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HP-2023-000025

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

**5 July 2024**

Before:

MR JUSTICE LEECH

**B E T W E E N:**

**PANASONIC HOLDINGS CORPORATION**  
**(a company incorporated under the laws of Japan)**

**Claimant**

- and -

- (1) XIAOMI TECHNOLOGY UK LIMITED**  
**(2) XIAOMI INC**  
**(a company incorporated under the laws of**  
**the People's Republic of China)**  
**(3) XIAOMI COMMUNICATIONS CO LTD**  
**(a company incorporated under the laws of**  
**the People's Republic of China)**  
**(4) XIAOMI HK LIMITED**  
**(a company incorporated under the laws of**  
**Hong Kong Special Administrative Region of**  
**the People's Republic of China)**  
**(5) GUANGDONG OPPO MOBILE**  
**TELECOMMUNICATIONS CORP, LTD**  
**(a company incorporated under the laws of the**  
**People's Republic of China)**  
**(6) OPPO MOBILE UK LIMITED**  
**(7) UNUMPLUS LIMITED**

**Defendants**

**MR RICHARD BOULTON KC** and **MS LIGIA OSEPCIU** (instructed by **Kirkland & Ellis International LLP**) appeared on behalf of the First to Fourth Defendants

**MR ANDREW SCOTT KC** and **MS ISABEL JAMAL** (instructed by **Bristows LLP**) on behalf of the Claimant.

Hearing dates: 23 to 25 April 2024

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## APPROVED JUDGMENT

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**Mr Justice Leech:**

**I. The Applications**

1. By Application Notice dated 7 December 2023 (the “**Interim Licence Application**”) the Defendants (“**Xiaomi**” or the “**Xiaomi Defendants**”) applied for a declaration that a willing licensor in the position of the Claimant (“**Panasonic**”) would grant a licence with immediate effect from the date of the Order for a period (the “**Interim Period**”) until the determination by Meade J of the terms of a FRAND licence at a trial which is listed to begin on 28 October 2024 (the “**FRAND Trial**”). I will also refer to the licence for which Xiaomi claimed as an “**Interim Licence**”.
2. The Court gave directions for the service of draft amendments to the parties’ statements of case to reflect Xiaomi’s claim to be entitled to an Interim Licence. By Application Notice dated 19 January 2024 (the “**FNC Application**”) Panasonic applied for an order that if the Court granted permission to the Xiaomi Defendants to amend to counterclaim declarations for an Interim Licence and associated relief, the Court should decline jurisdiction to determine its counterclaim and either strike it out or stay it because it would be contrary to international comity and serve no useful purpose to make the declarations. I will refer to both applications together as the “**Applications**”.
3. I take the background to the Applications from the Skeleton Argument of Mr Richard Boulton KC and Ms Ligia Osepciu, who appeared on behalf of the Xiaomi Defendants instructed by Kirkland & Ellis International LLP (“**Kirkland & Ellis**”). In 2011 Xiaomi launched a 3G enabled smartphone in China. Over the following decade or so, its operations expanded globally and it currently has the third largest share of worldwide smartphone shipments by volume after Samsung and Apple. In November 2017 Xiaomi launched its products in Western Europe and in November 2018 in the UK. It has had substantial success in the UK market with its share of UK smartphone sales increasing rapidly from 0.48% in 2019 shortly after its launch to 4.04% in 2022.

4. This action concerns standard essential patents (“**SEPs**”) for Xiaomi’s smartphones (including the patents in suit) which have been declared essential to the 3G and 4G standards of the European Telecommunications Standardisation Institute (“**ETSI**”). In accordance with the Reciprocal Undertakings (as defined below) the parties have agreed to submit to the determination by the English Court of “Fair, Reasonable and Non-Discriminatory” (“**FRAND**”) terms on which Panasonic is required to offer a global licence of the SEPs in its portfolio to Xiaomi. These terms will be determined at the FRAND Trial beginning in October. Given the complexity of this exercise Meade J can be expected to take some time to consider and deliver his judgment.
5. In the meantime proceedings are continuing in the Munich and Mannheim Divisions of the Unified Patent Court (the “**UPC**”) and the Regional Courts of Munich and Mannheim (together the “**German Courts**”) in which Panasonic is seeking injunctions for patent infringement. Xiaomi and its advisers apprehend that there is a significant risk that the UPC and German Courts will hear these proceedings and grant injunctions forcing the Xiaomi Defendants out of the market before Meade J has fixed the terms of the global FRAND licence (the “**Court-Determined Licence**”). Mr Boulton submitted that the damage which they might suffer by being forced out of the market even for a short period of time could be irreparable.

## **II. Procedural History**

6. In June 2023 Panasonic filed a declaratory FRAND claim in Beijing. In July and August 2023 Panasonic also filed three SEP infringement claims in the UPC in Mannheim and three SEP infringement claims in the UPC in Munich (the “**UPC Proceedings**”), three SEP infringement claims in the Mannheim Regional Court and three SEP infringement claims in the Munich Regional Court (the “**DE Proceedings**”). For convenience, I will refer to both the UPC Proceedings and the DE Proceedings collectively as the “**German Proceedings**”.

### *(1) The English Proceedings*

7. By Claim Form dated 31 July 2023 Panasonic issued the present proceedings in the High Court of England & Wales against the Xiaomi Defendants and the other Oppo Defendants for the infringement of a number of its European patents (the “**English Proceedings**”). It sought declarations that the patents were essential to one or more ETSI

telecommunications standards, that they had been infringed by the Defendants and a declaration that the terms on which Panasonic was willing to licence the Panasonic portfolio (including the patents in suit) were FRAND or adjustments to those terms bring them into the FRAND range. Finally, in the event that the Defendants refused to undertake to enter into a licence on terms which the Court declared to be FRAND, Panasonic sought injunctions to prevent infringement. In its Particulars of Claim also dated 31 July 2023 Panasonic pleaded as follows (and I adopt the term “**FRAND Commitment**” defined in bold below in this judgment):

“22. By (i) signing the Claimant's Licensing Declarations and/or any of them and (i) returning those signed Declarations to the Director-General of ETSI, the Claimant is bound to enter into good faith negotiations with a view to concluding, alternatively, to grant, licences of its ESSENTIAL IPR on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy (the “**FRAND Commitment**”).”

