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Case Nos: HP-2021-000029 HP-2022-000002

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**INTELLECTUAL PROPERTY LIST (ChD)**  
**PATENTS COURT**

Rolls Building, Fetter Lane,  
London, EC4A 1NL

Date: 27<sup>th</sup> May 2022

Before :

**THE HON MR JUSTICE MELLOR**

Between, in Case No. HP-2021-000029:

(1) PHILIP MORRIS PRODUCTS, SA	<b><u>Claimant</u></b>
(2) PHILIP MORRIS LIMITED	
- and -	
(1) NICOVENTURES TRADING LIMITED	<b><u>Defendant</u></b>
(2) BRITISH AMERICAN TOBACCO (INVESTMENTS) LIMITED	

And between, in Case No. HP-2022-000002:

NICOVENTURES TRADING LIMITED	<b><u>Claimant</u></b>
- and -	
PHILIP MORRIS PRODUCTS, SA	<b><u>Defendant</u></b>

**James Abrahams QC and Tom Alkin** (instructed by **Powell Gilbert LLP**) for the **Philip Morris** parties

**Tom Hinchliffe QC** (instructed by **Kirkland & Ellis International LLP**) for **Nicoventures/BAT**

Hearing date: 27<sup>th</sup> April 2022

**Approved Judgment**

This judgment was handed down remotely by circulation to the parties' representatives by email and release to The National Archives and BAILII. The date and time for hand-down is deemed to be Friday 27<sup>th</sup> May 2022 at 10.30am.

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THE HON MR JUSTICE MELLOR

**Mr Justice Mellor:**

1. As appears from the heading, there are two actions before the Court between two sets of parties. I shall refer to the Philip Morris Parties as PMI and to Nicoventures and BAT as simply BAT. The two actions are:
  - i) HP-2021-000029 (the 029 Action), brought by PMI for revocation of two BAT patents. BAT has consented to revocation of one of the patents (EP080) and counterclaimed for infringement of the other (EP830).
  - ii) HP-2022-000002 (the 002 Action), brought by BAT for revocation of one PMI patent (EP323).
2. On 27<sup>th</sup> April 2022, I heard the following applications:
  - i) In the 029 Action, PMI applies for permission to amend its statements of case to introduce a claim for *Arrow*-type declaratory relief.
  - ii) In the 002 Action, PMI applies for a stay of proceedings pending final resolution of parallel opposition proceedings in the EPO.
  - iii) Also in the 002 Action, BAT applies for an order that the trial take place at the earliest possible date after 1 March 2023.
3. On these applications one side is attempting to alleviate the effects of legal and litigation uncertainty on their commercial plans, whilst at the same time seeking to obstruct (to differing degrees) a similar attempt by the other. In the 029 Action, BAT opposes PMI's application to introduce the claim for *Arrow*-type relief, relief which aims to provide legal certainty for PMI. In the 002 Action, BAT seeks an early resolution in this action of its claim that the PMI Patent in suit is invalid. It can be said that by its application for a stay, PMI seeks to delay the achievement of the legal certainty sought and thereby to prolong the uncertainty for BAT.
4. By the conclusion of the argument, I had reached a clear view on the first application, and I announced I gave permission to PMI to amend to include the claim for *Arrow*-type declaratory relief. On the stay application, I reserved judgment because the issues were more finely balanced but stated that if I were to refuse the stay, I would allow an early trial listing of the 002 Action. Having reflected, I have concluded I should dismiss PMI's application to stay the 002 Action. The 002 Trial will be listed to be heard in March 2023. This judgment contains my reasons for those conclusions.

**Background**

5. PMI and BAT are competitors in the consumer tobacco market, Nicoventures being a company in the BAT group. The patents in suit in both actions concern 'heat not burn' products (HNB), also known as 'tobacco-heating products' (THP), the idea being that tobacco is heated to generate a nicotine-containing aerosol, but the lack of burning is said significantly to reduce the levels of harmful chemicals in the aerosol compared to the smoke of combustible cigarettes.
6. Both sides have HNB/THP products. PMI's product is sold under the name IQOS. The IQOS system comprises an electrical heating device and compatible tobacco-containing

consumables, called HEETS. The first version uses resistive heating. It was first launched in late 2014 in Japan and Italy and is now available in 70 countries around the world. It was first launched in the UK in 2016 and remains on the market. The second version product uses inductive heating and is called IQOS ILUMA, designed to work with TEREAs sticks, and was first launched in Japan in August 2021. PMI intends to launch IQOS ILUMA in the UK ‘in the second half of 2022’. The 029 Action is a ‘clearing the way’ action ahead of that launch.

7. BAT’s THP product is called ‘glo’. It contains a Li-ion battery which powers a heating chamber. A tobacco containing rod (called a ‘neostick’) is designed to be inserted into the ‘glo’ device. As with PMI’s product, there are two generations of ‘glo’ product. The first used resistive heating and was first launched in Japan in 2016/2017. It is no longer on sale. The second generation product uses inductive heating, first launched in what BAT calls ‘test markets’ in the Czech Republic, Romania, Italy and Poland in mid-2019, but is now sold in 22 countries under the names ‘glo Hyper+’ and ‘glo Hyper+ UNIQ’. BAT claims to be the first company to commercialise an induction heating THP.

