



Neutral Citation Number: [2020] EWHC 3701 (Pat)

Claim No: HP-2016-000018

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: 18/12/2020

Before:

MR. JUSTICE FANCOURT

Between:

(1) ANAN KASEI CO. LTD
(2) RHODIA OPERATIONS S.A.S.

Claimants

- and -

(1) NEO CHEMICALS & OXIDES (EUROPE) LTD
(2) NEO PERFORMANCE MATERIAL, INC.
(a company incorporated under the laws of Ontario,
Canada)

Defendants

- and -

(3) NEO CAYMAN HOLDINGS LTD

**Proposed
Defendant**

MR. TOM MITCHESON QC and MR. MILES COPELAND (instructed by **Hogan
Lovells International LLP**) for the **Claimants**.

MR. HUGO CUDDIGAN QC and DR. ADAM GAMSA (instructed by **Bird & Bird LLP**)
for the **Defendants**.

Hearing date: 18 December 2020

Approved Judgment

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MR. JUSTICE FANCOURT :

1. This is an application made by the defendants in a dispute which is now at the stage of inquiring into the losses caused to a patentee by an infringement of that patent by the defendants. The issues of the validity of the patent and the infringement of it were decided in 2019 at a trial on liability. There will now be a trial on quantum, which is expected to take place in 2022. The claimants (patentees) have elected to claim damages rather than an account of profits.
2. The matter is due to be heard again at a case management conference on 24th-26th February 2021, at which point the parties will have to go through the usual steps in relation to disclosure and, before that hearing, exchange and prepare the disclosure review document in the usual way.
3. The application that the defendants issued on 20th November 2020 was for disclosure of a limited category of documents ahead of the issue of whether extended disclosure should be ordered and, if so, in what terms. The application seeks the following: "An order in the form attached that (1) the claimant shall provide by way of initial disclosure (i) the licences granted by the claimants to third parties of HSA cerium oxide products and mixed oxide products containing cerium oxide and (ii) the database referred to in paragraphs 4 and 5 of the confidential witness statement of Edward Mackay on or before 11th January 2021, and (2) the claimants shall permit Mr. Kevin Morris to inspect the documents to be disclosed pursuant to paragraph 1 above on Kevin Morris signing confidentiality undertakings on materially the same terms as those ordered by Marcus Smith J in his order dated 16th September 2020."
4. HSA cerium oxide products are products covered by the claims in the patent in suit. Mixed oxide products containing cerium oxide are not products covered by the claim in the patent in suit but by other patents owned by the claimants.
5. Some of the matters in relation to which the application was issued have been resolved by agreement between the parties. It is agreed that the question of whether there should be any disclosure of the database referred to in Mr. Mackay's witness statement should be adjourned to be dealt with at a later stage, probably as part of the review of disclosure to be conducted at the case management conference. It is also agreed that the question of whether Mr. Morris should inspect any of the documents that I order to be disclosed at this stage should be adjourned and considered at a later stage. Any documents that I order to be disclosed at this stage are agreed to be viewed by external eyes only, such a confidentiality ring having been established by Marcus Smith J previously.
6. It is no longer the case that the defendants are seeking disclosure at this stage by way of initial disclosure, which was the only basis on which the application was brought. What is now said by Mr. Cuddigan QC, on behalf of the defendants, is that disclosure is sought on three alternative bases: first, that the documents are "adverse documents" within the meaning of Practice Direction 51U; secondly, that they were referred to by the claimants in a witness statement and, therefore, should be disclosed under paragraph 21 of that Practice Direction; and thirdly, that it is in the interests of justice more broadly that disclosure should take place at this stage, in furtherance of the overriding objective.