“27. In the premises, the Claimant has had to enforce its patents and rely on the Court for the determination of FRAND licence terms. The Claimant considers that the licence terms set out in the term sheet at Annex 9 are FRAND and is willing to license the Defendants on those terms or on such other terms as the Court considers to be FRAND. Further particulars as to the Claimant's case on the meaning of FRAND, why the terms in Annex 9 are FRAND, the conduct of the parties in the licensing negotiations, and the relief the Claimant seeks will form the subject of a FRAND Statement of Case in due course.”

8. By letter dated 18 October 2023 Bristows LLP (“**Bristows**”), who act for Panasonic, wrote to Kirkland & Ellis confirming that Panasonic was not prepared to give an undertaking to grant a licence on FRAND terms unless Xiaomi agreed to certain terms. On 23 October 2023 the Xiaomi Defendants served their Defence and Counterclaim. They stated that they were prepared to give an undertaking to be bound by the Court-Determined Licence:

“On the assumption that the Claimant will, contrary to its current position, provide an unconditional undertaking to enter into the Court-Determined Licence, Xiaomi would be prepared to unconditionally undertake to this Court that it will enter into the Court-Determined Licence, which, for the avoidance of doubt, is a licence agreement covering the Panasonic Portfolio in the form that is determined to be FRAND at the FRAND trial in these proceedings or, to the extent that there are any appeals of the judgment of the FRAND trial, a licence agreement that is finally determined to be FRAND on appeal.”

9. On 3 November 2023 a hearing took place before Meade J in which he was asked to list the FRAND Trial. The judge adjourned consideration of that question until the following week following an indication by Panasonic that it might be prepared to give an undertaking not to enforce injunctions in the German Courts. On 8 November 2023 the hearing was resumed. The judge explained the background in his judgment ([2023] EWHC 2872 (Pat)) at

“3. The central point that has led to the argument today is that following the short adjournment last Friday, it appeared that a regime could be put in place whereby Panasonic would give an undertaking not to enforce injunctions obtained in the UPC or in Germany pending the FRAND trial here. The matter was presented to me by Ms. Jamal, who appeared for Panasonic then, as she does today, on the basis that the wording needed to be tidied up, which I understood, but as I explained in paragraphs 21 and following of my judgment, I did not want to make an important case management decision about the timing of the FRAND trial only to find that I was doing so on the wrong basis and that is the reason why I made the adjournment until today.

4. In some dimensions, significant progress has been made and it is therefore important to record that matters have been put in place so that, as Xiaomi record in their skeleton for today, at paragraph 10, Xiaomi and Panasonic have agreed to give reciprocal undertakings to enter into a FRAND licence, that that will deal with the position that the licence might be adjusted on appeal and that the technical trials should be stayed. Xiaomi also confirmed that, provided that the FRAND trial was expedited, the FRAND trial need not include issues of Panasonic's past conduct or breach of competition law and Xiaomi, Panasonic and, indeed, Oppo, are close on the time that will be needed for the stripped-down FRAND trial of that kind, which is to say between ten and 15 days in court.

6. The matter, therefore, was adjourned on that basis and the parties went away to think about their positions. Progress in the respects that I have indicated was made and set out in correspondence but, crucially for today's hearing, having thought the matter over, Panasonic decided that it would not, in fact, be willing to give an undertaking not to enforce injunctions obtained in the UPC or Germany pending the FRAND trial here, even if Xiaomi were completely bound to enter into a licence on the terms decided here.

7. That is characterised by Panasonic in its skeleton for today as matters having "moved on". I do not regard it as matters moving on; I regard it as a very substantial and important change of position by Panasonic. It might be going slightly too far to say that Panasonic resiled from what it said last week, but only very slightly too far. Panasonic has rowed back very considerably.”

“9. Panasonic, therefore, wants to preserve its option to obtain and enforce an injunction against Xiaomi, despite the fact that Xiaomi is committed to

take a FRAND licence on terms decided by this court, as Panasonic sought by the very bringing of these proceedings and, furthermore, Panasonic wants to preserve its option to do that, even in the last few months before the FRAND trial, were that to be listed, for example, in October next year, because although last week Ms. Jamal made timing submissions on the basis that enforcement normally takes place following the appellate stage in Germany (and it may turn out as well, maybe, in due course, who knows, in the UPC), today she makes clear that Panasonic wishes to preserve the right to seek to enforce a first instance injunction, which could come next summer.”

10. The judge also recorded at [21] that in response to Panasonic’s change of position Xiaomi’s counsel indicated that it would have to consider interim measures pending the determination of the terms of the Court-Determined Licence including an Interim Licence:

“Mr. Segan says that Xiaomi may have to, in those scenarios, think of interim measures, such as seeking a declaration that Panasonic is not a willing licensor or seeking a declaration of an interim licence to cover the position until the full FRAND trial. I express no opinion about the prospects of success of either of those routes, but I do understand Xiaomi’s concerns in those regards. I also accept and endorse Mr. Segan’s contention that Xiaomi has done what it is that the UK court has expressed that an implementer in its position ought to do, which is commit to FRAND terms and move efficiently towards their determination.”

11. The judge found Panasonic’s position unattractive and expressed his sympathy with Xiaomi and for that reason he agreed to expedite the FRAND Trial. He did not consider that it was possible to list it for hearing in July 2024 but he listed it to begin in October 2024. He gave the following signal (if I may call it that) to the German Courts at [30] to [32]:

“30. I have a lot of sympathy for Xiaomi’s position. I have no sympathy at all for Panasonic’s position, which I think is extremely regrettable for all the reasons that I have set out earlier in this judgment. But it would be folly, I think, to try to cram the FRAND trial into a slot in July and I think it would be unfair on Oppo to do that.

