



Neutral Citation Number: [2020] EWHC 3248 (Pat)

Case No: HP-2019-000006

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: Monday, 23rd November 2020

Before:
MR. JUSTICE BIRSS
Remotely via Skype

Between:

- (1) OPTIS CELLULAR TECHNOLOGY LLC
(A company incorporated under the laws of the State of Delaware)
- (2) OPTIS WIRELESS TECHNOLOGY LLC
(A company incorporated under the laws of the State of Delaware)
- (3) UNWIRED PLANET INTERNATIONAL LIMITED **Claimants**
(A company incorporated under the laws of the Republic of Ireland)
- and -
- (1) APPLE RETAIL UK LIMITED
(2) APPLE DISTRIBUTION INTERNATIONAL
(A company incorporated under the laws of the Republic of Ireland)
- (3) APPLE INC **Defendants**
(A company incorporated under the laws of the State of California)

MR. MARK CHACKSFIELD QC and MR. THOMAS JONES (instructed by **EIP Legal & Osborne Clarke**) for the **Claimants**
MR. GUY BURKILL QC and MR. BRIAN NICHOLSON QC (instructed by **WilmerHale**) for the **Defendants**

Approved Judgment

Transcript of the Stenograph Notes of Marten Walsh Cherer Ltd
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MR. JUSTICE BIRSS:

1. This is the hearing to decide the consequences of my judgment that was handed down in these proceedings in October with neutral citation number [2020] EWHC 2746 (Pat).
2. The first matter I need to deal with is the costs order to be made. The overall circumstances are clear. Optis is the successful party, and it is common ground that applying normal principles the general order should be an order that the unsuccessful party, Apple, should pay the costs of the successful party, subject to various further detailed aspects.
3. The first important aspect to deal with is that this patent was litigated before in the *Unwired Planet v Huawei* litigation. The court (in fact it was me) found the patent was valid and granted a Certificate of Contested Validity under section 65 of the 1977 Patents Act. Since the court has again found the patent was valid, the patentee is entitled to take the benefit of section 65 and seeks to do so in this case.
4. Section 65(2) provides:

"Where a certificate is granted under this section, then, if in any subsequent proceedings before the court or the comptroller for infringement of the patent concerned or for revocation of the patent a final order or judgment or interlocutor is made or given in favour of the party relying on the validity of the patent as found in the earlier proceedings, that party shall, unless the court or the comptroller otherwise directs, be entitled to his costs or expenses as between solicitor and own client (other than the costs or expenses of any appeal in the subsequent proceedings)."
5. It is common ground that the way that provision applies in this case is that, in general, the costs to be awarded in Optis's favour should be assessed on the solicitor and own client basis. That is a different basis from either standard assessment or indemnity assessment, and is governed by CPR Rule 46.9, which I will come to.
6. Of course the solicitor and client basis is really about costs being paid by a client to their legal team, and you can see that reflected in the way the rules are drafted. However the effect of section 65 of the 1977 Act is that this is now to be applied to costs that are to be paid *inter partes*. Broadly it is a more generous basis than either an indemnity or standard basis, however, as Mr. Burkill points out, although the essence of the approach on solicitor and client assessment starts from an indemnity basis-type assessment, the precise way in which the costs are assessed is not the same because of the provisions of r46.9(3). That provision provides:

"(3) Subject to paragraph (2), costs are to be assessed on the indemnity basis but are to be presumed –

"(a) to have been reasonably incurred if they were incurred with the express or implied approval of the client;

"(b) to be reasonable in amount if their amount was expressly or impliedly approved by the client;

"(c) to have been unreasonably incurred if –

"(i) they are of an unusual nature or amount; and

"(ii) the solicitor did not tell the client that as a result the costs might not be recovered from the other party."

