

IN THE HIGH COURT OF JUSTICE
BUSINESS & PROPERTY COURTS OF ENGLAND & WALES
INTELLECTUAL PROPERTY LIST (Ch D)
PATENTS COURT

26 January 2023

Before:

MR. DANIEL ALEXANDER KC

BETWEEN

OXFORD UNIVERSITY INNOVATION LIMITED

Claimant

and

OXFORD NANOIMAGING LIMITED

Defendant

and

THE CHANCELLOR, MASTERS & SCHOLARS OF OXFORD UNIVERSITY

Third Party

Tom Alkin (instructed by Powell Gilbert) for the Claimant/Third Party
Jonathan Hill (instructed by Clyde & Co) for the Defendant

Hearing date: 25 January 2023

APPROVED JUDGMENT (CONSEQUENTIALS)

This judgment was handed down remotely by circulation to the parties' representatives by email. It will also be released for publication on BAILII and other websites. The date and time for hand-down is deemed to be 15.30 on 26 January 2023. I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

MR DANIEL ALEXANDER KC

INTRODUCTION

1. This judgment deals with issues consequential to the judgment given on 23 December 2022 (“the Main Judgment”). I gave my decision on the points at the hearing on 25 January 2023 with reasons to follow.

ROYALTY PAYMENTS

2. Since the Main Judgment, ONI has paid the £700,000 on account of royalties as previously ordered. The finance team at ONI has been replaced and currently matters are being handled by an interim CFO who needs to call upon external assistance in order to finalise royalty statements. A further payment has been made more recently but full payment has not been finalised. I therefore order payment of the sum sought by OUI on this application in the draft order, less the further sum recently paid. The parties should incorporate that figure into the order. I also give permission to apply in respect of further matters relating to payment.

COSTS

3. There are five issues on costs:
 - a. Should a percentage deduction be made to reflect ONI prevailing on the issue of whether Mr Jing was a consumer?
 - b. Should ONI be ordered to pay costs from 13 June 2020 on the indemnity basis?
 - c. Should the costs be the subject of summary assessment?
 - d. If not, what interim payment should be ordered?
 - e. Interest.

Percentage deduction

4. It is common ground that this issue is generally approached by asking:
 - a. Who has, in substance, won?
 - b. Has the winning party lost on an issue which is 'suitably circumscribed' so as to deprive the winning party of the costs of that issue? and
 - c. Is it appropriate in all the circumstances also to require the overall winner to pay the other party's costs of an issue on which it has been deprived of its costs? (*Hospira UK Ltd v Novartis AG* [2013] EWHC 886 (Pat) at [2], *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2016] EWHC 410 (Pat) at [8])

5. OUI submits that it won and that there are no suitably circumscribed issues justifying depriving it of any of its costs. ONI submits that the issue of whether Mr Jing was a consumer was 'suitably circumscribed'. It does not seek an order that OUI pays its costs of that issue but claims a reduction of 25% in any costs order in OUI's favour. ONI submits that there were three issues raised by that part of the case (i) was Bo Jing a consumer? (ii) did the IP Terms create a significant imbalance to his detriment? (iii) were the IP Terms contrary to good faith? It says that issue (iii) added relatively little to issue (ii) while issue (i) and (ii) were of roughly equal substance. ONI therefore submits that an appropriate deduction would be 25%, based on a 60:40 split between the consumer case and employee invention case and splitting the 60% 25:25:10 between issues (i)-(iii).
6. In my view, the issue of whether Mr Jing was a consumer was not suitably circumscribed to justify such a reduction. First, none of the evidence or disclosure provided by OUI would have been materially different had that point not been in issue. Second, although the court addressed this issue in detail in the Main Judgment, it is not possible to say that Oxford's costs of argument would have been significantly affected had it not run the point. That is partly because the point was advanced by Oxford contending, with comparatively brief reference to the key case law that, on the facts of the case, Mr Jing was not a consumer in respect of his DPhil Contract. Third, the legal analysis of the UCTD meant that the scope of application of that directive and the approach to evaluation of fairness were not completely separable.
7. The costs of neither party were materially increased as a result of this point being in issue. Neither side addressed the point in argument at the level of detail of the Main Judgment. Where the approach taken by one or other party does not increase its costs that cannot normally be addressed by a percentage deduction of this kind, even if the court has to deal with the issue more extensively to satisfy its own obligations of producing a properly reasoned decision. Accordingly, there is no basis for the alleged deduction in the costs claimed by OUI.
8. ONI should have been paying royalties to OUI on the agreed basis under the Licence and, given that it has advanced creative (albeit losing) points to avoid doing so, in principle it should pay the full costs of the claim which OUI had to bring to secure payment.

