

Neutral Citation Number: [2008] EWHC 777 (Ch)

Case No: HC 06 C02034

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
PATENTS COURT**

Royal Courts of Justice
Strand, London, WC2A 2LL03/03/2008

Date: 14/04/2008

Before :

THE HON. MR JUSTICE FLOYD

Between:

QUALCOMM INCORPORATED
(a Delaware Corporation) Claimant

- and -

NOKIA CORPORATION
(a Finnish Company) Defendant

Mr. Antony Watson QC , Mr. Guy Burkill QC and Mr. Thomas Hinchliffe (instructed
by **Lovells**)for the **Claimant**

Mr. Michael Silverleaf QC and Mr. Henry Whittle (instructed by **Bird & Bird**)for the
Defendant

JUDGMENT

The Hon. Mr Justice Floyd:

1. On 3rd March 2008, I handed down my judgment in this action. It concerned two patents, 324 and 482. They both related to highly complex communications technology. I now have to decide the incidence of costs.
2. The result of the action was that Nokia were successful. The two patents were both held to be invalid. In both cases, however, I found that there was infringement.
3. Both parties' costs are of the same order of magnitude. It is therefore possible for me, as the parties have invited me to do, to approach this case on a percentage costs basis.
4. The CPR sets out the approach to be taken in all cases when the court is asked to exercise its discretion as to costs. CPR 44 provides; so far as relevant:

“(1) The court has discretion as to —

- (a) whether costs are payable by one party to another;
- (b) the amount of those costs; and
- (c) when they are to be paid.

(2) If the court decides to make an order about costs —

- (a) the general rule is that the unsuccessful party will be ordered to pay the costs of the successful party; but
- (b) the court may make a different order ...

(4) In deciding what order (if any) to make about costs, the court must have regard to all the circumstances, including —

- (a) the conduct of all the parties;
- (b) whether a party has succeeded on part of his case, even if he has not been wholly successful; ...

(5) The conduct of the parties includes —

- (a) conduct before, as well as during, the proceedings, and in particular the extent to which the parties followed any relevant pre-action protocol;

(b) whether it was reasonable for a party to raise, pursue or contest a particular allegation or issue;

(c) the manner in which a party has pursued or defended his case or a particular allegation or issue;

(d) whether a claimant who has succeeded in his claim, in whole or in part, exaggerated his claim.

(6) The orders which the court may make under this rule include an order that a party must pay —

(a) a proportion of another party's costs;

(b) a stated amount in respect of another party's costs;

(c) costs from or until a certain date only;

(d) costs incurred before proceedings have begun;

(e) costs relating to particular steps taken in the proceedings;

(f) costs relating only to a distinct part of the proceedings; and

(g) interest on costs from or until a certain date, including a date before judgment.

(7) Where the court would otherwise consider making an order under paragraph (6)(f), it must instead, if practicable, make an order under paragraph (6)(a) or (c).

(8) Where the court has ordered a party to pay costs, it may order an amount to be paid on account before the costs are assessed.

(9) Where a party entitled to costs is also liable to pay costs the court may assess the costs which that party is liable to pay and either;

(a) set off the amount assessed against the amount the party is entitled to be paid and direct him to pay any balance; or

(b) delay the issue of a certificate for the costs to which the party is entitled until he has paid the amount which he is liable to pay.”

