



Neutral Citation Number: [2022] EWHC 1603 (Pat)

Case Nos: HP-2020-000046 / HP-2021-000005

**IN THE HIGH COURT OF JUSTICE**  
**BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES**  
**INTELLECTUAL PROPERTY LIST (ChD)**  
**PATENTS COURT**

The Rolls Building  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NL

Date: 20<sup>th</sup> June 2022

Before:  
**MR. JUSTICE MEADE**

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Between:

**TEVA PHARMACEUTICAL INDUSTRIES LIMITED**  
Claimant/Pt 20  
Defendant in HP-2020-000046  
- and -  
**SANDOZ AG**  
Claimant/Pt 20  
Defendant in HP-2021-000005  
- and -  
**ASTELLAS PHARMA INC**  
Defendant/Pt 20  
Claimant HP-2020-000046  
& HP-2021-000005  
- and -  
**TEVA UK LIMITED**  
**SANDOZ LIMITED**  
Part 20 Defendants in  
HP-2020-000046  
& HP-2021-000005

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**JUSTIN TURNER QC and STUART BARAN for Teva (instructed by Pinsent Masons LLP), JUSTIN TURNER QC and GARETH MORGAN for Sandoz (instructed by Pinsent Masons LLP)**  
**ANNA EDWARDS-STUART (instructed by Hogan Lovells International LLP) for Astellas**  
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**Approved Judgment**

Transcript of the Stenograph Notes of Marten Walsh Cherer Ltd.,  
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**MR JUSTICE MEADE:**

1. This is a consequential hearing following my judgment in the action. There are a couple of aspects of costs that I have to deal with and the first one is what the right overall decision is as to the allocation of costs, leaving aside for the moment interim payment which I will come to next.
2. There is no dispute that the patentee is the overall successful party and I am not invited to make any issue-based award as between the patentee and the two generics.
3. The situation is a somewhat complex one because although they shared representation in the way described in my judgment, Sandoz and Teva are independent companies with their own interests, and they have not run identical cases. In addition, Teva's action started before Sandoz's claim.
4. It is agreed that Teva is solely liable for the costs up to the point in time when Sandoz started its action. The difficulty arises with the situation after that. Astellas, the patentee, at one point proposed that I should make an order that the generics should be jointly and severally liable for the costs but it has retreated from that, in my view rightly, in the light of the decision of Henry Carr J in the *Illumina* litigation ([2018] EWHC 180 (Pat)), where he rejected as wrong in principle an order for joint liability, because that could end up with one or both of the generics paying costs solely attributable to the other. So although joint and several liability would have made things simple, I agree that it would not have been the right approach in principle.
5. In a sense, what I am asked to do is to make an issue-based costs order as between Teva and Sandoz. Ms. Edwards-Stuart, who appears today for Astellas, says on the basis of evidence put in by Astellas's solicitor that I can, doing the best I can, reach a rough percentage assessment of the costs impact of the points which were run by one side and not the other, in particular points run by Teva and not Sandoz, one of which was the issue of the prior art EP '111 as described in my main judgment.
6. Of course, the court often does make issue-based assessments of the costs as between the winning party and the losing party. That normally happens in a situation where the court has a good grasp of the relative costs of the issues, from having considered them at trial. The difficulty in the present situation is that I did not consider EP '111 in any detail at trial, albeit that I noted in my judgment one aspect of that, which was the practical problem that arose from the evidence being drafted with respect to the text of EP '111 and not the text of the Australian '288 prior art.
7. The amounts at issue in percentage terms are not huge: it is about a 4% swing, if I can put it in that somewhat broad sense, depending on the treatment of the issues where Sandoz and Teva took a different line. In the context of the overall costs of this litigation, that could possibly be a six figure sum. I think it would be unfair on Sandoz and Teva to make a rough cut without the information that will be available to the costs judge conducting any assessment that happens in due course.
8. For that reason, I do not think it is appropriate to attempt the arithmetic. I understand why it would be attractive and it would draw a line under this, but I do not think it would be correct in principle, and therefore I accede to the submission of Sandoz and Teva that I simply make an order that each pays the costs of their own action. I record

the concession made by counsel for Teva today, Mr. Baran, that that means that Teva will have to pick up all the costs up until the point at which the Sandoz proceedings were begun.