### **The 029 Action**

8. This action by PMI was commenced on 20 July 2021 seeking revocation of EP080 and EP830, each relating to an inductively heated THP and/or the sticks designed to operate with such devices. EP830 also concerns the Curie temperature of the susceptor to determine the maximum temperature to which it is heated. The Curie temperature is a property of the material from which the susceptor is made, being the temperature at which the material loses its permanent magnetic properties. At that point, it is no longer able to heat by magnetic hysteresis.
9. With the initial pleadings complete, albeit PMI had indicated it wished to rely on new prior art, on 8<sup>th</sup> December 2021, PMI issued an application the following day to list the trial. This was heard on 12<sup>th</sup> January 2022, when Meade J listed the action for a trial to be heard in September 2022 with a 6 day estimate, subsequently fixed for 20 September 2022. This listing was obtained on evidence from PMI that it had ‘recently launched its new IQOS ILUMA product in Japan and Switzerland, with launch in the UK anticipated during the latter part of next year [i.e.2022]. While PMI believes there is no credible infringement read on either of the patents at issue, it brings this revocation action to reduce the risk of disruption of the UK launch. On 7<sup>th</sup> February 2022, BAT indicated it would be amending its defence to plead infringement.
10. Directions to trial were made by HHJ Hacon by consent on 16 March 2022. This was perhaps a curious development in view of recent events and the fact that the action was clearly in a state of flux, but I infer that the parties wanted to get a timetable fixed in view of the trial date, even if it might have to be adjusted subsequently.
11. Shortly before those directions were made, on 8 March 2022, BAT indicated it would consent to revocation of EP080. On the same day, BAT informed PMI that it intended to counterclaim for infringement of EP830 and would rely on the doctrine of equivalents in relation to the location of the heater. Draft Particulars of Infringement were provided on 10 March 2022. Pursuant to the agreed directions, BAT served their Part 20 claim for infringement of EP830, the Amended Defence & Counterclaim and

Particulars of Infringement on 17 March 2022 and Responses to earlier Notices to Admit Facts were served on 18 March 2022.

### **PMI's Application to Amend**

12. On 25 March 2022 PMI served the application seeking permission to amend to include *Arrow*-type relief. The draft Grounds of Anticipation and/or Obviousness aver that the product particularised in the Annex was, on 31 August 2015 (the priority date of both the Kaufman and Blandino families of patents), anticipated by an unpublished PCT application Mironov and/or obvious over a Chinese utility model Wu. The particulars in the Annex are drawn from PMI's PPD describing the IQOS ILUMA system but at a slightly more general level.
13. There are two sets of applicable principles to which I was referred. First in terms of an application to amend I was referred to the useful summary by Lambert J. in *Pearce v North and East Hertfordshire NHS Trust* [2020] EWHC 1504 (QB) at [10]. It is not necessary to set out that passage, since the principles are well-known.
14. Second, so far as *Arrow* declarations are concerned, I was referred to the reviews by the Court of Appeal in *Glaxo Group Ltd v Vectura Ltd* [2019] RPC 2 (in particular [14] – [18] per Floyd LJ) and more recently in *Mexichem UK Ltd v. Honeywell International Inc.* [2020] RPC 11 (in particular [6] – [18] per Floyd LJ).
15. Although there was debate about whether BAT, by consenting to the revocation of EP080, was engaged in 'shielding' (i.e. preventing the Court from considering the validity of its patent), ultimately BAT realistically accepted that the jurisdictional threshold for *Arrow* declarations is low and that the issue of whether to grant this type of declaration is to be exercised at trial. BAT did not say that the claim sought would be strikeable. Accordingly, the parties seemed to agree that, at this interim stage, the only issue on the merits is whether the pleaded facts and arguments give rise to a realistic claim for *Arrow* relief which should go to trial. PMI contended that the declaration sought would serve a useful purpose and was, at least, of arguable utility in PMI's efforts to clear the way for a UK launch of the IQOS ILUMA system later this year. I agree.
16. BAT's resistance to the proposed amendments were based on case management concerns. BAT contended that this was a very late amendment, brought too late because it would prejudice BAT's ability to deal with the subject of the *Arrow* declaration properly by trial and would adversely affect its ability properly to prepare its case on EP830. BAT pointed out that the *Arrow* claim does not rely on the same prior art previously relied upon against EP080, so if the amendment were to be allowed, its legal team would have to get up to speed on new prior art in very limited time. More generally, BAT also drew my attention to the difficulties it would face in dealing with this new *Arrow* case within the existing agreed timetable down to trial.
17. Overall, I was satisfied this was not a 'very late amendment'. The hearing of this application occurred at what was effectively the CMC. The application was brought speedily and plainly in response to BAT's indication on 8<sup>th</sup> March 2022 that it would consent to revocation of EP080. Until that indication, PMI was relying on its ability to demonstrate EP080 was invalid in this action in terms of legal certainty.

18. Whilst the existing timetable requires adjustments to accommodate the *Arrow* claim I was entirely satisfied that these two well-resourced parties, each represented by very experienced patent solicitors and counsel, will be well able to prepare properly and fully for the trial set to start on 20<sup>th</sup> September 2022.
19. Having announced my decision on this application, I invited the parties to agree a revised set of directions down to trial. They have done this and I am grateful for the co-operation in that regard. I have made the directions order.

### **PMI's Application to stay the 002 Action**

#### *The global litigation between the two sides*

20. The two actions before me are not the first between these two parties. They are just a part of a much larger global battle, which was started by PMI in June 2018 in Japan, between the parties in relation to their THPs. There have already been two earlier sets of proceedings in this jurisdiction:
  - i) In April 2020, BAT commenced proceedings to revoke three divisional patents from the same family as those in issue in Japan (the Greim patents). A fourth granted during the proceedings. Marcus Smith J revoked all 4 patents in July 2021 (see *Nicoventures v Philip Morris* [2021] EWHC 1977 (Pat)). An appeal is pending (permission having been granted by the Court of Appeal) and due to be heard in November 2022. An unusual feature of this case was/is that PMI had, in its counterclaim for infringement, claimed damages in relation to sales abroad based upon the fact that BAT's THP was developed in the UK.
  - ii) In March 2021, Meade J gave judgment in an action brought by PMI to revoke 2 patents owned by BAT group companies. Both patents were revoked. See *Philip Morris v Nicoventures* [2021] EWHC 537 (Pat).