31. The scenario where Panasonic seeks an injunction from an UPC or a German court will have to be dealt with by Xiaomi’s submissions there that it is inappropriate and/or by the sort of applications I have indicated already can be made (without, as I said and at the risk of repeating myself, making any indication myself about whether those would succeed or fail).

32. I do formally record - and I imagine that my Continental colleagues would want to know this - that by reason of the procedural steps that have

been put in place by both sides, that is to say Panasonic and Xiaomi, I am operating on the assumption, which I am sure is justified, that a FRAND licence between those parties will definitely result from the FRAND trial, which I will direct to take place next autumn, for the reasons I have indicated.”

12. By Order dated 8 November 2023 the judge gave detailed directions for a 10 to 15 day trial to be listed in October 2024 limited to the determination of the terms of the Court-Determined Licence and for the technical issues as between Panasonic and the Xiaomi Defendants to be stayed. The Order also recited that the parties gave detailed undertakings (the “**Reciprocal Undertakings**”) and I will also adopt the defined terms below:

“AND UPON the Claimant giving the following undertakings to the Court (the “**Panasonic Undertakings**”): 1. The Claimant, on behalf of itself and its affiliates, hereby unconditionally undertakes to the Court that: (a) it will (i) offer a licence agreement to the Xiaomi Defendants covering the Panasonic Portfolio (as defined in paragraph 2 of the Particulars of Claim) in the form that is determined to be FRAND by the High Court at the FRAND Trial (defined in paragraph 1 of this Order) in these proceedings (the “**Court-Determined Licence**”) (including for the avoidance of doubt such terms the Court considers it appropriate to make conditional pending any appeal), and (ii) upon acceptance by Xiaomi, enter into the Court-Determined Licence by expiry of the time period specified by the High Court within which the Xiaomi Defendants and Claimant must enter into the Court-Determined Licence; and (b) to the extent that there are any appeals of the judgment (including any consequential judgments) affecting the form of the Court-Determined Licence, it will perform such steps as are required to (i) amend the form of the executed Court-Determined Licence to incorporate any amendments to the Court-Determined Licence that are finally determined to be FRAND on appeal in these proceedings, and (ii) incorporate any such amendments into the Court-Determined Licence by expiry of the time period specified by the relevant appeal court within which the Xiaomi Defendants and Claimant must incorporate such amendments.

AND UPON the Xiaomi Defendants giving the following undertaking to the Court (the “**Xiaomi Undertakings**”): The Xiaomi Defendants, on behalf of themselves and their affiliates, hereby unconditionally undertake to the Court that: 1. they will accept and enter into the licence agreement offered by the Claimant pursuant to the Claimant's undertaking 1(a) above by expiry of the time period specified by the High Court within which the Xiaomi Defendants and Claimant must enter into the Court-Determined Licence; and 2. to the extent that there are any appeals of the judgment (including any consequential judgments) affecting the form of the Court-Determined Licence, they will perform such steps as are required to (i) amend the form of the executed Court-Determined Licence to incorporate

any amendments to the Court- Determined Licence that are finally determined to be FRAND on appeal in these proceedings, and (ii) incorporate any such amendments into the Court-Determined Licence by expiry of the time period specified by the relevant appeal court within which the Xiaomi Defendants and Claimant must incorporate such amendments.

(2) *The Interim Licence Application*

13. The FRAND Trial is now listed to begin on 28 October 2024. On 7 December 2023 Xiaomi issued the Interim Licence Application and applied for a series of declarations which reflected its case that Panasonic was required to enter into an Interim Licence on appropriate terms in order to comply with its FRAND Commitment. On 21 December 2023 Meade J gave directions for the hearing of the Interim Licence Application. In particular, he listed it to be heard in April 2024 with a time estimate of 3 to 4 days and ordered the parties to amend their statements of case to address the substantive claim for an Interim Licence. He also ordered Xiaomi to provide a draft of the Interim Licence and for the parties to meet to attempt to agree its form (without prejudice to their respective positions).

(3) *The Draft Statements of Case*

14. On 29 December 2023 Xiaomi served its draft Amended Defence and Counterclaim (the “ADC”) in support of the application. Xiaomi’s proposed case was that in circumstances where the parties had given the Reciprocal Undertakings so that the parties would be bound by the Court-Determined Licence, Panasonic would be acting in breach of its FRAND Commitment if it continued to seek injunctive relief in the German Proceedings:

“21A.1 The Claimant would not be performing its FRAND Commitment in good faith and/or acting as a willing licensor in seeking (and/or enforcing, if granted) any injunctive relief before this Court in respect of the patents in the Panasonic Portfolio absent a breach of the Xiaomi Undertaking;

21A.2 The only possible purpose and/or effect of seeking (and/or enforcing, if granted) injunctive relief in respect of any patent(s) in the Panasonic Portfolio in any other jurisdiction pending the settlement of the Court-Determined Licence would be to apply undue commercial pressure on Xiaomi to conclude a licence agreement on supra-FRAND and/or excessive terms before the Court-Determined Licence is available for execution;

21A.3 The pursuit by a SEP holder of a commercial and/or litigation



strategy with the purpose and/or effect of extracting supra-FRAND and/or excessive terms for its ETSI SEPs, including as described above, amounts to a breach of the FRAND Commitment - in particular (without limitation), the pursuit of such a strategy is inconsistent with the SEP holder's obligation to conduct itself in good faith towards a beneficiary of the FRAND Commitment and as a willing licensor in the period prior to the conclusion of a licence;

21A.4 The FRAND Commitment instead requires the Claimant to agree to enter, and to enter, into an "Interim Licence" (as described further below) with Xiaomi pending the settlement of the Court-Determined Licence at first instance - failing which the Claimant would be in breach of the FRAND Commitment and is not a willing licensor; and

21A.5 Further or alternatively, a willing licensee such as Xiaomi should in any event have the right or ability to apply to the Court for a determination of an appropriate interim licensing framework, including payments into Court (subject to a "true-up" following determination of the Court-Determined Licence), to enable that licensee further to demonstrate and manifest its willingness to enter into a licence on FRAND terms settled by the Court.”