Indemnity costs

9. OUI claims indemnity costs from ONI from 12 June 2020. ONI contends that it did not behave out of the norm to justify such a basis of assessment. I agree and am unpersuaded by Oxford's arguments in favour of indemnity costs.
10. First, both sides engaged in settlement discussions and there was a mediation and an Early Neutral Evaluation. These were unsuccessful but do not show that ONI was not engaging at all with attempts to resolve the case.
11. Second, OUI made early WPSATC offers which left the Licence in place. They required payment at the full rate but offered to forgo some interest (which was a relatively modest sum) and costs. These were not made under Part 36 and such offers are not to be treated as if they

were (see *Coward v Phaestos* [2014] EWCA Civ 1256 at [90]-[102]). ONI is in my view right that not accepting such offers does not justify the award of indemnity costs in this case. In circumstances such as these, indemnity costs may be warranted if refusal of such an offer was highly unreasonable (see White Book CPR 44.3.12, *F & C Alternative Investments (Holdings) v Barthelemy* [2012] EWCA Civ 843 at [70] (citing *Kiam v MGM*), *Astex Therapeutics v AstraZeneca* [2018] EWCA Civ 2444 at [61]-[78]). In my view it was not highly unreasonable for ONI not to accept OUI's offers. There were genuine issues between the parties, even though the case would (or should) have appeared weak to ONI.

12. Moreover, the question of whether an offer should or should not have been accepted at those times and whether a reasonable party would have appreciated that it would not have done better at trial is hard to second guess. Oxford's WPSATC offer was essentially that ONI should give in completely on the substance and pay all of the royalties (albeit without interest and costs). It would not be desirable to hold that because a defendant failed to accept a claimant's WPSATC offer, which was not made under Part 36, to accept capitulation in exchange for being let off on costs and minor sums in interest, that failure to do so attracts indemnity costs on the basis that the case should have been appreciated to be weak and would have attracted an additional liability for costs/interest. Such a situation does not take a defendant's conduct out of the norm for the purpose of an indemnity costs award. This is not a case for application of the statement in *Lejonvarn v Burgess & Anor* [2020] EWCA Civ 114 at [80] which was made in a particular factual context and mainly by reference to Part 36 offers.
13. Third, points are made by Oxford about ONI's (relatively short) delay in filing documents post judgment, delay in payment and its seeking permission to appeal. None of those points justifies indemnity costs at all still less from 13 June 2020. Oxford also says that ONI was previously seeking to run up Oxford's costs which ONI denies. It does appear that ONI's original request for disclosure was too broad (seeking among other things disclosure about relationships with all of the Oxford spin-outs) but it came down to a more reasonable position and security for costs was ultimately given. So again here, there is nothing out of the norm and no justification for indemnity costs.
14. Accordingly, I do not consider that any part of Oxford's costs should be paid on the indemnity basis.

Summary assessment

15. ONI submits that the court should follow normal practice and order detailed assessment rather than assess the costs summarily, as Oxford requests. It contends that detailed assessment is the usual approach under the CPR (see CPR PD 44 paras 8.2, 9.2(b)) and that, while the Court does have power to summarily assess the costs (CPR 44.6(1)), to exercise it in this case would risk unjust imprecision in assessment which may have a substantial impact due to the large sums involved.
16. Oxford says that the court should cut through this and make a final award now. It points to the fact that costs claims of over £1m have been the subject of summary assessment in Shorter

Trial Scheme (STS) proceedings (*Insulet Corporation v Roche Diabetes Care* [\[2021\] EWHC 2047 \(Pat\)](#)), to which ONI responds that the rule in STS proceedings is that costs will be the subject of summary assessment, except in exceptional circumstances (CPR PD 57AB para 2.59) and that, in *Insulet*, the costs were so large (£1.6m) that detailed assessment would have been appropriate but that the point was not taken and the parties appear to have been content for summary assessment to take place. ONI submits that Oxford has not provided even the limited information available to the court in *Insulet* upon which a summary assessment can be reliably made. Except in respect of the costs incurred from receipt of the draft judgment, which are set out in a full costs statement, the information is contained in the table in para. 27 of Ms Butler's third witness statement. She is a partner handling the case for Oxford at Powell Gilbert. The statement is informative but it does not go into the detail needed to evaluate whether the costs claimed are at that level because a so-called "Rolls Royce" service was provided to Oxford by Powell Gilbert (to use the language of the case law) for which ONI would not be obliged to pay.