#### *Procedural background*

21. EP 323 was granted on 19 August 2020. BAT filed an opposition at the EPO on 3 September 2020. This includes an allegation of lack of inventive step over the two prior art citations now relied upon in the 002 Action.
22. Shortly thereafter, on 18 September 2020, PMI commenced preliminary injunction proceedings founded on EP323 against BAT Germany in the Landgericht Munich in relation to 'dual coil' glo products (i.e. devices with two distinct inductive heating coils rather than one). In view of these German proceedings, BAT sought acceleration of the EPO proceedings. However, PMI withdrew its PI proceedings at the hearing on 26 November 2020 because the Court expressed doubts as to the validity of EP323. PMI then filed main infringement proceedings in the Landgericht Dusseldorf on 11 December 2020.
23. On 21 December 2021 the Dusseldorf Court handed down its judgment restraining BAT Germany from commercialising its glo Hyper and glo Hyper + devices and neosticks. Having considered validity over two prior art references relied upon by BAT (one of which is also relied upon by BAT in these proceedings) the Dusseldorf Court rejected BAT's validity arguments advanced in support of a stay. PMI subsequently enforced

the judgment. BAT has appealed to the Oberlandesgericht Dusseldorf, with the oral hearing due to take place on 24 November 2022. The appeal is concerned not just with the finding of infringement but also the refusal of a stay pending a decision on validity in revocation proceedings.

24. BAT sought a stay of enforcement of the decision in respect of neosticks, which the Oberlandesgericht granted on 24 January 2022. As a result, BAT Germany continues to commercialise the version of glo Hyper+ UNIQ with a single inductor coil which is outwith the injunction based on EP323, with suitably labelled neosticks.
25. With the benefit of an injunction on the merits in Germany, PMI sought preliminary injunctions enjoining sales of dual coil glo products in Romania, the Czech Republic and Poland in January 2022. BAT characterise this as PMI ‘aggressively asserting’ EP323 in these countries, but I am sure that BAT would do the same if they were in PMI’s position.
26. In the Czech Republic an injunction was initially refused at first instance, overturned on appeal but when remitted to the first instance court for reconsideration, again refused on the grounds of delay and lack of urgency as the inductive heating glo system had been on the market in the Czech Republic since 2019. PMI has appealed. If PMI obtains an injunction, it is required to start infringement proceedings on the merits which will take 1-2 years to reach a first instance judgment.
27. In Romania, the Court granted a partial preliminary injunction on 23 February 2022 restraining BAT Romania from commercialising the induction heating glo devices, but refused the injunction regarding the neosticks. Both parties have appealed, with the appeal likely to be decided in May 2022. PMI commenced main infringement proceedings on 14 February 2022, and these will not be resolved until 2024-2025.
28. In Poland, PMI sought an ex parte preliminary injunction on 28 January 2022, which became inter partes. A decision is expected mid-May 2022. Again, if PMI secures a preliminary injunction, it is obliged to commence main infringement proceedings which will take 1.5-2 years to reach judgment at first instance.
29. There are also ITC proceedings in the US in which an exclusion order has been issued against PMI’s IQOS product based on two patents including a US patent from the same family as those in the trial heard by Meade J.
30. BAT commenced this action on 10<sup>th</sup> February 2022, serving the Claim Form, Particulars of Claim and Grounds of Invalidity. In response, PMI’s solicitors sought confirmation from BAT’s solicitors that no potentially infringing acts had occurred in the UK and that BAT had no intention to carry out any potentially infringing acts in 2022 on a commercial scale. BAT’s solicitors provided those assurances by letter on 3 March 2022. Thus, PMI say they have no actual or *quia timet* grounds for counterclaiming for infringement of EP 323 by glo products in these proceedings. They say that any such proceedings must await any actual or intended launch of dual coil glo products in the UK.
31. PMI served their defence on 11<sup>th</sup> March 2022 plus this application to stay the action pending the final resolution of the EPO Opposition to EP323. On this application, PMI stresses the absence of any claim by BAT in this action for a declaration of non-

infringement, in circumstances where BAT's resistance on EP323 in other territories has been principally on non-infringement grounds. This is not a surprise however, due to the bifurcated nature of proceedings in continental Europe. As BAT submit, it is possible to clear the way by seeking invalidity and it is not necessary or essential also to seek a declaration of non-infringement in addition.

### **Applicable legal principles**

32. These were not in dispute. The leading case is *HTC v IPCom* [2014] RPC 12, in which Floyd LJ gave the following guidance at [68]:

‘1. The discretion, which is very wide indeed, should be exercised to achieve the balance of justice between the parties having regard to all the relevant circumstances of the particular case.

2. The discretion is of the Patents Court, not of the Court of Appeal. The Court of Appeal would not be justified in interfering with a first instance decision that accords with legal principle and has been reached by taking into account all the relevant, and only the relevant, circumstances.

3. Although neither the EPC nor the 1977 Act contains express provisions relating to automatic or discretionary stay of proceedings in national courts, they provide the context and condition the exercise of the discretion.

4. It should thus be remembered that the possibility of concurrent proceedings contesting the validity of a patent granted by the EPO is inherent in the system established by the EPC. It should also be remembered that national courts exercise exclusive jurisdiction on infringement issues.

5. If there are no other factors, a stay of the national proceedings is the default option. There is no purpose in pursuing two sets of proceedings simply because the Convention allows for it.

6. It is for the party resisting the grant of the stay to show why it should not be granted. Ultimately it is a question of where the balance of justice lies.