15. Xiaomi also counter-claimed for a series of declarations which mirrored the application dated 7 December 2023 on the basis that the continuing pursuit of injunctive relief could only have the purpose of placing undue commercial pressure on the Xiaomi Defendants and was inconsistent with the obligation to negotiate in good faith:

“63C. It is averred that the Claimant's continued pursuit of injunctive relief in the German and/or UPC Proceedings in circumstances where the Reciprocal Undertakings have been given can only have the purpose of placing undue commercial pressure on Xiaomi to conclude a licence on supra-FRAND terms prior to the settling of the Court-Determined Licence, and does place such commercial pressure on Xiaomi. It is averred that the Claimant's conduct in this regard is inconsistent with its obligation under the FRAND Commitment to negotiate in good faith: see paragraph 18 above.

63D. In the aforesaid circumstances, it is averred that the Interim Licence that the Claimant is required to agree to enter, enter into or abide by in order to comply with its FRAND Commitment has the terms contemplated in paragraph 63E or, in the alternative, the following terms:

63D.1 It is a worldwide licence covering the Panasonic Portfolio;

63D.2 It has an "Effective Date" from the date on which its terms are determined by the Court and remains in force until the parties enter into the Court-Determined Licence in accordance with the Reciprocal Undertakings;

63D.3 It includes a mechanism (e.g ., standstill, "pick right", covenant not to sue or similar mechanism) that is sufficient to otherwise ensure global

patent peace between the Claimant (and its affiliates) and Xiaomi Defendants (and their affiliates) during the interim period, being the period from the Effective Date until the determination of the Court-Determined Licence and subsequent entry into that licence pursuant to (1)(a) of Recital 4 of the Undertakings Order and (1) of Recital 5 of the Undertakings Order ("Interim Period");

63D.4 It provides for the Xiaomi Defendants to pay into Court a reasonable royalty that is compliant with FRAND requirements during the Interim Period as assessed by the Court (the "Reasonable Interim Royalty"), in accordance with a schedule to be determined by the Court:

63D.5 It provides for a reconciliation between the FRAND royalty in the Court-Determined Licence and the Reasonable Interim Royalty; and

63D.6 Such other terms as the Court considers necessary or appropriate.”

16. Xiaomi pleaded that it would provide a draft of the non-royalty Interim Licence terms and that it was willing to give a formal undertaking to pay an interim royalty into court.

The ADC continued as follows:

“3G. Xiaomi, accordingly, asks the Court to grant declaratory relief (including to enforce the Claimant's FRAND Commitment):

63G.1 As to the terms of the Interim Licence, including the Reasonable Interim Royalty: and

63G.2 That the Claimant is in breach of its FRAND Commitment and/or is an unwilling licensor in the event that it does not (i) undertake prior to the determination of the terms of the Interim Licence to enter into the Interim Licence, or (ii) enter into the Interim Licence within 7 days of it being determined, or (iii) undertake within 7 days of the determination of the Interim Licence to comply with the terms of the Interim Licence as if it was in full force and effect.

63H. It is averred that such declaratory relief would serve the useful purposes of, inter alia. (i) clarifying the parties' respective rights and obligations pursuant to the FRAND Commitment, (ii) facilitating the early conclusion of an interim licence between the Claimant and Xiaomi covering the Panasonic Portfolio which would enable a FRAND licence to be settled by this Court without the application of undue commercial pressure to Xiaomi during the period in which this Court is settling the Court-Determined Licence, and/or (iii) enabling Xiaomi to establish an appropriate interim regime which further demonstrates its willingness as a licensee under the Panasonic Portfolio, a factor of relevance to whether injunctions will be granted prior to a FRAND licence being settled and concluded.”

17. By the time of the hearing Xiaomi's legal team had modified the form of the declarations which it was seeking and I set out the declarations in their final form in section VII (below). It was my understanding that it was common ground that although Xiaomi was

seeking declarations relating to an Interim Licence which would be spent once the Court had determined the terms of the Court-Determined Licence, this was an application for final relief (and this was reflected in the prayer for relief).

18. On 5 January 2024 Xiaomi provided Panasonic with a set of the draft Interim Licence terms together with an explanatory letter from Kirkland & Ellis. Under the terms of the proposed Interim Licence Xiaomi offered to fortify the Xiaomi Undertakings by paying a sum into court and providing a bank guarantee. Xiaomi also offered a reconciliation or “true-up” mechanism under which it would pay the balance due to Panasonic under the Court-Determined Licence within 35 days.
19. On 19 January 2024 Panasonic served its draft Amended Reply and Defence to Counterclaim (the “**ARDC**”). Panasonic pleaded to the draft amendments in the ADC in detail. But for present purposes, it is enough to record the following elements of its pleaded case:

“11A. As to paragraph 21A: a. Insofar as the paragraph is premised on the allegation that an executed FRAND licence between Panasonic and the Xiaomi Defendants could only result from a “Court-Determined Licence” in these proceedings, that is denied. It remains open to the parties sooner to agree a FRAND licence, and it is Panasonic’s preference that they do so and thereby avoid the costs of these proceedings. Panasonic’s approach in this regard accords with the ETSI IPR Policy, which recognises the importance of parties entering into negotiations to try to agree FRAND licence terms.”