7. It can be seen from those provisions that the presumptions which operate in the normal indemnity basis assessment operate in a different way. These show why it is generally fair to say that they are more favourable to the receiving party than assessment on an indemnity basis. However that is not entirely so, and in particular, (3) (c) is a different kind of presumption from the one that one would apply in relation to an indemnity basis. So the important point is that this is not exactly the same as costs on an indemnity basis.
8. That gives rise to a point of detail on the operation of another rule in the CPR, rule 44.3(4). This rule provides:
 - (4) Where –
 - (a) the court makes an order about costs without indicating the basis on which the costs are to be assessed; or
 - (b) the court makes an order for costs to be assessed on a basis other than the standard basis or the indemnity basis,the costs will be assessed on the standard basis.
9. Mr. Chacksfield's clients are concerned that given the existence of that rule, it is necessary for them to write a reference to the indemnity basis into the order I am going to make today even though, as Mr. Burkill has pointed out, I am not ordering an assessment on an indemnity basis because the assessment is to take place on the solicitor and client basis, which is not the same.
10. To resolve this possibly minor drafting conundrum, the order I am going to make will recite that the costs will be assessed as between solicitor and own client in accordance with section 65(2) of the Patents Act 1977 and rule 46.9(3) of the Civil Procedure Rules, if not agreed. That way the order will be clear about the basis on which the costs are being assessed. In my judgment that is the right approach and that such an order is not overridden by rule 44.3(4)(b). I believe that armed with this decision and an order drafted in that way, Mr. Chacksfield's fears about what might happen in the future in relation to costs assessment will not materialise.
11. The questions then arises as to how to deal with the costs of the action, bearing in mind they are to be assessed in that unusual way as a result of the Certificate of Contested Validity. It is also common ground, but bears being pointed out, that the general approach which the court takes at the end of proceedings, particularly in patent cases, of considering whether there are any discounts and dealing with them on a percentage basis, is still the right approach to take, even when one is dealing with

costs assessed on this basis. Mr. Burkill made that submission and I accept it. So, one is then dealing with costs in a way which is familiar at the conclusion of patent disputes.

12. That leads to two specific questions. First, a deduction is sought in relation to the issue of infringement or essentiality arising from a point which can be called the Ec/Io and RSRQ issue. That is an issue which Optis had brought to trial and pursued during the trial. However it was then abandoned and so this aspect of the relevant standards was therefore found not to infringe. Costs were certainly incurred in relation to it and some sort of discount, in my judgment, ought to be made for it.
13. Mr. Chacksfield submitted it was not a suitably circumscribed issue in relation to which any costs should be deducted because it was another way of putting the case on infringement. I do not accept that. It is clear this was a suitably circumscribed issue in relation to which costs were incurred. Specific aspects of the evidence of the experts were addressed to it and not to any other issue. Cross-examination was addressed to it and time was spent in court dealing with it, all of which are matters which indicate to me that it was a suitably circumscribed point. It was not necessarily the biggest point in the case, but it was a free-standing issue to which costs can be attributed. I will make some deduction for it.
14. The costs incurred on essentiality/infringement as a whole seem to have been about 24% of Optis' costs. The question is what to do, starting from there, in formulating a suitable discount. Mr. Chacksfield submits that I should rely on the evidence of Mr. Lundie Smith, who has done a paragraph count related to the costs specifically concerning the Ec/Io issue and comes to the conclusion that 2.5% of Optis' costs were devoted to that issue. Having heard the trial and seen many of the interlocutory stages and also, I suppose, having done this case on the first occasion as well, bearing in mind all those things, I do think that Mr. Lundie Smith's estimate of the time and cost attributed to this point, taking it individually, is probably about right.
15. However, that is not the only dimension to this issue. Mr. Burkill submits I should take into account conduct relating to this issue. Essentially, he is making the same point that was made in his closings, and which I dealt with to some extent in the judgment, concerning the position of the evidence of Dr. Thomas, which Mr. Burkill submits changed depending on whether you were asking Dr. Thomas a question about infringement and a question about validity, and it was that aspect of the cross-examination, he submits, which ultimately led to Optis realising that they were going to abandon this argument and, indeed, that is what they did.
16. Mr. Chacksfield submits that the point only became live in these proceedings having not been in issue in the previous case and that it only came into the case following the second report of Mr. Simmons, that is Apple's expert, which was served shortly before trial. Nevertheless the fact it came in Mr. Simmons' second report does not alter the fact that it was still maintained during the trial and was only dropped after the oral evidence. Mr. Burkill criticises Optis and, for that matter, Dr. Thomas in relation to this, and submits that for that reason it is appropriate not simply to approach the matter by trying to assess what actual costs are to be properly attributed to this issue but to take a rather broader approach. He submits that the right thing to do is to deprive Optis of about half of their costs on infringement/essentiality on the basis that you could broadly say that infringement was concerned with two general questions,