7. One important factor affecting the exercise of the discretion is the extent to which refusal of a stay will irrevocably deprive a party of any part of the benefit which the concurrent jurisdiction of the EPO and the national court is intended to confer. Thus, if allowing the national court to proceed might allow the patentee to obtain monetary compensation which is not repayable if the patent is subsequently revoked, this would be a weighty factor in favour of the grant of a stay. It may, however, be possible to mitigate the effect of this factor by the offer of suitable undertakings to repay.

8. The Patents Court judge is entitled to refuse a stay of the national proceedings where the evidence is that some commercial certainty would be achieved at a considerably earlier date in the case of the UK proceedings than in the EPO. It is true that it will not be possible to attain certainty everywhere until the EPO proceedings are finally resolved, but some certainty, sooner rather than later, and somewhere, such as in the UK, rather than nowhere, is, in general, preferable to continuing uncertainty everywhere.

9. It is permissible to take account of the fact that resolution of the national proceedings, whilst not finally resolving everything, may, by deciding some important issues, promote settlement.

10. An important factor affecting the discretion will be the length of time that it will take for the respective proceedings in the national court and in the EPO to reach a conclusion. This is not an independent factor, but needs to be considered in conjunction with the prejudice which any party will suffer from the delay, and lack of certainty, and what the national proceedings can achieve in terms of certainty.

11. The public interest in dispelling the uncertainty surrounding the validity of monopoly rights conferred by the grant of a patent is also a factor to be considered.

12. In weighing the balance it is material to take into account the risk of wasted costs, but this factor will normally be outweighed by commercial factors concerned with early resolution.

13. The hearing of an application for a stay is not to become a mini-trial of the various factors affecting its grant or refusal. The parties' assertions need to be examined critically, but at a relatively high level of generality.'

33. PMI submitted that factors 5, 6, 8, 9, 10 and 12 were particularly pertinent on the facts of this application, emphasising that a stay is the default option and it is for the party resisting the stay (here BAT) to show why it should not be granted. I will keep all these factors in mind, but factor 13 is also pertinent in view of PMI's approach to this application.
34. PMI also referred to *Eli Lilly v Janssen* [2016] EWHC 313 (Pat), a decision of Rose J (as she then was), on the benefit of the 'exportability' of a fully reasoned judgment of the Patents Court and its utility in promoting settlement of Europe wide disputes. As PMI submitted, in that case, both validity and infringement were in issue via claims for revocation and negative declaratory relief in the alternative. At [36], Rose J. considered the point no more than neutral in the exercise of her discretion '*given that there might, if the EPO proceedings conclude that neither patent is valid, be a binding ruling which resolves these disputes.*'



35. However, when reaching her conclusion that no stay should be granted in the circumstances of that case, in [38] Rose J. referred to the fact that whilst there was a chance that the EPO proceedings would be resolved before the English proceedings, they would not be determinative of all the issues between the parties. In that case this was because of the infringement issues between the parties which, as she observed, could only be determined in the English proceedings. However, I note that her observation in [36] only works (as she said) if the EPO decides the patent(s) are invalid.
36. Finally, BAT point to *TNS v Neilsen Media* [2009] FSR 23, per Arnold J. at [22]-[26] and (by analogy with applications for expedition) *Nicoventures v Philip Morris* [2020] EWHC 1594, per Birss J. at [13]-[22], as establishing that the spin-off value of a decision of the UK Court is a relevant factor to take into account when deciding whether to stay proceedings pending the EPO.
37. However, in my view, the analogy with applications for expedition is not exact. In the latter context, in *Nicoventures*, Birss J. (as he then was) emphasised (i) many litigants in the Business & Property Courts would like their cases to be tried earlier and granting expedition involves an inevitable degree of queue-jumping which displaces other litigants; (ii) the need for the party seeking expedition to establish a *good reason* for expedition and a mere wish for commercial certainty is not enough (cf *Gore v Geox* and *James Petter*) and (iii) that the ability to deploy a UK judgment in other EP states (Germany in particular) is (as Arnold J. (as he then was) had consistently stated in a number of cases) a factor to take into account, but is not a strong factor and will never be sufficient on its own.
38. In the context of an application for a stay pending the EPO, the principles are as stated above. Whilst the burden is certainly on the party seeking the stay, factor 8 talks in terms of achieving ‘some commercial certainty’.

### **The Facts**

39. In the application of the legal principles to the particular facts of this case, the parties identified the following issues which I will address before weighing the balance:
  - i) Timing of the UK action vs the EPO proceedings, including the recent grant of a divisional of EP323 – EP225.
  - ii) BAT’s desire for commercial certainty in the UK (including the possibility of PMI mounting a claim for extra-territorial damages).
  - iii) BAT’s desire for an exportable judgment.
  - iv) Promotion of settlement.

### *Timing*

40. So far as the UK action is concerned, there is a trial slot in March 2023, and judgment from such a trial could be expected by May 2023. If an appeal was progressed reasonably swiftly, it might be heard in late 2023 or early 2024, but a judgment could be expected certainly in early 2024.

