



Neutral Citation Number: [2020] EWHC 256 (Pat)

Case No: HP-2017-000048

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: 10/02/2020

Before:

MR. JUSTICE BIRSS

Between:

CONVERSANT WIRELESS LICENSING S.à.r.l
(a company incorporated under the laws of
Luxembourg)

Claimant

- and -

(1) HUAWEI TECHNOLOGIES CO., LIMITED
(a company incorporated under the laws of the
People's Republic of China)

(2) HUAWEI TECHNOLOGIES (UK) CO.,
LIMITED

(3) ZTE CORPORATION
(a company incorporated under the laws of the
People's Republic of China)

(4) ZTE (UK) LIMITED

Defendants

MR. THOMAS HINCHLIFFE QC and MR. THOMAS MOORE (instructed by **EIP Legal**)
for the **Claimant**

MR. ANDREW LYKIARDOPOULOS QC (instructed by **Allen & Overy LLP**) for the **First**
and Second Defendants

MR. DANIEL PICCININ (instructed by **Bristow LLP**) for the **Third and Fourth**
Defendants

Approved Judgment

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

1. This is an application for disclosure in a FRAND case. The applicants are Conversant, who have a portfolio of patents declared essential to 2G, 3G and 4G standards. The defendants are companies in the groups known as Huawei and ZTE. No relevant distinction applies to the individual companies. The defendants are all parties in the same case. The way this case has been managed, subject to confidentiality terms, means that the evidence relating to all three parties Conversant, Huawei and ZTE is available for use in relation to either group.
2. The case management conference took place in July 2019. Not long before that, Huawei had re-pleaded its case, and I will come back to that. Broadly, at the cmc the parties' positions were clear. Conversant's case was that the way to arrive at an appropriate royalty rate in this case was to follow the numbers in the *Unwired Planet* case ([2017] EWHC 2988 (Pat)) and scale from that. Huawei's case was to take a 2017 Huawei-Nokia licence and use that as a comparable. The 2017 licence was said to be relevant because the Conversant patent portfolio which is in issue in this case came from Nokia. In fact, the portfolio came from Nokia in 2011, so the 2017 licence does not licence any of the patents in this case. However, it is the successor to previous licences which are now available. In fact they were not available at the cmc but nothing turns on that. They are dated 2007 and 2003. That is Huawei's case. ZTE's case is that a top down approach should be taken – what a top down approach means is explained in *Unwired Planet*. Amongst other things, ZTE contend that one can also take into account numbers in other judgments including the judgment of Judge Selna in the USA in *TCL v Ericsson*, and therefore also the *Unwired Planet* judgment as well as other judgments. ZTE argues that one can take these judgments into account as a matter of fact because parties would do that in a negotiation. Huawei and ZTE also refer to a judgment of the Nanjing court in which a rate was set for the Chinese patents in the Conversant portfolio.
3. The cmc was before HHJ Hacon. Conversant sought disclosure of further licences from Huawei and ZTE. Essentially the request for disclosure was of the same scope as the one before me now. It was a little bit wider but the distinction really does not make any difference. The proposal was that ZTE and Huawei should list all the licences to which they are parties relating to 2G, 3G and 4G. I think it was not limited to SEPs at that time, but, as I say, that does not matter. Then a process of selection would go on, rather like the one that was done in the *Unwired Planet* litigation, where each party would select something like three or four licences from those groups. Then those selected licences would be disclosed and they could be used in evidence in the proceedings. Judge Hacon refused that application. His judgment is at [2009] EWHC 1982 (Pat). I can set it out in full:

“1. There is an application for disclosure. The claimant seeks disclosure by the defendants of licence and assignment agreements to which 3G and/or 4G patents comprise a significant element of the licensed rights entered into on or after 1st January 2011.

2. In relation to the Huawei defendants, the point made by the claimant is that Huawei have relied on a licence granted by Nokia in December 2017 as being a comparable licence

relevant to the FRAND trial. The claimant's point is that there is no way of telling whether the licence is truly comparable to the licence to be settled at the trial or whether it is a complete outlier and thus of no comparative use. The claimant argues that the only way of resolving this is to look at other licences, that is to say licences granted to Huawei by other licensors.