“33J. Paragraph 63H is denied. In particular:

a. It would be wrong in principle for the English Court to make declarations solely for the purpose of influencing decisions by foreign courts. Insofar as there are exceptions to that principle in cases where the English Court has exclusive jurisdiction or is asked to declare rights under English law, those exceptions are irrelevant to the Interim Licence Counterclaim

b. The alleged useful purposes of the declarations sought by the Interim Licence Counterclaim, as identified by the Xiaomi Defendants in paragraph 63H, properly construed, amount to attempts to obtain declarations solely to influence decisions of the German Courts and/or the UPC in respect of whether or not to grant injunctive relief in those jurisdictions, which is a matter which those courts alone are seised, in respect of which the English Court has no jurisdiction (let alone no exclusive jurisdiction), and which are not governed by English law. As such, they provide no legitimate basis for the English Court to grant the relief sought in paragraph 63G (“the paragraph 63G Relief”) or otherwise by the Interim Licence Counterclaim.

c. Purpose (i) is irrelevant in the context of the proceedings with which the English Court is seised. That is so in particular in the light of the Reciprocal Undertakings and the fact that Panasonic does not, absent a breach of the Xiaomi Undertakings, seek injunctive relief in this Court. In the context of the proceedings before this Court, there is no need and it would serve no useful purpose to clarify the “parties’ respective rights and obligations pursuant to the FRAND Commitment’ so far as concerns the matters raised by the Interim Licence Counterclaim, i.e. Panasonic’s conduct in the proceeding before the German Courts and the UPC and the entitlement to the Interim Licence that is asserted by the Xiaomi Defendants as a result of it.

D. Purpose (ii) is premised on the false basis that, if this Court grants the paragraph 63G Relief, an interim licence will result between Panasonic and Xiaomi. That premise is false because in that scenario, Panasonic will not enter into the Interim Licence. Even if that were otherwise, the entry into an interim licence would serve no useful purpose in the context of the proceedings before the English Court, in particular in the light of the Reciprocal Undertakings and the fact that Panasonic does not, absent a breach of the Xiaomi Undertakings, seek injunction relief in this Court.

e. Further, the assertion in respect of purpose (ii) that the early conclusion of an interim licence would remove the alleged "application of undue commercial pressure to Xiaomi during the period in which this court is settling the Court Determined Licence" reveals the Xiaomi Defendants' true purpose in seeking the declarations sought by the Interim Licence Counterclaim is to enlist the English Court in pressuring Panasonic to cease pursuing its claims for patent infringement in the German and UPC Proceedings, that being the only conduct which the Xiaomi Defendants allege will or may place undue commercial pressure on Xiaomi during that period (as per paragraph 63C). That would not be a useful purpose in the light of the principles exemplified by cases such as *Teva v Novartis* [2022] EWCA Civ 1617. It would also and in any case be an illegitimate purpose, involving the English Court in an improper and exorbitant interference with the jurisdiction of those foreign courts in respect of the proceedings with which they are seised.

f. In respect of purpose (iii), in the light of the Reciprocal Undertakings and the matters pleaded at paragraphs 11A(c) above, the Xiaomi Defendants do not need to establish an appropriate interim regime to "further demonstrate a willingness as a licensee under the Panasonic Portfolio" in the context of the proceedings before the English Court, so purpose (iii) has no relevance in this jurisdiction. Insofar as purpose (iii) is said to be relevant to the foreign proceedings, such a purpose is not a useful purpose in light of the principles exemplified by cases such as *Teva v Novartis* [2022] EWCA Civ 1617. Further, considerations that go to the willingness of the parties for the purposes of considering whether injunctions will be granted in the foreign proceedings are matters properly for the relevant foreign courts alone, and the Xiaomi Defendants have put, and it is to be inferred intend to put, such matters before the German Courts and UPC: see paragraph 11A(d)(iv) above.

g. Further, even if (contrary to the above) it were appropriate in principle to grant declarations for the purpose of the proceedings before the German Courts and the UPC, it would be wrong in principle or otherwise inappropriate to do so where, as here, those declarations: (i) would not bind the German Courts and the UPC; (ii) would not have preclusive effect on the parties (whether by *res judicata*, estoppel or otherwise) as regards any cause of action or issue before the German Courts and the UPC; and (iii) are unlikely materially to influence the German Courts and the UPC in determining the matters with which they are seised.”

20. Panasonic also contended that the German Courts were the only (or appropriate) fora to consider the allegations about the purpose and effect of Panasonic’s conduct for a number of reasons and whether that conduct was consistent with Panasonic’s FRAND Commitment. However, without prejudice to its primary position Panasonic put forward a proposal to give an undertaking not to enforce any injunction obtained in the German Courts on the following terms (and I adopt the parties’ description of it as the “**Non-Enforcement Proposal**”):

“33L. Without prejudice to its position as set out above. Panasonic is willing to undertake to the English Court that if the contingencies at paragraph 33K(i)-(iii) occur, then upon the Xiaomi Defendants paying Panasonic the amount which Panasonic is contending in its FRAND statement of case is FRAND, Panasonic will not enforce any injunction arising from the Panasonic Portfolio that it may obtain against them from the German Courts or the UPC during the pendency of the Reciprocal Undertakings. For the avoidance of doubt, (i) if the sum owed under the Court- Determined Licence is less than the amount paid to Panasonic under this arrangement, Panasonic would undertake to repay to Xiaomi the difference between these two sums and (ii) these further undertakings would not be a licence and nor would they prevent Panasonic from otherwise pursuing its claims against the Xiaomi Defendants before the German Courts and the UPC.”

(4) *The FNC Application*

21. On 19 January 2024 Panasonic issued the FNC Application and applied for an order that the Court should decline to exercise its jurisdiction to make the declarations which Xiaomi was seeking or that the Court should strike out or stay Xiaomi’s counterclaim. On 6 February 2024 the parties attended a meeting to discuss a potential interim licence in accordance with the Order. However, Panasonic did not agree to Xiaomi’s terms or offer alternative terms. This reflected its pleaded position and the position which it took on the FNC Application that Xiaomi was not entitled to an Interim Licence on any terms.

