

Appeal to stay proceedings dismissed in favour of the patentee

A decision of the Patents Court of the High Court of England and Wales (the ‘Patents Court’) to refuse a stay of proceedings pending the outcome of proceedings at the European Patent Office (EPO) has been unsuccessfully appealed by HTC in *IPCom v HTC*.

The judgment of the Court of Appeal of England and Wales (the “Court of Appeal”) revisited the guidance given in *Glaxo Group Ltd v Genentech Inc* (a “Court of Appeal” decision) for granting a stay of proceedings at the ‘Patents Court’ pending the outcome of co-pending proceedings at the EPO. The judges dismissed the appeal in favour of the patentee so the case will proceed later this year.

HTC was previously granted a stay of proceedings to consider its possible infringement of IPCom’s patent at the Patents Court to allow co-pending proceedings of the EPO Technical Board of Appeal (the ‘Board’) to complete. The Board was considering the decision of the EPO Opposition Division to revoke IPCom’s patent which had been opposed by HTC and Nokia. The decision of the Board was in favour of IPCom, such that the legal uncertainty related to IPCom’s patent is likely to roll on until at least 2016.

HTC made a request to stay infringement proceedings at the Patents Court in respect of IPCom’s patent. However, HTC’s request was refused by the Patents Court and HTC subsequently appealed the decision at the “Court of Appeal”.

Co-pending proceedings

Once a European patent is granted, the owner decides in which states it would like the patent to be enforceable. If a

third party wishes to have the European patent revoked, it may do so centrally at the EPO using the opposition procedure or individually at the respective national court. The opposition procedure allows only a finite time period of nine months from grant for filing an opposition, and can take more than four years to be finally resolved. However, any alleged infringement can be decided only at the national courts, since there is no mechanism at the EPO for enforcing European patents. This gives rise to the possibility of co-pending proceedings at the EPO and national courts.

When proceedings at the Patents Court for infringement and revocation are co-pending with opposition proceedings at the EPO, it is possible to be granted a stay of the proceedings at the Patents Court. This is because the outcome of the opposition proceedings may affect any decision made at the Patents Court. For example, following opposition proceedings at the EPO the patent may be maintained in amended form, such that any finding of infringement may no longer be correct or the patent may be revoked.

The story so far

IPCom was granted a European patent (an ‘EP patent’) by the EPO in 2010 giving rise to patent protection in the United Kingdom (an ‘EP(UK) patent’). The EP patent was opposed at the EPO by

Nokia and HTC, and Nokia commenced invalidity proceedings against the EP(UK) patent. IPCom denied invalidity and counterclaimed that Nokia was infringing the EP(UK) patent.

The validity and infringement were tried first and the Patents Court found the patent to be valid after amendment and that some of Nokia’s devices infringed. IPCom agreed to grant licences on fair, reasonable and non-discriminatory (FRAND) terms. IPCom’s obligation to grant licences on FRAND terms was to be tried following the validity and infringement proceedings.

Owing to the success against Nokia, IPCom invited HTC to take a licence under the patent and HTC subsequently commenced invalidity proceedings against the EP(UK) patent. The matter of infringement needed to be tried in respect of HTC, since HTC was not bound by the decision against Nokia. Both Nokia and HTC were subsequently invited to participate in a FRAND trial, which would provide Nokia and HTC with the cost of the licence to which they would be entitled under the patent if it was found to be valid and infringed.

Meanwhile, the Opposition Division found that the patent was invalid for added subject matter. IPCom appealed the decision and the decision of the Opposition Division was set aside by the

Board following an amendment to the EP patent by IPCom. The patent was then remitted to the Opposition Division for consideration of its validity.

HTC had been granted a stay of all proceedings at the Patents Court until a decision on the EPO appeal was made. In light of the appeal result, HTC requested a stay of the FRAND trial, which was allowed. However, HTC's further request to stay the proceedings for the matter of its possible infringement until the co-pending EPO proceedings were finally decided was refused, and this decision was subsequently appealed.