3. There must be a realistic degree of proportionality when it comes to orders for disclosure like this one.

4. I was shown sections of the judgment of Birss J in *Unwired Planet* [2017] EWHC 2988 (Pat). It seems that the judge's experience in that litigation was that licences granted by third parties were of no help to him in resolving the issues he had to decide. There also seems to be a virtual certainty that an order for disclosure of licences and assignments as sought by the claimant would give rise to a significant increase in costs. It would likely involve, among other things, applications by the third parties who are party to the relevant agreements, making submissions about how the disclosure of confidential agreements should be handled.

5. With regard to the ZTE defendants, the point was taken that ZTE has raised an argument that bundling licences granted under SEPs with licences granted under non-SEP patents is contrary to EU competition law. I am not persuaded that looking at other ZTE licences will help the trial judge resolve the issue as pleaded.

6. It of course will remain open to the claimant at trial to make all the arguments it wishes about whether the licence relied on by Huawei is truly comparable given its content and for ZTE to argue about the lawfulness of bundling licences.

7. For those reasons, I will not order the disclosure sought.

4. So, the judge was refusing the disclosure on a number of grounds, first because his interpretation of my judgment in *Unwired Planet* was that licences granted by third parties were of no help in that case and second on proportionality grounds about the amount of work that it would be required to deal with those licences. That is the essence of it.
5. Just to pause, the point is that none of the licences which were sought would have been licences from Nokia or from Conversant. Necessarily the patents being licensed in the portfolios which those licences would relate to would all be different patents from the ones in issue in this case. That is what the judge is referring as licences granted by third parties which were of no help in *Unwired Planet*.
6. That was in July 2019. At that time, Huawei had just amended its pleading to include a new point. The new point was a submission that following the rule in *Hollington v Hewthorn* the approach that Conversant were taking to the use of the *Unwired Planet*

judgment was wrong in principle and barred by the rule in *Hollington v Hewthorn*. That point was not drawn to the judge's attention in July, and Conversant, who were probably the party who would have relied on it, did not rely on it at that time. It cannot be said that they were not aware of it. Nevertheless I think the essence of the submission that is being put to me today is that it did not occur to Conversant at that time to do so or did not occur to them what its significance could ultimately be.

7. I note in passing that ZTE contend that their way of relying on other judgments does not breach the rule in *Hollington v Hewthorn* because they say they are not using judgment as proof of their contents, rather they are taking them into account in the same way that negotiating parties would.
8. It is now early February 2020 and the case is listed to be tried floating from, I think, 27th April, that is in about 11 weeks from now. Conversant have made a fresh application for essentially the same disclosure which was refused by HHJ Hacon. As I have said already there are minor differences but, in my judgment the differences really do not matter.
9. What is sought is an order that Huawei and ZTE produce lists of all the licences to which they are parties, which relate to standard essential patents between 2011 and the end of 2017 in 2G, 3G and 4G, and then from those lists the parties will each select a number. What is sought is that Huawei and ZTE will each be able to select four each, and then Conversant will select four as against Huawei and a further four as against ZTE. That will bring a total of 16 licences into the case.
10. The defendants, Huawei and ZTE, object to this course on a number of grounds. The first issue that I need to address is the legal setting in which this question has to be decided. Unsurprisingly Huawei and ZTE rely strongly on the judgment of HHJ Hacon and argue that this disclosure has already been asked for once and refused, and nothing significant has changed. The order should be the same. That reasoning is couched in terms of the principles laid down in *Tibbles v SIG Plc* [2012] 1 WLR 2591 concerning the application of CPR Part 3 rule 3.1(7).
11. However this case is part of the disclosure pilot specified by PD 51U and this application is governed by paragraph 18 (18.1 to 18.4). Conversant are applying for an order under para 18.1 and Paragraph 18.2 applies to it. These provisions provide as follows:

"18.1 The court may at any stage make an order that varies an order for Extended Disclosure. This includes making an additional order for disclosure of specific documents or narrow classes of documents relating to a particular Issue of Disclosure.

18.2 The party applying for an order under paragraph 18.1 must satisfy the court that varying the original order for Extended Disclosure is necessary for the just disposal of the proceedings and is reasonable and proportionate (as defined in paragraph 6.4)."