41. EP323 is being opposed at the EPO by Nicoventures. Its Notice of Opposition was filed on 3 September 2020 and relies, inter alia, on the same two prior art references as in this action. The proceedings have been accelerated and the hearing of the opposition in the Opposition Division (OD) has been fixed for 14 September 2022. The OD has issued its preliminary opinion that none of the grounds of opposition prejudices the maintenance of EP323. The OD is likely to announce its decision orally at the conclusion of the hearing with its written reasons following within 2-3 months. There is then a period of 2 months within which a notice of appeal must be filed.
42. The debate concerned (a) when one might expect the decision of the TBA and (b) the risk of the opposition being remitted to the Opposition Division, followed by a further appeal to the TBA.
43. Mr Wilson for PMI (having discussed the matter with Dr Pfund (the EP Attorney responsible for defending the opposition to EP323 for PMI)) contended that any appeal from the OD would be heard by the end of 2024, i.e. within 24 months. In response, Mr Ooi for BAT (assisted by Dr Lewis, the EP Attorney responsible for Nicoventures' opposition) made a number of points: first, that the TBA's target for dealing with 90% of opposition appeals was 30 months, but is currently running at 60 months; second, PMI's estimate assumes the appeal proceedings would be expedited, but expedition in the TBA is not automatically granted merely because the OD proceedings were expedited. Without expedition, appeals typically take 3.5 – 4 years to resolve; third, PMI's estimate assumes a single appeal to the TBA will finally resolve all issues in the opposition, and BAT point out that frequently a case is remitted to the OD for further consideration.
44. There was further evidence of increasing detail. Dr Pfund saw no reason to revise his initial estimate of a TBA hearing by the end of 2024. Dr Pfund observed that the 2-4 year average needs to be treated with caution because it depends on the Board in question. Dr Lewis then presented (via Mr Ooi) an analysis of the Board in question for EP323, whose average is 2 years 7.5 months. When the time for the OD decision plus deadline for filing the appeal are added in, he says that on an average timeline, the TBA oral hearing would not be expected until Q4 2025 with a written decision in Q1 2026. Dr Lewis also criticised Dr Pfund's views on expedition on the basis that some of the provisions he had relied upon were no longer in force.
45. In relation to remittals, Mr Wilson and Dr Pfund relied on a change in the Rules of Procedure aimed at reducing the likelihood of 'ping-pong'. In response, Mr Ooi referred to several articles by respected patent attorney firms which indicate that the changes to the rules of procedure have not resulted in any significant change of practice. Overall, there is some likelihood of remittal but, on the basis of very little concrete information, I would assess the likelihood as reasonably slight since EP323 is not overly complicated.
46. Overall, PMI maintained that any appeal to the TBA would be likely to be heard before the end of 2024 so that the EPO proceedings are on track to produce a first instance decision within a comparable time frame, and a TBA decision not very far behind any decision of the Court of Appeal in this action. Wrapped up in that submission are two different points: the first is the general timing issue and the second is the degree of commercial certainty obtained from the respective decisions.

47. In terms of commercial certainty, Mr Wilson for PMI made two points. First, he questioned Mr Ooi's comparison of the timing of a first instance decision in this action with that of a TBA decision and why BAT would not secure sufficient commercial and legal certainty from a decision of the OD. However, there are many patents which survive opposition which are nonetheless found invalid on the ground of obviousness on a more detailed analysis of the prior art plus CGK with the benefit of expert evidence which occurs in national proceedings, particularly in the UK. Whilst in the clearest cases a patent does not survive the OD, failure in the OD does not mean that a national court will not invalidate. So I think it is somewhat naïve to suggest that a decision of the OD is comparable to a decision of this Court on validity and provides the same level of legal and commercial certainty.
48. Mr Wilson's second point was to point to the decision of the 'highly respected' Landgericht Dusseldorf. He says that court considered the validity of EP(DE)323 over one of the two references relied upon by BAT in this action. Whilst accepting that that court had no jurisdiction to revoke the patent, he says it nonetheless heard detailed submissions from BAT on validity in the context of a discussion as to whether those infringement proceedings should be stayed. He says '*in consequence, the Court gave a reasoned decision on validity*'. Although I have not seen the decision itself, it is well-known (and this was confirmed in some evidence from Mr Ooi) that the German infringement courts only grant a stay in a few cases – estimated to be less than 10% of patent infringement cases. Again, in my view, the notion that the Dusseldorf infringement court has given a definitive ruling on validity is somewhat naïve. To my understanding a stay is only granted by a German infringement court in cases where the case for invalidity appears strong or is 'obvious' (as BAT contends in its appeal in Dusseldorf).
49. It is not possible for me to predict precisely when an appeal to the TBA will be heard or that there will be no remittal. Even if I assume, in PMI's favour, that any appeal to the TBA will be heard by the end of 2024, it is clear that BAT would be able to achieve considerable commercial and legal certainty by a first instance decision of this Court considerably earlier – by around May 2023. I have not ignored the possibility of an appeal to the Court of Appeal, but if EP323 is found to be invalid for obviousness at first instance, the likelihood of that being overturned on appeal is low.
50. This conclusion is very firmly reinforced by consideration of EP225. As I have already indicated, EP225 is a divisional of EP323. BAT say that if no stay is granted, it will apply to amend its Claim Form, Particulars of Claim and Grounds of Invalidity to introduce a claim to revoke EP225, relying on the same prior art as against EP323. BAT make the obvious point that it would make sense to deal with both patents together.
51. EP225 was granted on 20 April 2022, with the nine-month opposition period running from then. Absent expedition, an OD decision would not be expected until the second half of 2024, with an appeal to the TBA taking, again without expedition, a further 3.5 to 4 years. Even assuming expedition at both levels, the EPO proceedings involving EP225 would not be expected to conclude for several years after these UK proceedings. If a stay is granted in the 002 Action for EP323, BAT could bring a fresh action to clear away EP225. It is conceivable that BAT might elect not to oppose EP225 at the EPO in order to avoid PMI applying to stay that action pending the outcome of any EPO opposition (although I do not suggest this would be an easy decision to make). This

generates the prospect of the English Court determining the validity of EP225 before the conclusion of the EPO proceedings regarding EP323. The alternative is that BAT would consider that it had to oppose EP225 in view of its interests across various EP countries, in which case a stay of the EP225 revocation action would further perpetuate uncertainty for BAT.

