am not persuaded that the difference between expediting the Greim case and the normal 12-month trial date available based on the practice guidance in the Patents Court is sufficient to justify

expedition of these proceedings. There is no evidence to which I have had my attention drawn which really explains why the end of this year is a point of particular relevance to BAT. There is always the desire for litigants to have their cases decided earlier so that they can improve their decision-making but in this Greim case I am not satisfied it is a case for expedition and I will not order it. That is my decision.

(For continuation of proceedings: please see separate transcript)

46. In terms of a summary assessment, I have said already I do not have any difficulty with the hourly rates. They are fair, reasonable and proportionate. I am surprised with the amount of time required to do this on your solicitors' side, Mr. Lykiardopoulos, which is 163 hours. That seems high to me for what needed to be done. I recognise the importance of this application, the fact there had to be liaison with Germany, and obviously detailed consideration with clients and with counsel.
47. But, 163 hours is too high and -- trying to do the best I can with the information I have -- I would say that a sensible, proportionate and reasonable amount of time would be about just over 100 hrs. I am going to convert it into a figure, a sum of money. If I put it in money terms the figure should be £55,000 instead of £84,000. That is doing the best I can with the maths, recognising that there can be never be perfect accuracy and it is unreal to pretend that you can do this with perfect accuracy. That is a reduction of about £30,000 or so.
48. Considering counsels' fees, it seems to me that bearing in mind yours are significantly cheaper than Mr. Speck's, I will leave them where they are.
49. This means that overall the right to do is to remove about £30,000 off the headline figure. I will do it in round figures, which means the total will be £95,000.

(For continuation of proceedings: please see separate transcript)