(5) *The Parties' Current Proposals*

22. Xiaomi's response was to increase the offer which it was prepared to make for an Interim Licence. In his eleventh witness statement dated 15 March 2024 ("**Baldwin 11**") Mr Steven Baldwin, who is a partner in Kirkland & Ellis, set out in detail the financial terms of the Interim Licence which Xiaomi was prepared to agree. Xiaomi proposed to pay the full amount which Panasonic had originally sought for the fortification of the Xiaomi Undertakings in two parts. First, it offered to pay a sum directly to Panasonic as an interim royalty and, secondly, it offered to pay the balance into court to fortify the undertakings subject to the true-up mechanism. Xiaomi remained willing to agree these terms when the Applications came on for hearing.
23. Mr Baldwin described this revised proposal as "simple and generous" and that it matched the fortification which Panasonic had originally sought. He also stated that it was underpinned by a clear and reasoned methodology, that it included a payment covering the past years 2019 to 2023 and the future years 2024 to 2026. He also gave the following evidence about the financial terms which it had put forward:
- (1) The interim amount which Xiaomi was offering far exceeded the amount which would be payable for the Interim Period of approximately 12 months based on Xiaomi's pleaded per-unit royalty.
  - (2) It far exceeded the fourth offer which it had made earlier and covered a period which was substantially longer than the Interim Period which would be covered by the Interim Licence until the grant of the Court-Determined Licence.
  - (3) It far exceeded the amount which would be payable based on the per-unit royalty sought by Panasonic for the interim period.
  - (4) Notwithstanding that Xiaomi's position was that the interim amount was consideration only for an Interim Licence covering the Interim Period, the interim amount far exceeded the amount that would be payable even when considering Xiaomi's past sales.
24. Mr Baldwin also produced a table to illustrate some of these contentions. The first line showed the royalty which would be payable for a limited period. The second line showed

the royalty which would be payable for the entire past period for which Panasonic was claiming. The third line showed the royalty which would be payable for a single year. In each case, the table indicated that the amount in question was only a fraction of the interim amount which Xiaomi was prepared to pay under the Interim Licence. Mr Baldwin also pointed out that Panasonic's share of the 4G stack was a small percentage.

25. On 10 April 2024 Panasonic made a revised Non-Enforcement Proposal. Mr Andrew Scott KC and Ms Isabel Jamal, who appeared on behalf of Panasonic instructed by Bristows, described the nature of this proposal in their Skeleton Argument dated 18 April 2024 as follows (references and footnotes omitted):

“In response, on 10 April 2024, Panasonic made an Updated Offer to Xiaomi, which closely mirrors the situation that would arise were the parties to enter into a licence pursuant to the “Orange Book” mechanism available in Germany. The Updated Offer proposes that Xiaomi enters into a final FRAND licence for the full term sought by Panasonic at the FRAND Trial (namely 2011-2029), for the amount sought by Panasonic in its FRAND statement of case in these proceedings, but with a mechanism to “true up” (or down) the terms following the outcome of the FRAND Trial. Xiaomi has not accepted the Updated Offer, and has recently served evidence criticising its terms, and mischaracterising it as an “interim licence”. It is not an interim licence. It is a solution that would enable Xiaomi to be immediately and fully licensed (both historically and in the future), and thereby put an end to any parallel foreign proceedings and with it the alleged illegitimate “pressure” that they are said to cause it.”

26. Mr Scott and Ms Jamal also confirmed that Panasonic's case for the FRAND Trial was that the future term should be five years from the date of execution and that the figure for the FRAND royalty was based on Panasonic's amended per unit royalty pleaded in its FRAND statement of case, IDC data on Xiaomi's past handset sales from 2011 onwards and projected sales up to 2029. In his oral submissions, Mr Scott made it absolutely clear that the only amount which Panasonic was prepared to accept was the amount which it was seeking in its FRAND statement of case, namely, a sum based on Panasonic's pleaded royalty rate for a licence period from 2011 to 2029 together with compound interest at its pleaded rates.
27. On 23 and 24 April 2024 I heard oral submissions from the parties. By letter dated 25 April 2024 Kirkland & Ellis wrote to Bristows making an alternative Interim Licence offer increasing the amount which it was prepared to pay directly to Panasonic as an

interim royalty. This figure was based on the second line of Mr Baldwin's table (above) and was, therefore, a royalty for the past period for which Panasonic was claiming together with compound interest. However, Mr Scott pointed out that the royalty rate which had been used was Xiaomi's royalty rate rather than Panasonic's rate and it did not include the future years which Panasonic would be seeking at the FRAND trial.

(6) *The German Proceedings*

28. Mr Baldwin described both the UPC and the DE Proceedings in Baldwin 11. In each set of proceedings Panasonic is seeking an injunction. In the UPC (Mannheim) Proceedings Panasonic seeks an injunction in Germany, France, Italy, the Netherlands, Denmark, Sweden and Finland in relation to one or more of the SEPs. In the UPC (Munich) Proceedings Panasonic is seeking an injunction extending to seventeen UPC Member State countries. Based on information provided by Xiaomi's German counsel, Wolrad Prinz zu Waldeck und Pyrmont, he also gave the following information about the stage which each set of proceedings had reached:

“(a) The Regional Court Mannheim has scheduled hearings in two out of the three Mannheim DE Proceedings on 26 July 2024 and 16 August 2024. Xiaomi requested that these hearings be rescheduled, and that request has been accepted for the hearing originally scheduled for 26 July 2024: that will now take place on 4 September 2024. Whilst the second hearing will also be rescheduled following Xiaomi's request, no date has yet been provided although I am told by Mr Waldeck und Pyrmont that it may take place in Autumn 2024.