*Commercial certainty in the UK*

52. This was a particular focus of debate both in the evidence and at the hearing.
53. Although BAT's induction heating glo device was launched in mid-2019 and is now on the market in 22 countries, it is not currently on the market in the UK, despite being designed here.
54. Mr Ooi for BAT explains that BAT commenced these UK revocation proceedings primarily for two reasons:

‘(i) to clear the way for the launch of the glo system (with two inductor coils) in the UK in the near future, and (ii) to obtain a reasoned revocation decision from the English Patents Court to assist other European courts, not only in respect of PI proceedings in various EPC jurisdictions (including those that may be brought by [PMI] in the future), but also in main infringement proceedings on the merits that follow on from the extant PI proceedings, particularly where patent validity is not considered given the bifurcated nature of patent proceedings. This is particularly in view of [PMI]'s recent (January 2022) use of ex parte PI proceedings in the Czech Republic, Romania and Poland in relation to glo Hyper and glo Hyper+ (with two inductor coils).’

55. BAT's evidence in relation to its intentions in the UK was given by Mr Ooi, on instructions from Mr Fredrick Svensson, Managing Director of BAT's UK and Ireland business. Mr Svensson and his team keep the UK market under review on a quarterly basis to assess the suitability for a launch of the dual coil induction heating glo system in the UK. Mr Ooi says:

‘Mr Svensson has informed me that he cannot predict the outcome of future quarterly meetings, which review the UK opportunity and market landscape and discuss BAT's potential THP launch plans in the UK, save that these such plans are considered in earnest in each meeting. Having seen the ongoing commercial and legal uncertainty brought about by [PMI]'s PI requests on 28 January 2022 using EP 323 in the Czech Republic, Romania and Poland, and the significant time and resources that have had to be diverted to deal with the ongoing litigation and appeals, BAT's and Mr Svensson's minds have been focussed on what would happen in the UK should BAT decide to give the go ahead for a UK launch of the induction heating glo system. Uncertainty regarding the ability to commercialise the glo system in the UK adds a degree of

complexity in making such decisions at the quarterly meetings. This is particularly the case given that the UK is BAT's home jurisdiction. BAT and Mr Svensson are keen for the legal hurdles, particularly in respect of EP 323, to be cleared in advance of a UK launch, which could potentially be as early as mid-2023. BAT and Mr Svensson do not wish for the sort of uncertainties caused by [PMI] presently in the Czech Republic, Romania and Poland to adversely affect a UK launch and BAT's eventual THP market in the UK.'

56. A further point is that BAT have a concern that PMI might claim, in an infringement claim based on EP323, extraterritorial worldwide loss and damage in respect of the inductive heating glo system, similar to their claim in the action based on the Greim patents in respect of the resistive heating glo system. BAT suggest that such a claim, if pleaded, would cause significant commercial and legal uncertainty for BAT, both in the UK and for its global business. This *may* (and I stress that word) be part of the reason why BAT appear to be keen to avoid giving PMI any cause to bring an infringement counterclaim, even though I note that BAT did not say this in their evidence.
57. PMI, in Mr Wilson's evidence in support of the stay and in submissions, take a number of points: first, that the 002 Action is merely a retaliatory response to the proceedings brought by PMI in other jurisdictions based on EP323, a point denied by Mr Ooi in response; second, in submissions, Counsel alleged that the 002 Action was merely a retaliatory response to the Order secured by PMI for a September trial date in the 029 action; third, that this case cannot be a 'clearing the way' exercise because BAT has not sought a declaration of non-infringement. However, as discussed above, this is not correct; fourth, (and most importantly) that Mr Ooi's evidence on BAT's intentions regarding the UK is very thin indeed. PMI submit that all this evidence establishes is that Mr Svensson's team reviews the UK market and considers potential THP launch plans from time to time. They submit that the fact that Mr Svensson cannot predict the outcome of future quarterly review meetings positively establishes the absence of any current intention to launch glo in the UK. They submit that if this was sufficient to displace the default option of a stay, it would turn *IPCom* on its head.
58. PMI also submit that the total absence of the glo product (either resistive or inductive) from the UK market is telling. They submit that if BAT was interested in making inroads into the UK market or building its glo brand here, it could have launched the resistive model years ago. PMI also submit that BAT's lack of genuine interest in the UK market is consistent with its decision not to claim any negative declaratory relief. Finally, PMI submit that BAT could launch its single coil inductive heating device in the UK (which is not alleged to infringe EP323), as it has done in jurisdictions where PMI has obtained injunctive relief against the dual coil product.
59. Overall, PMI submit that BAT's evidence fails to establish any genuine need for commercial certainty in the UK on the issue of validity and certainly fails to establish a need for such certainty sooner than can be provided by the EPO.
60. I return to this main argument below. As will appear, I find this argument to be somewhat myopic and, in the context of these international businesses, parochial. I explain these points below.

61. PMI further submit that if BAT were actually to decide to launch its dual-coil inductive product in the UK, then BAT could apply for the stay to be lifted (with PMI accepting that such a decision would be a material change in circumstances). In my view, there are a number of problems with this suggestion:
- i) first, presumably PMI would only accept that there had been a material change in circumstances if BAT presented clear evidence of their decision and ability to launch. It is reasonable to assume that PMI would not provide that acceptance and would be likely to contend that further information was required from BAT as to its plans. In other words, this arrangement would require BAT to provide to its main competitor information which would normally be kept confidential but which would enable PMI to prepare its retaliation well in advance of any actual launch by BAT. Thus, the effect of granting a stay would be to permit PMI not only to know BAT's confidential commercial plans but also to interfere with them.
  - ii) second, even if implemented, BAT would then have to apply for a trial date. Expedition could not be guaranteed, with the result that BAT might well have to wait another 9 months for trial and possibly 10-11 months before receiving judgment. These timelines are likely to be completely out of step with any commercial timeline which BAT might have.
  - iii) third, this arrangement assumes in its favour PMI's submission that BAT has not established any need for legal certainty in the UK regarding its glo product.
62. In my view, these problems weigh in the balance of justice.
63. Finally, I record that in the course of oral submissions, Counsel for PMI did offer some undertakings but in my view they went nowhere near eliminating the uncertainty for BAT, so it is not necessary to consider them further.