17. Oxford says that that summary assessment is justified because there is a risk that, if detailed assessment is ordered, the case will drift because ONI will fail to engage in settlement efforts and/or try to use detailed assessment as a way to exert pressure on Oxford. It also says that there is no point in ordering detailed assessment since the parties are not very far apart on costs (as shown by ONI's offer of an interim payment). ONI rejects both of these points, saying that the position on costs after trial leaves a paying party at risk, disincentivising drift, and that a difference of more than £200,000 is substantial.
18. Performing a summary assessment and ordering an interim payment at around the level which it is considered likely will be recovered are different ways trying to prevent further costs being wasted on detailed assessment. However, summary assessment in a case where such is not required under the rules and where substantial sums are in issue is only appropriate where there is sufficiently complete information for the court properly to evaluate the reasonableness and proportionality of the costs claimed. To do that, the court should be placed into a position in which it can examine, at an appropriate level of detail, things like hourly rates, time spent and staffing of tasks. It is true that a significant part of the costs has been budgeted, setting a benchmark of reasonableness. However, given the sums involved and the relatively limited information on certain aspects of costs here, justice is best done by ordering an interim payment which aims to be a realistic estimate of what would be awarded on detailed assessment without shutting the parties out from pursuing a more detailed assessment if they wish.
19. I therefore reject OUI's application to assess the costs summarily.

Interim payment

20. ONI accepts that an interim payment should be made, in accordance with usual practice. It proposes a figure of £850,000 (estimated without particular precision on the basis of 50% of the unbudgeted costs and 90% of the budgeted costs). This is in the right ball-park but is somewhat too low.

21. An interim award of the budgeted costs (of c.£687K) is merited on the basis that no good reason has been given for it being likely that there will be a departure from the costs budgets on assessment. An award of approximately 60-65% of the unbudgeted costs (namely c. £265K of costs incurred pre-budget and c.£114K in respect of post-judgment and form of order hearing costs) is also appropriate. The post-trial costs are high but are partly explicable on the basis that considerable work needed to be done on evidence for the hearing including in relation to payment of outstanding sums. A larger proportion of the pre-budget costs and a smaller proportion of the post-trial costs are likely to be awarded, should a detailed assessment proceed.
22. These points are reflected in an interim payment of £925,000. That is reasonable and proportionate for the costs of this case, given the issues, the work inevitably required on evidence, disclosure and trial and the sums, past and future, in dispute.

Interest on costs

23. ONI accepts the principle that interest is due and the draft order contains a standard provision.

CONFIDENTIALITY

24. A final CPR 31.11 Order sought by Oxford preserving confidentiality in certain documents is not opposed by ONI. It identifies, in Schedule 1, specific documents and parts of documents which are to be kept confidential notwithstanding that they have been considered by the court.
25. An order of this kind is conventional but should not be a rubber-stamping exercise. In making this order, I have considered the documents and the evidence of Ms Butler who has explained that Oxford seeks the order in respect of that material on the basis that it references the internal discussions and documentation of the Intellectual Property Advisory Group (“IPAG”) of the University and OUI. On that basis it is appropriate because there is a risk that this material contains information which remains genuinely commercially confidential and the disclosure of which could prejudice Oxford or a third party.
26. However, I do not implicitly endorse a blanket claim of confidentiality on the part of the University or OUI in its records of discussions of its IP policies (whether at IPAG or otherwise) or information about how changes to such policies are developed. Material containing details of actual or prospective commercial deals/negotiations or more general material which may materially affect these may need continued confidentiality. However, this order should not be used to suggest that all aspects of policy discussion within the University – particularly historical - about how IP rights should be allocated or benefits shared between potentially interested parties (including the various parts of the University, researchers – employed or student, external funding bodies and other investors) should be kept from view. Some of these issues are matters of legitimate wider interest and debate.
27. Although the detail of these discussions did not play a significant role save as specifically referred to in the Main Judgment, I considered all of these documents. There may therefore also be legitimate claims by those interested in knowing the basis for the court’s decisions and more broadly.