one was Ec/Io and the other was the other one which off the top of my head I cannot remember a neat characterisation of, RSCP I think. Anyway he submits that 12%, therefore, is a fair deduction to reach in those overall circumstances.

17. As I think I said already, and I am at risk of repeating, I did address this point in the main judgment. It seems to me that there is an aspect of conduct here which the court should mark in relation to costs. It is something which Optis could and should have dropped earlier than they did, and at least dropped it before trial. If they had done that, then some costs would not have been incurred and, therefore, the conduct that I am concerned about is something which did have an effect on costs. Although that is not in itself a necessary aspect of conduct which leads to a decision to make a deduction on costs, it is a relevant factor to take into account.
18. On the other hand, it seems to me, a 12% deduction, bearing in mind the overall circumstances of this case is too big, while 2.5% is too small. I will deduct, overall, 8% from Optis' costs. That includes, of course, the 2.5% which is an estimate of the costs of the issue itself and a further 5.5%, bearing in mind the conduct, to mark the court's views about that.
19. That leaves the other issue I need to deal with, which relates to some other aspects of the case generally. These act together, in Mr. Burkill's submission, to justify a further 10% overall deduction, as I shall explain. The starting point is, as Mr. Burkill points out, the section itself. Section 65 makes clear that the assessment on the basis provided for will apply unless the Court or the Comptroller otherwise directs.
20. Mr. Burkill submits, in my judgment correctly, that what that means is that the court can make a different order, but the onus to persuade the court to do so is on the person asking the court to do that, which in this case, of course, Apple. In other words, all other things being equal, the court will make an order for assessment on the basis provided for in section 65. If circumstances warrant it and a case can be made, then there is a discretion to make a different order, and that discretion does not only have to be exercised, for example, by deciding that the entire costs of the matter should be assessed on a different basis, but may operate on the basis that one might identify a particular issue or issues which one might at least treat as if they were being assessed on a different basis. Rather than ordering an assessment on two bases, which it is common ground would be a bad idea and I completely agree with that, one can reflect such a conclusion by making a deduction, taking a reasonably broad brush approach, to working out what that deduction would be in order to do justice in the circumstances. As I say, I agree that that is an approach that would be a proper exercise of the court's discretion under section 65(2) in appropriate circumstances.
21. The first matter relied on by Apple is the point that although a Certificate of Contested Validity was granted in the previous *Unwired Planet v Huawei* case, the court there also gave permission to appeal. Mr. Burkill says that that, as it were, is an example of giving with one hand and taking away with the other and, therefore, although it does not justify a deduction necessarily on its own, it is part of the circumstances which adding up together may justify an overall deduction of some sort. I reject that submission. In my judgment, the fact that when the Certificate of Contested Validity was granted the first time, the court also recognised that there was at least a real, rather than fanciful, prospect of success on appeal relating to the merits of the case itself, is nothing to do with the Certificate of Contested Validity. It does

not in any way undermine its force or give a reason why, at a later occasion, the court might make a different order, so I will not take that into account at all.