(b) Oral hearings have now been scheduled in the UPC Mannheim Proceedings on 7-10 October 2024 (EP 724), 10-11 December 2024 (EP 270) and 4-5 February 2025 (EP 315) respectively. Under the UPC Rules of Procedure, the UPC endeavours to issue a decision on the merits in writing within six weeks of an oral hearing.

(c) In the Regional Court Munich I and although a formal summons has not yet been issued, the parties have been liaising with the Court in relation to hearings on 6 November 2024 (EP 559), 8 November 2024 (EP 834; EP 836) and 27 November 2024 (EP 042), with FRAND issues to be heard on 29 November 2024 (in respect of all four of the Munich DE Proceedings). Panasonic has informed the Regional Court Munich I that its patent attorneys have availability issues regarding 8 November 2024 (EP 386) and 27 November 2024 (EP 042), so it is possible the Regional Court Munich I will change those two dates. Given FRAND issues are relevant to all the foregoing cases, a judgment is possible at the end of the hearing on 29 November 2024 or more likely in a 4-6 week period thereafter (January- February 2025).



(d) Oral hearings have been scheduled in the UPC Munich Proceedings on 19-21 November 2024 in relation to EP 132 - in that action, Panasonic seeks an injunction spanning all 17 UPC Member States - and 28-31 January 2024 in relation to EP 163. These cases will be heard together with the parallel proceedings filed against OPPO entities in relation to the same patents. At this stage, no hearing date has been set in the remaining UPC Munich Proceeding concerning EP 854.”

### **III. The ETSI IPR Policy**

29. On 23 November 1994 ETSI’s General Assembly adopted an intellectual property rights policy (the “**ETSI IPR Policy**”) which was incorporated into its Rules of Procedure as Annex 6. The current version of the policy is dated 12 December 2022. The version which Mr Baldwin exhibited to Baldwin 11 was in the English language and Mr Boulton confirmed in his oral submissions that English was a working language of ETSI and he did not suggest that the French text was definitive. I, therefore, approach the construction or interpretation of the policy on the basis that it is published in a number of equally definitive versions in different languages (including English).
30. Clause 1 of Annex 6 recites that the General Assembly had established the policy and clause 2 stated that terms in capital letters were to have the meaning in clause 15. It then provided as follows:

#### **“3 Policy Objectives**

3.1 It is ETSI’s objective to create STANDARDS and TECHNICAL SPECIFICATIONS that are based on solutions which best meet the technical objectives of the European telecommunications sector, as defined by the General Assembly. In order to further this objective the ETSI IPR POLICY seeks to reduce the risk to ETSI, MEMBERS, and others applying ETSI STANDARDS and TECHNICAL SPECIFICATIONS, that investment in the preparation, adoption and application of STANDARDS could be wasted as a result of an ESSENTIAL IPR for a STANDARD or TECHNICAL SPECIFICATION being unavailable. In achieving this objective, the ETSI IPR POLICY seeks a balance between the needs of standardization for public use in the field of telecommunications and the rights of the owners of IPRs.

3.2 IPR holders whether members of ETSI and their AFFILIATES or third parties, should be adequately and fairly rewarded for the use of their IPRs in the implementation of STANDARDS and TECHNICAL SPECIFICATIONS.

3.3 ETSI shall take reasonable measures to ensure, as far as possible, that its activities which relate to the preparation, adoption and application of STANDARDS and TECHNICAL SPECIFICATIONS, enable

STANDARDS and TECHNICAL SPECIFICATIONS to be available to potential users in accordance with the general principles of standardization.

#### **4 Disclosure of IPRs**

4.1 Subject to Clause 4.2 below, each MEMBER shall use its reasonable endeavours, in particular during the development of a STANDARD or TECHNICAL SPECIFICATION where it participates, to inform ETSI of ESSENTIAL IPRs in a timely fashion. In particular, a MEMBER submitting a technical proposal for a STANDARD or TECHNICAL SPECIFICATION shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER's IPR which might be ESSENTIAL if that proposal is adopted.

4.2 The obligations pursuant to Clause 4.1 above do however not imply any obligation on MEMBERS to conduct IPR searches. 4.3 The obligations pursuant to Clause 4.1 above are deemed to be fulfilled in respect of all existing and future members of a PATENT FAMILY if ETSI has been informed of a member of this PATENT FAMILY in a timely fashion. Information on other members of this PATENT FAMILY, if any, may be voluntarily provided.

#### **5 Procedures for Committees**

ETSI shall establish guidelines for the Chairs of COMMITTEES with respect to ESSENTIAL IPRs.

#### **6 Availability of Licences**

6.1 When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory ("FRAND") terms and conditions under such IPR to at least the following extent:

- MANUFACTURE, including the right to make or have made customized components and sub-systems to the licensee's own design for use in MANUFACTURE
- sell, lease, or otherwise dispose of EQUIPMENT so MANUFACTURED;
- repair, use, or operate EQUIPMENT; and
- use METHODS.

The above undertaking may be made subject to the condition that those who seek licences agree to reciprocate.

##### **6.1bis Transfer of ownership of ESSENTIAL IPR**

FRAND licensing undertakings made pursuant to Clause 6 shall be interpreted as encumbrances that bind all successors-in-interest. Recognizing that this interpretation may not RULES OF PROCEDURE apply in all legal jurisdictions, any Declarant who has submitted a FRAND

undertaking according to the POLICY who transfers ownership of ESSENTIAL IPR that is subject to such undertaking shall include appropriate provisions in the relevant transfer documents to ensure that the undertaking is binding on the transferee and that the transferee will similarly include appropriate provisions in the event of future transfers with the goal of binding all successors-in-interest. The undertaking shall be interpreted as binding on successors-in-interest regardless of whether such provisions are included in the relevant transfer documents.

6.2 An undertaking pursuant to Clause 6.1 with regard to a specified member of a PATENT FAMILY shall apply to all existing and future ESSENTIAL IPRs of that PATENT FAMILY unless there is an explicit written exclusion of specified IPRs at the time the undertaking is made. The extent of any such exclusion shall be limited to those explicitly specified IPRs.