28. The fairest way to balance the interests of open justice with commercial confidentiality is to make the order sought but to provide that the parties and any other person should have permission to apply to vary this part of the order upon adequate notice, with Oxford (or ONI) having a corresponding opportunity to resist wider disclosure on appropriate grounds.

PERMISSION TO APPEAL

29. Permission to appeal is refused. An appeal stands no real prospect of success and there are no other good reasons for granting permission.
30. Since the Main Judgment is long and ONI has advanced numerous reasons for saying that this case is fit for the Court of Appeal, I give reasons more fully, albeit without dealing with every sub-point made, to assist the parties and that court in evaluating any application which may be made.

Patents Act s. 39

31. There is no arguable basis for contending that the court applied the wrong legal approach when assessing under Patents Act s.39 as to whether an invention might reasonably be expected from Mr Jing carrying out his duties.
32. It is said in particular that Mr Jing's low salary should have been taken into account. There is no basis for saying that the level of employee's salary determines whether invention is reasonably to be expected from him or her under s.39 of the Patents Act 1977. Even if there was, Mr Jing's overall remuneration arising out of his internship was not extremely low as ONI contends. To the contrary, as a result of Oxford's IP policies and the contractual terms pursuant to which he was employed, Mr Jing was entitled not only to a modest salary but also to potentially large benefits over many years from commercialisation of the work he was specifically focussing on during his internship. No court could reasonably regard Mr Jing's internship as exploitative or that his remuneration was unusually low overall. Assuming therefore that the level of payment was relevant, the fact that Mr Jing's total remuneration reasonably attributable to the design work he did during his internship was significant, highlights why it is fair to regard s.39 of the Patents Act 1977 as applicable, rather than the reverse.
33. As to the point about Mr Jing's status, it is clear on the evidence that he was treated as a respected researcher, no differently to the more senior post-doctoral scientist he replaced on the design project. The normative approach to "reasonably expected to result" was given weight in the evaluation.
34. This decision is one on the particular facts of this case. The Main Judgment does not decide that any invention made by any university (or other) intern in any circumstances is automatically owned by his or her university (or other) employer under s.39. It focusses on the specific circumstances. The law relating to s.39 is clear. It has been the subject of extensive case law including from the Court of Appeal. It does not require re-examination and, even if it did, this is not a marginal case or one in which it would make sense to do so.

UCTD - fairness

35. The proposed grounds of appeal on “fairness” under the UCTD are really dressing up as points of law/principle an overall factual determination that the terms did not create a significant imbalance to Mr Jing’s detriment and were not contrary to good faith. The CJEU and UK case law identifies factors which should be taken into account but concepts of significant imbalance and good faith involve multifactorial evaluation. No rational approach to the UCTD could lead to a different result.
36. The significance analysis took account of the impact of the terms in question and how they were applied and interpreted. That is clearly relevant under the EU case law and any purposive interpretation of it. It is hard to see how one can evaluate significance of impact or imbalance without considering actual as well as potential impact.
37. The Main Judgment does not only compare Mr Jing’s position with that of an employee at a commercial organisation. It makes a range of comparisons to cross-check. A comparison with an employed researcher is a one which the court is entitled (indeed possibly obliged) to take into account, since general UK law (in this case, the Patents Act 1977) contains provisions, reflecting UK policy as to how employees are to be remunerated in respect of inventions which, by operation of that Act, vest in their employer. Mr Jing was, in some respects, in a position similar to such an employed researcher even though he was a DPhil student. It would not make sense in evaluating unfairness of terms applicable to students to ignore the way in which the general law treated other researchers in similar circumstances, particularly since the CJEU case law says that the fairness evaluation must be made, inter alia, using comparison with the position under the general law. There is no basis for saying that the UCTD should be interpreted as requiring that a research student working on a pre-existing faculty design project should be placed in a better position as regards entitlement to benefits from IP rights in the design work than others (such as employed academics) in the same group.
38. None of the remaining matters raised as proposed grounds are seriously arguable under this head either. In particular, detailed account was taken in the Main Judgment of the benefit sharing process (between University and researchers and between team members) substantively, procedurally and comparatively and an evaluation made of why the University was entitled to have a policy which, in respect of benefit sharing, did not necessarily follow the precise contours of entitlement to be named as an inventor under the Patents Act 1977.
39. Good faith involves a multifactorial evaluation of the facts. The AG’s opinion in *Profi Credit Polska* shows that CJEU case law contemplates the test of good faith being considered separately from that of significant imbalance although in practice these may often amount to the same or similar evaluation. The Main Judgment applied this case law.
40. There is no arguable basis for saying that IP terms which resulted in Mr Jing being fully supported by the University in obtaining protection and significant remuneration for the design work he undertook either intentionally or inadvertently took advantage of his indigence, lack of experience, unfamiliarity with the subject matter or bargaining position. The work Mr Jing