22. The second matter is the submission by Apple that standard essential patents and the validity of standard essential patents engage the public interest. Mr. Burkill points out that the EU commission themselves have also pointed out that invalid intellectual property rights are contrary to the public interest and that challenging the validity of patents in that sense is, therefore, a good thing and is in the public interest.
23. Those points are true, but on the other hand, Mr. Chacksfield submits it cannot realistically be said in this case that Apple is doing anything here other than acting in its own commercial interest as it sees it. He contends that the idea that Apple is operating in a sense of trying to further the public interest is not realistic.
24. First of all, I am quite sure that Apple is here in order to defend and pursue its own commercial interests. The idea that Apple brought these proceedings because of some view about what the public interest is, is not realistic. To be fair, that is not what Mr. Burkill's submission was. His submission is that nevertheless, despite the fact that Apple is clearly acting in its own commercial interests, it still true that this is a case unlike maybe some others which does engage an element of public interest.
25. There is some truth in that, in the sense that in practice telecoms standard essential patents have an impact which, if I can put it that way, is more public in nature than some other patents. Although all patents operate against the public at large, some will take effect in a market in which the public's interest is perhaps of less significance than the telecoms market. Nevertheless, I do not believe this point is a reason for making any different order in this case than might otherwise be made. One reason is that just as invalid patents are contrary to the public interest, it bears pointing out that valid monopolies as found by the court are also in the public interest, precisely because the patent system is there to incentivise innovation. Innovators who have valid intellectual property rights are entitled to have their rights vindicated. The vindication of those rights itself furthers the purposes of the patent system. Those factors demonstrate that it is not correct simply to focus on the fact that invalid patents are contrary to the public interest and thereby to take a decision based on that, without taking into account the converse. So I do not believe in this case the considerations of the balance of the public interests takes one anywhere in deciding what to do about the costs.
26. The third matter relates to the Losh prior art. The point made here is that part of Apple's case, although unsuccessful, relied on an item of prior art which was not prior art that had been considered on the previous occasion. That takes one to cases decided over 100 years ago. The first is *Otto v Steel* (1886) 3 RPC 109, which as far as I can see was concerned with the early development of the internal combustion engine, and the second is *Flour Oxidising v Hutchison* (1909) 26 RPC 597, which was concerned with how to make white flour.
27. The learned editors of Terrell have put in their current edition a paragraph at 21-221, as follows:

"In *Otto and Steel*, solicitor and client costs were refused on the ground that the validity of the patent was attacked on new

grounds [*citing Flour Oxidising v Hutchison*] although it is unlikely that that case will be followed at the present time, save in exceptional circumstances."

28. The reports of the cases are not easy to follow but the first point to note is that it does appear, having been through the authorities with counsel, that what did happen was that at some point in the *Otto v Steel* litigation before Pearson J there was a second case after a certificate of contested validity had previously been granted, and on that second time round, because different prior art was relied on the second time, a solicitor and own client costs order was not made. Then in the *Flour Oxidising* case, when a similar thing happened, the court (Warrington J) was asked to refuse to make an order for assessment on the solicitor and own client costs basis on the ground that new prior art had been relied on. Warrington J decided not to do that. It is fair to note from what Warrington J said in an exchange with counsel, that there was not very much different in the second case from the first case. Nevertheless, the court there did make an order for assessment on solicitor and own client costs basis, despite differences between the grounds on which validity was being challenged in the two cases.
29. It seems to me, as the authors of Terrell say, that the approach of the court at that time really is no guide as to what one would do under the Civil Procedure Rules today. Since then not only have the procedural rules changed in various ways, the provisions relating to Certificates of Contested Validity themselves have changed at least once. An important change was made between the 1949 Act (which was not the Act in force when either of these decisions was made anyway) and the 1977 Act. Under the 1949 Act Certificates of Contested Validity were narrower than the one we now have under the 1977 Act since they used to refer to individual claims and they now apply to the patent as a whole. So whatever I propose to do is not going to be based on a consideration of what these judges did over 100 years ago.
30. The right approach under the Civil Procedure Rules ultimately is to apply the overriding objective. Applied in this case that means that the fact a new piece of prior art is relied on is not irrelevant and is a matter which the court can take into account in deciding whether to treat say the whole of the costs, or the costs relating to that prior art, as being subject to assessment on a solicitor and own client basis or some other basis. However in my judgment merely because there is different prior art is not a reason on its own to justify not applying the provisions of s65 and ordering costs assessed on the more generous basis. The question would be whether there was something specific about the circumstances which might mean that the court should not apply them.
31. In my judgment, in this case, there is no such thing. In other words, I will apply the solicitor and own client basis of assessment to the costs of and relating to all these issues, including Losh. I decline to make a deduction based on the idea that one might be directing that the costs of Losh should be assessed on some other basis (such as the standard basis).
32. The same goes for another point made by Apple. This was that claims 2 and 3 had not been in issue in *Huawei v Unwired Planet* but were in issue before me. That is answered by the point I have already made, that the scope of a Certificate of Contested Validity itself was changed between the 1949 Act and the 1977 Act. It now