*The exportable value of a judgment on validity from the UK Court*

64. Based on *Lilly v Janssen* (plus the analogy with grounds for expedition), PMI submit that the possible 'exportable' value of an English judgment is not enough on its own to warrant a departure from the default option of a stay. Furthermore, PMI say it is difficult to see how an English judgment could have any exportable value in the current circumstances. PMI make this point on the basis that the decision of the Dusseldorf court in refusing a stay is 'as likely to be as influential in Europe as a judgment of the English Court'. As indicated above, this point is, in my view, somewhat naïve.
65. PMI also say that any decision of the English Court will come too late to be of any assistance to BAT in the preliminary injunction or merits infringement proceedings already on foot in Europe. For the first instance PI decisions, this is true, but is probably not true regarding appeals and infringement proceedings on the merits. Furthermore, in response, Mr Ooi states, having spoken to BAT's representatives in each of the jurisdictions where there are currently proceedings, that a decision of the English Court on validity would be of assistance to the German, Czech, Romanian and Polish courts as well as other courts where infringement and injunction applications may be launched by PMI in the future.

66. The evidence as to the various and differing stages of the litigation in the various continental European jurisdictions demonstrates a complex and virtually constantly varying picture. In such circumstances, it is, in my view, impossible to conclude now that a judgment of this Court given in around May 2023 would have no exportable value, especially if that judgment was that EP323 and EP225 were both invalid.

*Promotion of settlement*

67. Mr Ooi suggests that a ruling of the Patents Court on the validity of EP323 may help to promote settlement between the parties or at least promote patent peace in relation to EP323 and EP225. As PMI submit, however, whilst the possibility cannot be ruled out, the likelihood needs to be considered with a pinch of realism. PMI point out that the parties have been engaged in worldwide patent litigation over HNB technology since 2018 and several reasoned judgments, including two already from the Patents Court, have not brought the overall dispute to a close, nor has the decision of the Dusseldorf Court. Accordingly, PMI submit this factor has no weight.
68. Whilst I agree with PMI's 'pinch of realism' submission up to a point, I do not consider it right to afford this factor no weight at all. I give it limited weight because both parties appear willing (at least at the moment) to devote considerable resources to their patent disputes in a number of jurisdictions including this one.

**Balancing the various factors**

69. I will now draw together and state my conclusion on my overall assessment of the various factors, to the extent that I have not already expressed a view above.
70. First, this 002 action must be considered against the backdrop of the ongoing global patent dispute between the two sides. Although this point was not discussed in the evidence, in my view, there is reason to believe, from this dispute and the previous cases between the parties decided in the UK, that each side has been and remains intent on building up/acquiring a thicket of patents around every possible detail of their HNB or THP products, ready to assert against the other. There is nothing inherently wrong with this (and I note that the European Patent system contains certain safeguards), provided the patents are valid. In that regard, in my view both sides are intent on creating and maintaining as much commercial and legal uncertainty as possible for the other. As anyone experienced in patents knows, even an invalid patent can be used to create such uncertainty for as long as it takes for a tribunal or court to establish invalidity. This is a particular problem with bifurcated systems in which infringement tends to be considered well before validity.
71. As I mentioned at the outset of this judgment, I was struck by the almost equal and opposite positions adopted by each side on the two main applications. Whilst PMI achieved their goal of alleviating the commercial and legal uncertainty caused by some of BAT's patents and applications by being allowed to advance their claim for *Arrow*-type relief, having done so PMI are now keen to achieve a stay of the 002 action, which will have the effect of perpetuating the uncertainty for BAT potentially across all EP states. The points I have made so far in this section increase the focus on whether refusing a stay will bring 'some commercial certainty' for BAT.

72. Second, in relation to the arguments over commercial certainty for BAT, I was struck by two points. First, PMI's insistence on a clear division between the UK and other EP states and second, PMI's intent on creating a mini-trial around BAT's commercial plans.
73. On the first of these points, in the circumstances of this case, it is somewhat unreal to isolate the UK from other contracting states, notwithstanding Brexit. Both sides clearly operate on a global scale or at least on a pan-European scale. A new product may be developed in one country (e.g. BAT developed its glo product in the UK) and, whilst I cannot rule out slight variations in the regulatory approach between the UK and other EP states, commercialised in many countries. With an already developed product, creating appropriate packaging etc for a new market can be done relatively quickly. Then the hurdle to be overcome before launch in a new market is the planning and execution of the marketing campaign. I am sure that both sides have substantial and experienced marketing teams. The consequence of these points is that if BAT decided to launch its glo product in the UK, it could be ready to launch relatively quickly, in a matter of a few months.
74. If that is right then PMI's offer that a stay could be lifted, allowing BAT to proceed to a trial in say 9 months (probably at the earliest), not only does not help very much, it probably also creates something of a chicken and egg situation. One of the points which would no doubt be considered at the quarterly meetings by Mr Svensson and his colleagues when considering whether to launch the glo system in the UK, is whether the way is clear or not. In this regard, he and his colleagues will undoubtedly have been (and will be in the future) affected by the way in which PMI has sought to assert and enforce EP323 in several jurisdictions already. Indeed, if BAT sought to lift the stay on the basis of firm plans to launch the glo inductive two-coil product in the UK, that might well precipitate a PMI application for a preliminary injunction here. In any event, a first instance UK trial judgment on validity would probably come too late, if BAT had decided that the time was right to launch some 9 or more months previously.
75. That leads me to the second point. Again, I was struck by the contrast between PMI obtaining a trial of the 029 action in September 2022 on an indication that a launch of their product in the UK was 'anticipated during the latter part of [2022]', and PMI seeking, in the context of the stay application, to put BAT's commercial plans under the microscope, and seeking to pursue something of a mini-trial over them. In terms of the mini-trial issue, I note that PMI in its submissions and evidence sought to debate issues over:
- i) Whether the 002 action can be characterised as a 'clearing the way' action at all because BAT had not sought a declaration of non-infringement (see above);
  - ii) Whether, in view of what Mr Ooi related about the decision making process at BAT, it had been established that BAT had no commercial need for certainty before the conclusion of the EPO proceedings;
  - iii) Whether BAT had delayed in bringing the 002 action;
  - iv) BAT's reason for starting the 002 action;



