

# Kluwer Patent Blog

## The UK lever in pan-European disputes

Brian Cordery (Bristows) · Tuesday, June 1st, 2010

In May 2010, in *HTC Corporation v Yozmot 33 Ltd* [2010] EWHC 1057 (Pat), the English High Court (Arnold J.) confirmed that it is in principle legitimate for a party to seek a judgment of the English Court on the validity of a UK designation of a European patent in the hope that the judgment will be of assistance in foreign proceedings or in promoting settlement internationally.

HTC issued proceedings in the English Patents Court seeking to revoke Yozmot's European Patent (UK) no. 909 499 B1 entitled "Telephone identification calling apparatus and procedures" for reasons of anticipation, obviousness, insufficiency, added matter and lack of patentable subject matter. Yozmot counterclaimed that the patent was infringed by a number of models of HTC cellular phone.

Relatively early in the litigation, Yozmot's solicitors wrote an open letter (i.e. a letter that was deliberately not "without prejudice" and therefore could be shown to the Court) to HTC's solicitors proposing settlement on terms that (1) HTC withdrew its revocation proceedings and undertook to refrain from seeking a declaration of non-infringement, (2) Yozmot undertook not to sue HTC or any of its suppliers, distributors or customers in the UK for infringement of the patent in relation to current, past and future devices manufactured by HTC, and (3) each party would bear its own costs. HTC rejected the proposal, asserting that threats of infringement proceedings had been made in various jurisdictions and that a public declaration of invalidity would be more useful. HTC's solicitors stated the revocation proceedings would only be withdrawn if Yozmot also provided the undertaking in relation to foreign equivalents for the whole world, or a free licence of the same. The dispute did not settle.

At trial, Arnold J. held the relevant claims of the patent to be infringed but invalid for anticipation and/or obviousness. In large measure the patent was therefore revoked. However, HTC's additional attacks on validity and its defence of non-infringement all failed.

On the question of costs, Yozmot accepted that HTC was the overall winner in the litigation, but contended that the general rule (that Yozmot should pay HTC's costs) should be departed from. In seeking the exercise of the Court's discretion in its favour, Yozmot relied on the open offer made to HTC. Yozmot contended that on infringement, it had done better than the open offer in the sense that if the court had found the relevant claims valid, they would have been infringed. Yozmot submitted that HTC's purpose in bringing and pursuing the proceedings was to protect itself, its distributors and its customers from the threat of litigation under the patent in suit in the UK and that after the making of the offer the litigation was a waste of time and costs because HTC

achieved no more than that purpose, which was met by the offer. On that basis, Yozmot said that the right order for the Court to make was no order as to costs, i.e., that each side should bear its own costs.

Arnold J. referred to his judgment in *TNS Group Holdings Ltd v Nielsen Media Research Inc* [2009] FSR 23. TNS had applied to revoke a patent (for a device for measuring television audience figures) belonging to Nielsen, a competitor of TNS. Nielsen had responded offering TNS a licence and had then applied to strike out the revocation proceedings on the basis the litigation was pointless and wasteful. Nielsen had also alleged that the motive behind TNS' revocation claim was to try to obtain a favourable judgment from the English Court to export to other jurisdictions, an allegation which TNS accepted to be true and asserted to be unobjectionable. Arnold J. had refused the strike out: he held that it was in principle legitimate for any party to seek to revoke a patent regardless of the commercial value in doing so; and that it was not improper to seek to gain a favourable judgment from the English Court for use elsewhere in Europe.

After referring to his previous judgment, Arnold J. held that it is legitimate, and increasingly common, for parties to seek a judgment from the English Court on the validity of European patents in the hope that such a judgment will be of assistance to them in foreign proceedings or in promoting settlement between the parties on a European-wide basis. Arnold J.'s conclusion was that Yozmot's open offer did not mean that the pursuit of the claim thereafter by HTC was commercially pointless, and rejected Yozmot's contention that each side should bear their own costs of the litigation.

Arnold J. did, however, adopt the issue-based approach to costs assessment common in patent litigation. Under this approach the successful party may be deprived of its costs or even ordered to pay the loser's costs on suitably circumscribed issues on which it, the overall winner, was unsuccessful. A three-stage test which is now used in virtually all patent cases enquires: "*Have you won? Have you lost a suitably circumscribed issue, so that you should be deprived of your costs of that issue? Is this an exceptional case such as to lead to an adverse costs order on an issue in favour of the overall loser?*" To reflect Yozmot's success on the issues of insufficiency, added matter, lack of patentable subject matter and infringement, HTC's recoverable costs were reduced by 30%. It is noteworthy that Yozmot's open offer was taken into account by the Judge in his assessment of the position.

The key point to note from the judgment in *HTC v Yozmot* is that English proceedings may be used legitimately as a tool to force resolution or settlement on an international basis. Consequently, in seeking to settle English proceedings on the basis of non-assertion of rights, an offer may not provide protection from costs if its terms are restricted to the UK. (It is noted that the use of the Part 36 procedure in framing an offer restricted to the UK may, in some circumstances, enable greater costs pressure to be attached to the continuation of UK litigation. The terms available under this mechanism are, however, potentially more restrictive). Until such time as a European Union Patent and/or European Union Patents Court can be established, the English Court remains a receptive forum for litigators seeking to exploit the differences in procedure and/or persuasion of different patent courts across Europe, and a party seeking to exploit these differences need not be coy about its motives.

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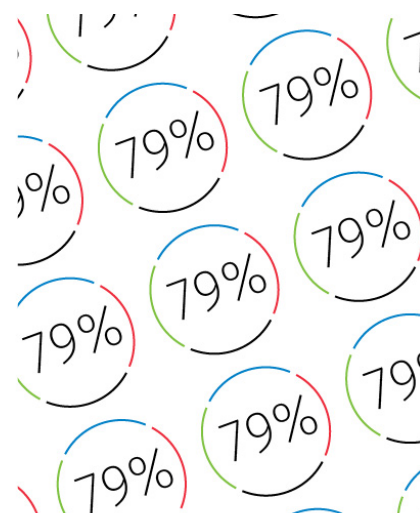
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