9. I record also that no party has submitted that such an order could have the consequence that Astellas might under-recover. It clearly will recover 100% of its costs, subject to assessment of course, and this route does not leave any undistributed gap over which Astellas cannot make a claim.
10. That is the order I will make.

(After further argument)

11. The next issue that I have to deal with is the interim award of costs. It is established that the old line of looking to the irreducible minimum is no longer the right approach and I should seek to look at things more broadly and to award a reasonable sum.
12. The numbers in broad terms are these. Astellas's costs are £2.6 million, following a minor correction made in Ms. McConnell's second witness statement, to account for what I accept was an understandable oversight in drawing up the original bill. That exceeds the total amount spent by both Teva and Sandoz together, which was about £2.2 million.
13. I have received detailed submissions comparing this action with others that have been before the Patent Court in recent years. Too much comparing of one case to another is unhelpful and inappropriate, especially as of course I was only involved myself in a fraction of those cases and do not have a full grasp of the overall dynamic in them.
14. In broad terms, I think it can be observed that this action, as it was heard at trial, was at the simpler end of the range, but not the simplest end. There were two experts on each side and a number of issues to consider. In addition, up until the eve of trial there were further issues in the case as well, because of the priority attack and its associated intervening art, which was dropped rather at the door of the court.
15. So, this was not the simplest level of patent case, but it was very far from being the most complex at the same time, and the amount of time spent in court was not that great: five days.
16. Against that broad backdrop, I do think that Astellas's costs of £2.6 million are on the high side and I think that it is some testament to that that the combined costs of Sandoz and Teva were appreciably less.
17. As to the combined costs of Sandoz and Teva, although they were making common cause at an overall level, they are competitors and no doubt they had to give their own thought to various issues as time went on. They did not run identical cases and there will have been a considerable burden of coordination. If anything, that gives me cause to consider that an indication of how much would have been spent on their side if only one of them was involved is a decent bit less than the £2.2 million that was spent.

18. By my arithmetic, 60% would be just under £1.45 million, and 60% is a common figure awarded in these sorts of cases. There is not a tariff by any means, but that is a common figure awarded.
19. Astellas is contending for 75%, based on a comparison across in part to the *Excalibur* case [2015] EWHC 566 (Comm), which is commonly cited for the proposition that it is a reasonable sum that should be awarded and not the irreducible minimum.
20. I have already deprecated comparing facts too much, but *Excalibur* was certainly a case where things were out of the ordinary, as represented by the award of all the costs on the indemnity basis, something which does not apply here at all. On the other hand, Teva and Sandoz contend for 50%, which would be £1.3 million.
21. The reason for 60% being a common figure is that it builds into it an allowance for quite considerable reductions in the recovery by the winning party, whether that be because of high rates or some individual items which may be the subject of criticism on assessment. I note here that Sandoz and Teva mount an attack on the hourly rates of Astellas and on the balance of work between more senior and more junior members of the team.
22. Albeit that there is reason to think that Astellas's recovery may be reduced appreciably on assessment, I think it is extremely unlikely that it will recover less than the 60% to which I have referred. I adhere to the view that that is a reasonable award, so I will make the award 60%.
23. There is a complication which means that I cannot put an exact figure to that today, because I do not have a split of Astellas's costs in the period between the commencement of the Teva action and the commencement of the Sandoz action.
24. I would have preferred to put a specific number to the award today based on information before me, but the parties seem confident that Astellas will be able to identify the percentage split pre and post commencement of the Sandoz action. I will leave them to communicate that number and to do the arithmetic necessary to translate it into figures in pounds, on the basis that Teva is solely responsible for the interim payment up until the date of commencement of the Sandoz proceedings.
25. The apportionment after that will be 50/50 for the purposes of the interim payment. I think there is little to no benefit to be gained by getting into the arithmetic I referred to in the earlier section of my judgment dealing with the final award. The small difference will come out in the wash, I am confident.