clear that the certificate is not limited to claims, but relates to the patent as a whole. That change tells one that merely because other claims might be in issue today which were not in issue before, in and of itself, is not a reason for the court to otherwise direct under section 65(2). It may give rise to some other point at a more specific level of detail, but there is no such point of detail in this case to justify a difference in approach.

33. Standing back, it seems to me none of the points Mr. Burkill has raised are reasons why I should “otherwise direct”. That leaves me with the only deduction which I am satisfied I should make is the 8% deduction for Ec/Io and RSRQ, and so that is my decision.

(For proceedings: please see separate transcript)

34. I now need to resolve the question of a payment on account. It is common ground the principle to be applied is the court will order a reasonable sum (*Excalibur v Texas Keystone* [2015] EWHC 566 and other cases). It is also common ground that in this case the figures to be awarded are to be in US dollars, not in pounds sterling.
35. The successful party, that is Optis, contend that the sum I should award starts from the actual costs they incurred (\$2.1 million) then, with the deduction of 8% that I have already decided upon, one should then apply a figure of 95% and award the result. The reason for 95% is because the solicitor and client basis is generally regarded as even more generous than indemnity basis, although I recognise, as Mr. Burkill submitted, there are aspects of it which make it simply different from indemnity and not necessarily more generous and possibly, therefore, less generous. But, as I say, the submission from Optis is that I should therefore award, as a payment on account, 95% of 92% of \$2.1 million.
36. Mr. Burkill submits that I should make a bigger deduction than 95%. The evidence from Mr. Watts, solicitor for Apple, goes as far as suggesting that the percentage to be applied should be as low as 65%, based on various factors which I will come on to. But, realistically, Mr. Burkill submits that probably the right percentage is somewhere between 95% and 65%, at least on his case, and leaves it to the court's discretion to come to an appropriate conclusion.
37. There are various different factors to take into account. The first factor is a small amount of the costs which were incurred up to the case management conference. There is a disagreement between the parties as to how properly to apportion them. Optis's solicitors had apportioned them on a relatively equal basis between the cases on different patents whereas Mr. Watts submits that because this case was a trial of a patent which had already been litigated once before, a lower amount should be attributed to this trial from those costs.
38. I accept the point by Optis that those costs generally were not related to the specifics of a given case, and therefore it does not make sense to treat them as being a lower proportion in terms of an apportionment on the footing proposed by Apple. I therefore do not accept that point.
39. The second point relates to some costs orders which were made during the course of the proceedings which did not recite the basis of the assessment. It is submitted by

CPR 44.3(4) the correct approach is that those costs should be assessed on a standard basis, even though under section 65 of the Act the costs of the action are to be assessed on a solicitor and client basis.