- v) PMI's suggestion that the size of the THP market in the UK is currently small. The import of this submission appeared to be that therefore there was no need for BAT to enter that market (at least until the EPO proceedings have concluded). This only needs to be stated to be rejected;
  - vi) PMI's suggestion that BAT did not need to launch the dual coil glo product in the UK, suggesting it could proceed with the single coil product (as it had in other jurisdictions where the dual coil product had been injuncted). This submission once again assumes that PMI is entitled to have the ability to dictate or influence BAT's commercial plans.
76. The second point effectively invited the Court to conduct a mini-trial over BAT's intentions in order to reach the suggested conclusion (cf factor 13 above). I do not think it is right on an application of this kind effectively to disbelieve evidence that BAT has brought this 002 action to 'clear the way', when the action appears to have precisely that purpose. Indeed, in many cases, the purpose of bringing a clearing the way action is to establish invalidity (or non-infringement or both) *before* launch, thereby avoiding launching a product at risk. The evidence about BAT's decision-making process is consistent with such purpose and it is unreal to suggest that to allow a 'clearing the way' action to continue, the claimant must have an immediate intention to launch. I recognise that the way I have phrased that last point might indicate I have lost sight of factor 5. Far from it. I have reminded myself again of the applicable principles.
77. Overall, I have reached the conclusion that despite the default option (factor 5 above) a refusal of the stay will bring some commercial certainty for BAT at a considerably earlier date via the 002 Action than in the EPO (factor 8 above). The position so far as the UK is concerned is enhanced by the spin-off value of a judgment of the English Court in other European jurisdictions. The conclusion is further reinforced by the recent grant of EP225 and the considerations I have outlined above regarding that patent. In my view the balance of justice comes down firmly in favour of eliminating, as soon as possible, the uncertainty created for BAT by the presence of EP323 and EP225, and hence in favour of refusing the stay sought by PMI.
78. As indicated at the hearing, since I have now refused the stay, I direct that the trial of the 002 Action will be listed to be heard in March 2023, the precise date to be confirmed with Chancery Listing, on the basis of 5 days in Court, 1 day pre-reading and one day off for preparation of written closing submissions, with a technical complexity rating of 3. Directions are required down to that trial including, as BAT intimated, the introduction of a new claim for revocation of EP225. I invite the parties to seek to agree such directions. If they cannot be agreed, a CMC will have to be appointed, preferably before me in view of my involvement so far and preferably within 28 days.

### **Costs**

79. PMI succeeded in its application to amend to introduce its claim for *Arrow*-type relief in the 029 Action but failed in its application to stay the 002 Action.
80. In relation to the 029 Application, PMI must pay the costs of and occasioned by the amendments. So far as the costs of the Application are concerned, Mr Hinchliffe QC submitted that they should be reserved on the basis that it may turn out that BAT were correct in predicting that it is not possible to prepare for the trial in September. I do not

agree for three reasons: first, because it was necessary to form a view now, and I ruled against BAT; second, because I think it is highly likely that these two well-resourced parties will be ready for trial in September and third, because, in the unlikely event that the Court is persuaded to postpone that trial, the costs of any such application will be dealt with on the merits of that application and in view of the way in which the two sides have conducted themselves in the interim period. Such a decision will be independent of what I had to consider on this application to amend. In the circumstances, costs will follow the event of that Application.

81. In relation to the 002 Stay Application, again costs will follow the event.
82. Both sides served costs schedules for each application and I was invited to summarily assess costs. Of course, one of the main purposes of having costs summarily assessed is that costs are paid as the case proceeds rather than being held over until after judgment and/or a costs assessment. All the totals presented in these costs schedules were high, bearing in mind the hearing of both applications was listed for a day and took somewhat less than that.
83. PMI's costs schedule for the application in the 029 Action gave a grand total of £92,461.53, whereas BAT's total was £77,745. As Mr Hinchliffe pointed out, PMI's costs are some £15,000 more than those of BAT. He levelled some criticisms at the amount of time spent by PMI's solicitors on documents and his points had some force. He invited me to award £60,000, which I consider to be too great a reduction.
84. So far as the stay application in the 002 Action was concerned, PMI present a total of £86,455 and BAT's total was remarkably similar at £86,669. To an extent I consider these costs were inflated by PMI's desire to engage in a mini-trial, developed in its witness statements, to which BAT was obliged to respond.
85. In the circumstances, I summarily assess both sets of costs in the sum of £75,000. The consequence is that no payment going either way is required.
86. I ask the parties to seek to agree a suitable Order.