(After further argument)

26. I now have to deal with permission to appeal. It is pointed out by Dr. Turner QC for Sandoz and for Teva that I said that there were important arguments in both directions at paragraph 192 of my judgment. In itself, I do not think that can be enough to give permission to appeal, because sometimes a court does find that each side has

something important to say but weighs all the points in the balance on a jury issue such as obviousness and comes down on one side or the other. That does not necessarily mean that there is a point of principle so as to be an appropriate matter for the review of the Court of Appeal. But in any event, it is really just the introduction to Dr. Turner's submissions.

27. The draft grounds of appeal are under two main headings. One is the problem solved by the patent/the skilled team and the other one is the application of *Conor*. It was on the second of those that Dr. Turner majored before me and he submits that there is an argument to be had, if I can summarise it in this way, about the interface between the principle identified by Lord Hoffmann in *Conor* and the assessment of the technical contribution as indicated in other cases, and also with the principle that the patentee cannot rely on problems that are not solved, as touched on by the Court of Appeal in *Philips v Asustek* and other cases.
28. As I say, that is what Dr. Turner majored on before me.
29. The second point is an issue over the skilled team where it is said that when I came to analyse it I went straight to the second stage in the *Illumina* structured approach and asked what the established field was without articulating what the problem that the patent aimed to solve was.
30. In my own defence, it can be a little bit difficult to organise the *Illumina* questions in the context of the linear treatment of issues that is necessary in a judgment, and before one comes on to look at the patent. It all has to be looked at as a whole. It seems to me that it is a reasonable criticism to make that I did not explicitly articulate the problem aimed to be solved when I dealt with the skilled addressee, but were the criticism made good, I find it hard to see how it really could help Dr. Turner's clients when the second stage of the question is the established field in which the problem resided: there is no doubt, on my factual findings, that regardless of the characterisation of the problem, in the established field the skilled team would have been aware of the many other possibilities being looked at for the treatment of OAB as well as  $\beta$ 3-AR agonists. On my factual findings there was no one working only on  $\beta$ 3-AR agonists and no one working on  $\beta$ 3-AR agonists who was not aware of other potential treatments. So for the purpose of assessing whether the other treatments were part of the common general knowledge and fell into the obviousness analysis, I think it was of little or significance precisely how one characterised the problem.
31. In any event, I certainly did not have in mind the problem that Dr. Turner says is the appropriate one, which is merely the provision of a new  $\beta$ 3-AR agonist for the treatment of OAB, since that is not what the patent, to my mind says, or for any other reason.
32. But even if the attack on my treatment of the skilled addressee does not make progress, one comes back to the main thrust of Dr. Turner's submission, which is that there is an arguable interaction between *Conor* and the other cases that I have mentioned, such that one should have a different attitude to obviousness. I think it is right to say that there is a proper argument to be had about the interaction of *Conor* on the one hand and *Philips v Asustek* and other similar cases on the other, which could lead to a different view of what the technical contribution was and a different assessment of obviousness. This is a point of principle which can potentially be advanced without

requiring the Court of Appeal to consider afresh any matter of assessment by me of primary facts, or jury-type balancing.

33. For that reason, I will give permission to appeal. I have said already that I do not think, in truth, the first set of grounds based on the skilled team can add very much, but nonetheless in case I am wrong about that, and because the two sets of grounds clearly do interact to some degree, I will give permission on that as well.
34. None of this is to say that Dr. Turner's able submissions cause me to doubt the correctness of my decision, and I do not, but I have to step back and ask whether the Court of Appeal could take a different view without having to reassess the facts, and I think that that is possible.
35. I also should make it clear that Dr. Turner has not mounted much of an attack on what I would simply call my traditional obviousness analysis. It may well be that even if some attack can be mounted on my characterisation of the technical contribution, the claimants nonetheless fail in the Court of Appeal because, for example, of my findings about the relative value of the expert evidence. That is all a matter for the Court of Appeal to assess and not in itself a reason for me not to give permission to appeal, so I do give permission to appeal.

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