5. There is no doubt that Nokia are the overall winners. The patents are invalid and it is not possible to infringe an invalid patent. The general rule is therefore that Qualcomm will be ordered to pay Nokia's costs.
6. The approach to exercising the discretion where there are issues on which the unsuccessful party overall has won has been looked at in a number of cases, including the Court of Appeal in *SKB v Apotex* and *Pumfrey LJ in Monsanto v Cargill*. The correct approach is to ask oneself three questions. First of all, who has won; secondly, has the party that has won lost on an issue which is suitably circumscribed to deprive that party of the costs of that issue; and, thirdly, is the case a suitably exceptional one to justify making a costs order on that issue against the party who has won overall. That is the approach that I propose to adopt here.
7. The parties have put in evidence on each side directed to attempting to assess the costs of various aspects of the case. On behalf of Qualcomm Mr. Macfarlane has made a witness statement in which he attempts to assess the proportion which various issues bear to the overall size of the case. In assessing an exercise of that nature, it is important to bear in mind that there are some costs which have to be incurred in an action whether a party is successful on a particular issue or not. Slicing up the cake into a number of slices of different sizes may lose sight of the fact that there is a slice which is not attributable to any particular issue. I bear that in mind in approaching the percentages in this case that these general costs will have a downward influence on Mr. Macfarlane's percentages.
8. Looking at the percentages, it seems to me to be desirable to approach them on the basis of percentages of the action as a whole rather than percentages of the costs attributable to a particular patent. In that way it will be possible to tax Nokia's costs without having to ascertain whether individual costs are attributable to one patent or the other.
9. There was some dispute as to whether 482 occupied 40% or 50% of the technical issues in the action and whether 324 occupied 50% or 60%. My overall impression is that the two patents occupied approximately the same amount of time at trial. The difference between the parties does not make an enormous difference in the approach which I will adopt.
10. Turning first to 324, it is suggested that there should be deductions for the issues of construction, infringement, the factual issues in relation to publication of the CAI and CTIA documents, the application to stay the proceedings pending the United States arbitration, obviousness over GSM and insufficiency and added matter.
11. It seems to me that in relation both to 324 and 482 construction is not really a suitably circumscribed issue to make it suitable for a separate issue-based award and I do not propose to make any deduction to Nokia's costs to take account of the issue of construction. The patent would have to be construed in any event. Although it might be

said that more construction had to go on because of infringement, I do not think it is possible to arrive at a sensible figure and the benefit of that should go to Nokia.

12. As far as the issue of infringement is concerned, Mr. Macfarlane says that this accounted for 25% of the costs of 324 or 12% of the overall costs. It seems to me from the submissions and the evidence which I have been reminded of today that although infringement is a suitably circumscribed issue, this is not a case where one can say that the issue arises in such an exceptional way that it should result in a costs order adverse to Nokia. Nevertheless, I do feel that a deduction from the overall costs should be made to take account of the fact that Nokia have lost on infringement. The figure of 12% overall is too high, given that there was for some time a debate even as to the relevant aspects of the Nokia phone and the system to which it is to be incorporated that were the right ones to look at. I have come to the conclusion that a deduction of 5% to take account of infringement is appropriate.
13. So far as CAI and CTIA are concerned, Mr. Macfarlane's estimate is 30%. Those costs need to be separated into technical issues on which Nokia not only succeeded but succeeded to the extent of obtaining summary judgment at an earlier stage in the action and factual issues. The factual issues occupied a considerable part of the trial and at least in relation to CAI were pursued with some enthusiasm in the face of material on the document which indicated that at least prima facie the document was confidential.
14. I think the factual issues in relation to CTIA were a suitably circumscribed issue and the circumstances are such that a costs order adverse to Nokia should be made. Mr. Macfarlane's figure comes to 14% or so of the overall costs, but I should cut that down by half to take account of the fact that it relates to factual issues only and then double it again to take account of the fact that a costs order is going the other way. So that results in a reduction of 14% to Nokia's costs.
15. So far as the application to stay the arbitration is concerned, that again seems to me to be a discrete issue. The application failed and the costs were reserved to me. Mr. Silverleaf submitted for Nokia that this was part of the wear and tear of litigation. I do not agree. I think that a costs order should be made and Nokia should pay Qualcomm's costs of that issue. 4% of the overall costs does, however, strike me as high. The deduction I would make is 3%, resulting in a 6% deduction to take account of the adverse costs order.
16. So far as obviousness over GSM, insufficiency and added matter are concerned, I make no deduction.
17. Turning to 482, the issues are similar. Deductions are suggested for (a) construction, (which I refuse on the same grounds as 324), (b) infringement, (c) the NovaTel Fujitsu and Nokia Vaisonen citations, on which Nokia failed, (d) sufficiency and added matter. As far as infringement is concerned, it seems to me that I should make a similar order making a deduction from Nokia's costs and one slightly more generous than that which I have

made in relation to 324. Mr. Macfarlane's estimate is 9.6% of the whole and I consider that 6% is the appropriate figure. As far as the citations are concerned, Mr. Macfarlane estimates 10% of the patent and 3.2% of the whole. I would allow 2% in relation to those citations, but only a deduction of that amount. I make no deduction for sufficiency and added matter.

18. Totting those figures up, I come to 33%, which means that Nokia will recover 70% of the total, based on those arithmetic calculations. I should, however, stand back, as the Apotex case invites me to do, and ask myself whether that costs order reflects the overall justice of the case. I think it does and therefore I propose to make an order that Nokia recover that proportion of its costs.