7. The two categories of documents of which disclosure is now sought are as set out in the application notice. Nothing has changed in that respect, except that in the course of evidence it has been identified by the claimants that there is only one agreement that the claimants have entered into in relation to HSA cerium oxide products with a party identified as Party A, and I will use that nomenclature in this judgment. The claimants accept that there are several, or possibly numerous, licence agreements made in relation to mixed oxide products that contain some cerium oxide. It is possible, therefore, to deal separately with the two categories of disclosure that are sought.
8. Mr. Cuddigan submitted and placed the brunt of his submissions on this matter on the basis of adverse documents. There is a dispute in the pleadings as they stand at the moment about the basis on which damages are to be assessed. He took me to the judgment of Lord Wilberforce in *General Tire & Rubber Co v Firestone Tyre & Rubber Co. Ltd.* [1975] 1 WLR 819, which establishes that there may be three different categories of claim for damages. The first is for profits that would have been made, the second is for a reasonable licence fee that the tortfeasor should properly have paid to have acted lawfully; and the third is where neither of the other two categories provide any sufficient evidence, and the claimant is forced to fall back on other general evidence of the nature of any loss that has been suffered.
9. The pleaded case of the claimants is that there are no licences that are relevant and their claim is put on the basis of seeking to recover as a royalty the amount of profit that they would otherwise have made by manufacturing and selling the patented products themselves. The claimants, therefore, do not advance their alternative claim to royalty-based damages under category 2 of Lord Wilberforce's categorisation. They, effectively, bring it as a category 3 claim.
10. Mr. Cuddigan submits that in the light of an indication that there was one agreement, probably by way of licence, in favour of Party A, the defendants will seek to plead their defence on the basis that this is properly to be regarded as a category 2 case, given that there is evidence of a licence or an agreement in the nature of a licence having been entered into.
11. Mr. Cuddigan submits that it is necessary for the defendants to see and be aware of the terms of that licence in order to be able to plead, effectively, at this stage what they say is an appropriate basis on which to approach the question of what a reasonable royalty should be, and even what its amount is.
12. The fact that the claimants have brought their claim without reliance on that licence or agreement in favour of Party A enables the defendants to say that it should be regarded as an adverse document, because there is some evidence of a transaction that may be assumed to have given rise to the payment of a royalty, but nevertheless the claimants are not seeking to rely upon it. In those circumstances, Mr Cuddigan submits the Party A agreement should be disclosed now, as an adverse document.
13. There is some ambiguity under the existing terms of Practice Direction 51U as to when adverse documents must be disclosed. Paragraph 3.1(2) implies there is an obligation from the outset of proceedings to disclose adverse documents, but paragraph 9.1 indicates that the time for disclosure is with any extended disclosure that is ordered. Proposed amendments to Practice Direction 51U will clarify that

there is no obligation to disclose adverse documents as part of initial disclosure and that, therefore, it is paragraph 9.1 that indicates the proper time for disclosure of adverse documents.

14. I accept the argument of Mr. Mitcheson QC, that Practice Direction 51U is properly to be interpreted as only imposing itself an obligation on a party to disclose adverse documents with extended disclosure if and to the extent that they have not previously been disclosed, but nevertheless, the court has jurisdiction on an application of this kind, if satisfied that a document is an adverse document, to make an order for earlier disclosure if it is in the interests of justice and in furtherance of the overriding objective to do so.
15. The real questions, therefore, are whether this document is properly to be viewed as an adverse document and whether the overriding objective would be furthered by ordering early disclosure of it.
16. In relation to the other mixed oxide licences, Mr. Cuddigan submitted, on the strength of a recent authority relating to telecoms FRAND licences, *OnePlus Technology v Mitsubishi Electrical Corporation* [2020] EWCA Civ 1562, that there should be disclosure of any licences that might be viewed as broadly comparable to licences of the product covered by the patent in suit and, therefore, this type of similar product licence should be regarded as relevant on the question of a reasonable royalty, and it also falls into the category of adverse documents.
17. Mr. Cuddigan sought to compare the position of these defendants having to plead a defence with the position of the appellants in the *OnePlus Technology* case, who were required to formulate a positive case on FRAND, for which purpose extensive disclosure by the infringer was necessary in order to enable them to do so.
18. Mr. Mitcheson, in reply, pointed out that the original application basis of initial disclosure had been abandoned and that there was no positive case pleaded by the defendant in its existing points of defence about what any licence terms should be. He further submitted there was no evidence to support any case that either the Party A agreement or the other mixed oxide licences should be regarded as adverse documents. He says, further, that the agreement made with Party A cannot be regarded as a comparable licence agreement because it was made at a time when infringement of the claimants' patent by the defendants was in continuing, so that the state of the market was a different one from the state of the hypothetical market in which the reasonable licence and royalty terms should be identified.
19. Mr. Mitcheson disputed that the agreement with Party A had been referred to in a witness statement within the meaning of paragraph 21 of the Practice Direction. He said it was only a witness statement made in response to the application for disclosure of licences and that, therefore, it did not fall within the spirit of the purpose of requiring a party to disclose documents that were referred to in a witness statement or pleading. He also pointed out that the order which the defendants seek is not an order limited to HSA cerium oxide products falling within the claims of the patent in suit. What the order seeks is disclosure of "any licences granted by the claimants to third parties in relation to HSA cerium oxide products".