12. Paragraph 6.4 in the disclosure pilot highlights various factors one should have regard to within the overriding objective including the nature and complexity of the proceedings; the likelihood documents will have probative value; and dealing with the case expeditiously, fairly and at a proportionate cost. (That is not all the factors.)
13. In *Vannin Capital PCC v RBOS Shareholders Action Group Limited* [2019] EWHC 1617 (Ch), Ms Joanna Smith QC, sitting as Deputy Judge of the High Court, addressed the effect of that provision in proceedings under the pilot. In particular she was faced with a submission by the opponents to an application for additional disclosure that the correct principle to apply was the rule in CPR rule 3.1(7) and *Tibbles v SIG Plc* [2012] 1 WLR 2591, essentially that one needs a material change of circumstances before one could vary an order of the kind made in that case (and this one). The judge rejected that. I refer to paragraphs 9 and 10 of her decision:

"9. On the applicability of *Tibbles v SIG Plc*, I reject Mr Harris' submission. That case concerned the general (apparently broad and unfettered) jurisdiction of the court under CPR 3.1(7) to revoke or vary its own order. It is, as the notes in the White Book, Vol 1 at 3.1.17 record, an '*omnibus provision*', designed to deal with orders which, in the ordinary course, would not be revisited. In contrast, the Disclosure Pilot expressly contemplates the potential for orders for Extended Disclosure to be varied and sets out the requirements that a party making such an application must satisfy. In my judgment, the circumstances in which an order may be revoked or varied under CPR 3.1(7) must give way to the specific requirements of paragraph 18 of the Disclosure Pilot, which expressly sets out a different test.

"10. Furthermore, I note that Rix LJ made it clear in *Tibbles v SIG Plc* that '*successful invocation of [CPR 3.1(7)] is rare. Exceptional is a dangerous and sometimes misleading word: however, such is the interest of justice in the finality of a court's orders that it ought normally to take something out of the ordinary to lead to variation or revocation of an order, especially in the absence of a change of circumstances in an interlocutory situation*' [39(vii)]. There is nothing in the Disclosure Pilot to suggest that applications to vary orders for Extended Disclosure will only be granted where something out of the ordinary has occurred. If the draftsmen of the Disclosure Pilot had intended to import the criteria set forth in *Tibbles*, it is to be expected that they would have made that clear. In circumstances where they have identified a different test in paragraph 18, I can only infer that they had no such intention."

14. I respectfully agree with Ms Smith QC. The provisions of the disclosure pilot expressly apply a test, different from the one in rule 3.1(7) and *Tibbles*, to applications for disclosure which would have the effect of varying a previous order for Extended Disclosure.

15. The two questions which I have to ask myself are whether the order I am now being asked to make, which varies the original order, is necessary for the just disposal of the proceedings, and is reasonable and proportionate.
16. Nevertheless it seems to me that the fact that essentially the same thing has been asked for and refused once, is bound to be a relevant factor that the court will take into account. It may not be an element in the assessment of necessity but it certainly will be highly relevant to whether the order is reasonable and proportionate.
17. In paragraph 11 of her judgment Ms Smith QC considered factors that applied specifically to the case before her, which was a different one from the case before me. She was not concerned with a case like this one in which more or less the same application had been made and refused, and then the court was faced with an attempt to argue it again.
18. Mr. Hinchliffe submits, first, that the decision of Judge Hacon was wrong and, second, that in any case, applying the factors as they are today, the court should make the order. He submits that circumstances have changed between July and today. Conversant rely on two matters. First they refer to the point based the rule in *Hollington v Hewthorn*, the potential impact of which, rightly or wrongly, had not been focussed on in July. Coupled with this is an issue about the 2017 Huawei – Nokia licence. Although in July Conversant thought it might be difficult to deal with the 2017 licence, the evidence before me now, says Mr. Hinchliffe, is that that these difficulties have eventuated. He contends, based on the evidence of the valuation expert for Conversant, Mr. Bezant, that it really is very difficult to unpack the 2017 licence and to work out how comparable that licence really would be. (The concept of unpacking a licence is explained in *Unwired Planet*.) Combining the two points, Mr. Hinchliffe explains that his clients are concerned about a scenario in which the argument on the rule in *Hollington v Hewthorn* succeeds in the way that Huawei contend it should, so that effectively Conversant's approach to calculating the royalty rate does not work at all, but Conversant succeeds in demonstrating that the Huawei-Nokia 2017 licence is not a good comparable. In that case he argues one is left with very little evidence on which to assess the relevant FRAND royalty rate.
19. So, Mr Hinchliffe submits, the right thing to do is now (and in fact was then in July), to order the disclosure sought. Recognising that there are formidable case management difficulties in dealing with all this between now and the trial as are expressed by the evidence of Dr. Lawrance, the solicitor for ZTE, and Mr. Ridgway, the solicitor for Huawei, and very much as a fallback Mr. Hinchliffe submits that I do not have to make an order for sixteen further licences. Instead he contends one could take a smaller number instead of four, say three; and possibly not order anything in relation to ZTE because their approach is based on a "top down" approach, not a "bottom up" approach. So this would cut down the number of licences that need to be addressed.
20. I am quite satisfied that I should not make this order. The reason why not is because it would not be reasonable and proportionate to do so, having regard to the timetable for this case. Purely on case management grounds, if I made an order requiring production of sixteen licences that would add a very significant extra amount of evidence into the case. Even based on Conversant's fall back, say one got it down to