Granting stay of national proceedings

In reaching his decision to refuse the most recent request to stay proceedings, the Patents Court judge referred to the guidance given in *Glaxo Group Ltd v Genentech Inc.* However, in the period between the judge announcing his decision and giving his reasons, the Supreme Court handed down its decision in *Virgin Atlantic Airways Ltd v Zodiac Seats UK Ltd.* In doing so, the Supreme Court questioned the correctness of the Glaxo guidance and so the judge gave permission for his decision to be appealed to the "Court of Appeal".

In hearing the case, the "Court of Appeal" revised the general guidelines for granting a stay in proceedings and subsequently applied the revised guidelines to the case under appeal.

In revising the guidance, the "Court of Appeal" introduced the notion that if there were no other factors, a stay of the national proceedings was the default option. The justification for this was that there was no purpose in pursuing two sets of proceedings simply because this was possible.

Furthermore, the revised guidance provided that it was for the party resisting the grant of the stay to show why it should not be granted, since ultimately it was a question of where the balance of justice lay.

A newly inserted point in the guidance took account of the extent to which refusal of a stay irrevocably deprives a party of any part of the benefit which the concurrent jurisdiction of the EPO and the national court was intended to confer. Thus, if allowing the national court to proceed might allow the patentee to obtain monetary compensation which was not

repayable if the patent was subsequently revoked, this would be a weighty factor in favour of the grant of a stay.

The "Court of Appeal" added that it was permissible to take account of the fact that resolution of the national proceedings, while not finally resolving everything, may, by deciding some important issues, promote settlement.

The decision also added to the guidance point regarding the length of time for the respective proceedings in the national court and in the EPO to reach a conclusion, by saying that the length of time was not an independent factor, but must be considered in conjunction with the prejudice which any party would suffer from the delay, plus the lack of certainty and what the national proceedings can achieve in terms of certainty.

The more pertinent points discussed in the decision are as follows. When granting a stay of proceedings, discretion is exercised by the Patents Court to achieve a balance of justice between the parties involved. The default option is to stay national proceedings. One of the more important factors is whether a party is irrevocably deprived of any part of the benefit conferred by the concurrent jurisdiction of the EPO and the national court. A reason to refuse a stay is to enable the national court to provide some commercial certainty somewhere, such as in the UK, which is generally preferable to uncertainty everywhere. Finally, the length of time it will take to conclude the proceedings at the EPO is also an important factor.

In the present case, HTC agreed to restrict its commercial activities to one of the variants declared not to infringe in the decision on the counterclaim against Nokia. However, there is still the matter of possible past infringement of variants that are said to infringe the EP(UK) patent. Furthermore, IPCom has contested to what extent the variants do not infringe, such that even if HTC restricts its commercial activities to one of the variants declared not to infringe in the *Nokia* decision, there may still be a question of ongoing infringement by HTC.

Now that the EP case has been remitted to the Opposition Division there could be at least two more rounds of hearings, since any negative decision will undoubtedly be appealed. The date predicted for completion of the EPO proceedings is the middle of 2016, so it will be a long time before any legal certainty can be

established. Therefore, a stay would delay IPCom from recovering damages for past and possible ongoing infringement, which cannot be prevented via an injunction. It is also worth noting that IPCom has undertaken to repay any Unilin damages paid if it subsequently transpires that the patent was invalid and has agreed to grant licenses under FRAND terms. The notion of Unilin damages comes from *Unilin Beheer BV v Berry Floor*. In *Unilin* the question of what happens if the patentee obtains damages for infringement when the proceedings in the national court reach a conclusion and the patent is found to be both valid and infringed, and the EPO later revokes or amends the patent, was considered. It was concluded that defendants are estopped from challenging an entitlement to an account of profits, whatever the ultimate result in the EPO, and even if there were no estoppel, past orders as to costs could not be challenged.

Finally, a Patents Court trial will also provide certainty to HTC as to whether its activities, past or present, infringed the patent.

Taking account of all of these factors, the "Court of Appeal" dismissed the appeal and found that there was nothing in the decision to refuse the stay of proceedings that would justify it interfering. The Patents Court is due to hear the case on HTC's alleged infringement of IPCom's EP(UK) patent in December of this year.

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