40. In my judgment rule 44.3(4) has no application in this case when by statute one is ordering costs to be assessed on a solicitor and client basis. It seems to me that rule 44.3 proceeds on the footing that the only bases of assessment in contention for costs orders made between the parties are the standard basis and the indemnity basis, and of course, true for the great majority of civil procedure. However, there is a special rule in patents by statute. The special rule under the Act is that the *inter partes* costs are to be assessed on the solicitor and client basis even though that is not a basis of assessment which is normally applied on an *inter partes* basis under the CPR at all. Therefore whatever the effect of rule 44.3(4) is in other civil proceedings, it does not apply in this case. In particular, the provision does not mean that costs which were not given a basis of assessment at an earlier stage in these proceedings, are to be treated in a different way in an assessment governed by section 65, not forgetting that the court has a discretion under that section.
41. Which is a long way of saying that I do not accept that the fact there were certain orders concerning costs made at an earlier stage is any reason why I should reduce the amount of a payment on account of costs.
42. A different point is that there was also a costs order made in Apple's favour, which Mr. Watts estimates is worth about £50,000 odd and suggests that a deduction should be made for that. The answer to that is the one given by Mr. Chacksfield. If the receiving party had wished for a payment on account to be made in relation to those costs, they could and should have asked for it at the time, but for whatever reason they did not. I will not take that into account. Just to be clear, the fact that I am not taking it into account now, does not mean that I am depriving Apple of the opportunity to recover its costs. It is entitled recover those costs and I think it would be the good sense for both parties to deal with them, but I will not make a deduction from the sum to be paid in these circumstances as a result of that order.
43. That takes me to the general issue of reasonableness overall and whether 95% is too high a portion. I bear in mind that Optis contend the costs incurred this time were about 10% less than those incurred by the same team last time. Nevertheless it seems to me that 95% of Optis's costs is too high a figure. The reason, as Mr. Burkill for Apple points out, is that at the end of the day, this is a case in which Optis's legal team had already litigated this patent when it was in the *Unwired Planet v Huawei* case. It is something which causes me to wonder whether, overall, a reasonable figure for the total costs incurred, even bearing in mind the presumptions that apply under the solicitor and own client basis, would produce a lower figure.
44. Mr. Chacksfield also draws my attention to the submissions made during the course of these proceedings by Apple to emphasise the difference between this case and the previous case. He is right to do so, but in the end, the answer is that contrary to Apple's submissions, the case was more similar than it might have seemed based on those submissions, as far as costs are concerned, particularly from the point of view of the patentee. I am quite sure that this case required a lower amount of time and effort than a case for a legal team who did not have to look at the patents afresh. That is something which I can and should take into account.

45. Exactly how much to take into account is not an easy thing and I have to exercise my judgment overall. Overall I believe the right answer in this case is 85% and that is the sum I will apply.
46. The final matter I ought to deal with is the publicity order. Optis, in their draft order which set out the relief they were going to seek after a trial, sought a publicity order against Apple. They abandoned it after having seen Mr. Watts's evidence, which included reasons why it should not be ordered. Apple contend that some allowance for the costs of dealing with that should be made. Mr. Chacksfield, on behalf of Optis submits that no allowance should be made and in any event it is a very small amount. He says that what happened was the draft order was sent to Apple, and Apple replied that they would not make comment on it until they had seen Optis's evidence. Then once they saw Optis's evidence they served Mr. Watts's evidence and then, after that, Optis decided to drop this particular point.
47. I do not regard that chronology as a reason why I should not treat this as an issue, which is suitably circumscribed, on which Apple are to be treated as the successful party. Optis asked for this order. They served evidence on it and they put Apple to the expense of dealing with it. When they saw Apple's evidence they decided to drop it. In my judgment some allowance has to be made which recognises that Apple should be treated as recovering some costs for that.
48. The best way of doing that, it seems to me in the overall circumstances, is to make a further single percentage point deduction off the overall total (i.e. from 92% to 91%) and recognise that in doing that, that is in effect an order relating to the costs of that issue in these proceedings. That is what I will do.

(For proceedings: please see separate transcript)