something like six licences, which would be three from Conversant, three from Huawei and nothing at all from ZTE, that would still add significant extra evidence.

21. I also note there is no pleading supporting any of this. The fundamental thing is that it would put the parties to a great deal of difficulty. There would be confidentiality issues to deal with, although I think those would be overcome in the time. However the critical problem would be that in order for both sides to prepare fairly with at least six further licences is just something which cannot be done between now and holding on to the trial date on 27th April. Holding on to the trial date is something which I intend to do my utmost to achieve.
22. It is not for me on this application to say that the decision HHJ Hacon made was wrong. That would be a matter for an appeal. I do not propose to analyse that decision in the context in which it was made. What I will say however, is that based on the evidence and submissions before me now – which are not the same as they were before the judge – and particularly having regard to the scenario Conversant rely on, had I been dealing with this in July 2019 I might well have made a different order. I seriously doubt an order for sixteen licences would ever be proportionate but a much lower number might have been.
23. In *Unwired Planet* I came to the conclusion that the third party granted licences were of very little help on the facts of that case, but this case as explained before me now is different. There is much less evidence in this case of the kind that there was in the *Unwired Planet* case, of licences from the portfolio from which the patents are taken. In that case it was Ericsson and in this case it is Nokia. Faced with the situation as it is put before me now, if it had been possible to make an order of the kind sought without massively disrupting the timetable (which I am quite satisfied it would not be) then I can only say that I might well have made a different order and ordered some measure of disclosure of third party licences.
24. I do not accept the submission from Huawei and ZTE that third party licences in which companies in the defendant's group are licensees in principle ought never to be disclosed in FRAND cases or are not capable of having evidential value. They are capable of having evidential value. It is secondary to the value of licences of the portfolio in issue or a larger portfolio from which that portfolio is taken, there is no doubt about that; but depending on the pleaded cases and the nature of the evidence available to the court, it may be that it would be appropriate to order a measure of that disclosure in a different case. That is all I intend to say.

[Further Argument]

25. I now need to summarily assess the costs that I awarded. The grand total claimed by Huawei is £125,000-odd excluding VAT and the grand total by ZTE is £70,000-odd. Conversant parties' comparable costs come to about £107,000.
26. Mr. Hinchliffe suggested that ZTE have been slipstreaming and therefore their costs should be even lower. I agree with Mr. Piccinin that that is not a fair way of looking at the way in which the costs ZTE had to incur on this application would have been incurred. ZTE had separate interests and put their points separately, and their costs are lower than the costs of Huawei.

27. In my judgment, a round figure of £125,000 is too high for Huawei. I also note the amount of time that has been spent. Doing the best I can with the information I have, a fair, reasonable and proportionate total is £100,000 for Huawei. For ZTE a fair and reasonable and proportionate total is not £70,000. It is less. It is £60,000. That is my decision.