20. In relation to the mixed oxide licences, he says that these relate to wholly different patents, but there is no case pleaded as to the materiality or significance of licences to use other patents. He further submits, on the basis of the evidence of Ms. Wong, in paragraph 41 of her witness statement, that these are not comparable products, in any event. The mixed oxide products and the HSA cerium oxide products are not interchangeable. He points out that a category of products that are theoretically closer to the products in issue, low surface area HSA cerium oxide licences, have not been sought by the defendants on disclosure, at least at this stage.
21. In my judgment, on the basis of the pleadings as they stand and the evidence that I have read, the licence or other similar agreement in favour of Party A should be treated as an adverse document for the purposes of Practice Direction 51U. There is clearly already an issue on the pleadings as to the appropriate basis on which a reasonable royalty should be assessed, and it is likely that the Party A licence is, to some degree at least, inconsistent with the case that the claimants have pleaded. It may well be that there are points that can be made as to the comparability or non-comparability of the Party A agreement, in particular based on the fact that it was made after the defendants' infringing use had started, but that, it seems to me, goes to the weight that can properly be put on that agreement, rather than to its relevance or to its categorisation as an adverse document.
22. In case management terms, and in terms of the overriding objective, I accept Mr. Cuddigan's argument that it can only help to advance the appropriate and speedy pleading of the issues in this case if disclosure of the Party A agreement, on a limited release basis, is ordered at this stage. There will be significant amendments to the points of claim arising as a result of the joinder of a new party and other amendments that the claimants have indicated that they are willing to make in response to other applications that the defendants have issued. There will, therefore, be, within a relatively short time and ahead of the case management conference, the need for the defendants to plead amended points of defence covering all those and other matters. It seems to me that the interests of justice are furthered in this case by the defendants being in a position, if possible, to plead with as much specificity as possible its response to the claimants' alternative claim for damages based on the amount of a reasonable royalty.
23. The document, as I have indicated, will only be disclosed in the first instance to external eyes and not to any of the defendants' employees or officers. I entirely accept that agreement with Party A is likely to be commercially sensitive, not just so far as the claimants are concerned but also so far as Party A is concerned. The parties have, therefore, sensibly agreed a mechanism for any order I make for disclosure not to take effect until after Party A or any other party affected has had a chance to indicate that they wish to object, either to disclosure in principle or, alternatively, to the confidentiality provisions put in place. The matter may well, therefore, have to come back to the court in January, but in any event, the agreement with Party A cannot be disclosed to any of the officers or employees of the defendants until after the question of whether Mr. Morris remains a suitable officer of the defendants to have such disclosure to him confidentially has been resolved, and that is a matter unlikely to be resolved before the case management conference.
24. So far as the mixed oxide licences are concerned, I am not persuaded that this category of licences has been shown to be sufficiently relevant to the royalty issue for

there to be a need for early disclosure, if indeed they are sufficiently relevant to be part of extended disclosure at all. I consider that the issues raised in that regard should properly be considered more fully by the judge hearing the case management conference in the light of the issues that are being raised generally in relation to both parties' disclosure in this matter.

25. The order that I will make, therefore, is not in terms of the draft order that the defendants have submitted but will be limited to only the agreement with Party A that has been identified in the claimants' evidence, and not extend to any further licences in relation to cerium oxide products or mixed oxide products, and it will be subject to the stay that the parties have already agreed.