undertook would have fallen within the ambit of Oxford's amended IP terms which are not said to be significantly unfair. It is also clear on the evidence that had the practical effect and application of the IP terms been more fully explained (and which have led to Mr Jing becoming well off and successful as a result of work done during his DPhil, partly as a result of the extensive backing for his work and its commercialisation which he received from Oxford) a reasonable person, so informed, would have agreed to them.

No other reason for appeal

41. I have also considered whether there is any other reason for this case to be considered by the Court of Appeal. In my view, there is not. To the contrary, there are good reasons for letting the case rest. I summarise them since the Court of Appeal may wish to understand why they reinforce my view that an appeal would have no value. The Main Judgment provides commercial certainty to all that the Licence remains in place, which is inter alia to ONI's and its investors' benefit. An appeal would potentially create pointless market uncertainty as to whether ONI would remain licensed in respect of its main product and on what basis.
42. Were the Court of Appeal to overturn the Main Judgment on the grounds suggested, that would open the door to further proceedings including as to what relief or remedy should be granted. On the assumption that an appeal succeeded, further proceedings would need to address the following (among other points, some of which are alluded to in the evidence and which are of very limited wider interest):
 - a. Whether a term of a university student IP agreement which was held to be unfair under the UCTD because it was in theory capable of being interpreted and applied unfairly but which was in fact fairly interpreted and applied generally (and in the circumstances of the case) should nonetheless be treated as rendering the whole of the agreement (or a licence agreement founded on the basis of its allocation of proprietary rights) void – and, if so, on what basis.
 - b. Whether OUI was entitled to some rights in the patents or other rights licensed under the Licence, including on the basis that the inventors including two other University employees may remain properly named and were actual devisers or were otherwise entitled under whatever law was applicable.
 - c. Whether or to what extent there was an impact on the Licence if some of the rights licensed under the Licence or other rights remained validly vested (or arguably validly vested) in OUI.
 - d. Whether any issues of estoppel or similar may arise to protect the position of both ONI and Oxford (or others) who had operated on the basis that OUI was entitled to the rights.
 - e. How benefits obtained by those taking under the various agreements were to be re-allocated by way of restitution or other doctrines from and to parties and third parties if the Licence was void or the UCTD rendered the DPhil Contract void.

43. Some of these points may raise issues of legal complexity. Contemplating them, some may think that I have only had to tackle the easy points to which this case could give rise. However, at least prima facie, even were my decision overturned for one of the Patent Families and/or other rights remained validly licensed, it is very unlikely that this would affect the validity of the Licence as a whole in the circumstances of this case. Moreover, not only Oxford but possibly third parties (such as other investors in ONI who may have an interest in ensuring that the Licence remains in place to ensure that ONI is not exposed to potential infringement claims) may wish to contend that it would be wrong for the English court to risk undermining ONI's business by voiding its key Licence ab initio.

General points on permission to appeal

44. Stepping back, the prospect is vanishingly small of the English courts reaching decisions with the aggregate effect that ONI would end up in a better position than it enjoys at present with respect to payment of royalties for key aspects of design of the Nanoimager which appear, prima facie, to be at percentages in the normal range for products of this kind.

45. The costs ONI have had to pay in defending this claim already exceed the royalties payable to date. This is a case to which the Court of Appeal may think that the well-known view from the House of Lords applies: the fact that one can have long argument about an issue – or, one might add, write a long judgment about it - does not make it arguable. These additional points may reinforce the justification for bringing this dispute to an end.