6.3 As long as the requested undertaking of the IPR owner is not granted, the COMMITTEE Chairs should, if appropriate, in consultation with the ETSI Secretariat use their judgment as to whether or not the COMMITTEE should suspend work on the relevant parts of the STANDARD or TECHNICAL SPECIFICATION until the matter has been resolved and/or submit for approval any relevant STANDARD or TECHNICAL SPECIFICATION. 6.4 At the request of the European Commission and/or EFTA, initially for a specific STANDARD or TECHNICAL SPECIFICATION or a class of STANDARDS/TECHNICAL SPECIFICATIONS, ETSI shall arrange to have carried out in a competent and timely manner an investigation including an IPR search, with the objective of ascertaining whether IPRs exist or are likely to exist which may be or may become ESSENTIAL to a proposed STANDARD or TECHNICAL SPECIFICATIONS and the possible terms and conditions of licences for such IPRs. This shall be subject to the European Commission and/or EFTA meeting all reasonable expenses of such an investigation, in accordance with detailed arrangements to be worked out with the European Commission and/or EFTA prior to the investigation being undertaken.

#### **6bis Use of the IPR Licensing Declaration Forms**

MEMBERS shall use one of the ETSI IPR Licensing Declaration forms at the Appendix to this ETSI IPR Policy to make their IPR licensing declarations.”

31. Most of the defined terms in this extract are self-explanatory and it is unnecessary for me to set them out here. But it is of some importance that the expressions “irrevocable undertaking” and “irrevocable licences” used in clause 6.1 are not defined terms. Clause 12 expressly provided that the ETSI IPR Policy was to be governed by French law although it also provided that no member was obliged to commit a breach of the laws or regulations of its own country.

32. Although I was shown an example signed on behalf of Xiaomi, I was not taken to the IPR Licensing Declaration Form (the “**IPR Licensing Declaration**”) signed by or on behalf of Panasonic. But it was common ground that it had been properly completed. The form to which I was taken contained a declaration that in accordance with clause 6.1 of the ETSI IPR Policy and with reference to the specified standards or technical specifications:

“the Declarant hereby irrevocably declares that (1) it and its AFFILIATES are prepared to grant irrevocable licenses under its/their IPR(s) on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy, in respect of the STANDARD(S), TECHNICAL SPECIFICATION(S), or the ETSI Project(s), as identified above, to the extent that the IPR(s) are or become, and remain ESSENTIAL to practice that/those STANDARD(S) or TECHNICAL SPECIFICATION(S) or, as applicable, any STANDARD or TECHNICAL SPECIFICATION resulting from proposals or Work Items within the current scope of the above identified ETSI Project(s), for the field of use of practice of such STANDARD or TECHNICAL SPECIFICATION; and (2) it will comply with Clause 6. 1bis of the ETSI IPR Policy with respect to such ESSENTIAL IPR(s).”

33. The IPR Licensing Declaration expressly stated that its construction, validity and performance were to be governed by the laws of France. It also contained an annex which set out particulars of the relevant standard and the patents or patent families. Again, I was not taken to the annex to Panasonic’s IPR Licensing Declaration but it was common ground that clause 6.1 of the ETSI IPR Policy extended to all of the SEPs or patent families which are the subject matter of this claim.
34. ETSI also publishes a “Guide on Intellectual Property Rights” (the “**ETSI Guide**”) and the version to which I was taken was adopted on 10 June 2021. The foreword states that it is intended to help ETSI members to understand and implement the ETSI IPR Policy and also that it provides explanatory guidance on how to handle IPR matters. Again, it is important to note that it does not prescribe a particular procedure for the grant or acceptance of licences under clause 6. Indeed, paragraph 4.1 of the ETSI Guide states as follows:

**“4.1 Licensing terms and ex ante disclosure**

Specific licensing terms and negotiations are commercial issues between the companies and shall not be addressed within ETSI. Technical Bodies are not the appropriate place to discuss IPR Issues. Technical Bodies do

not have the competence to deal with commercial issues. Members attending ETSI Technical Bodies are often technical experts who do not have legal or business responsibilities with regard to licensing issues. Discussion on licensing issues among competitors in a standards making process can significantly complicate, delay or derail this process.

Without prejudice to ETSI IPR Policy and other sections of this Guide, voluntary, unilateral, public, ex ante disclosures of licensing terms by licensors of Essential IPRs, for the sole purpose of assisting members in making informed (unilateral and independent) decisions in relation to whether solutions best meet the technical objectives, are not prohibited under ETSI Directives. Licensing terms from such disclosures may, in some circumstances, improve transparency for individual members in considering technologies for inclusion in STANDARDS and TECHNICAL SPECIFICATIONS.

No detailed licensing terms should be available from ETSI to avoid a misleading impression. ETSI may act as a depository, where IPR owners (licensors) can make available information on how and where to access such disclosed licensing terms, and provide links to URLs of IPR owners, which contain the details of licensing terms and conditions, so that information about the availability of licenses can be disseminated to all users of ETSI standards.

However, this provision does not create any obligation for any member to disclose any licensing terms related to any of its IPRs. The lack of disclosure by a member of its licensing terms does not create any implication under the ETSI Directives. Specifically, the requested undertaking in writing of an IPR owner that it is prepared to grant licenses on fair, reasonable and non-discriminatory terms and conditions pursuant to Clause 6.1 of the ETSI IPR Policy is sufficient when selecting technologies for ETSI standards and technical specifications.”

#### **IV. Foreign Law**

35. The parties adduced expert evidence of both French, German and UPC law. There was a considerable measure of agreement between the parties about the relevant principles. But when the hearing began, Mr Boulton and Ms Osepciu indicated that they considered it necessary for the French law experts to give oral evidence on those areas of disagreement. However, by the end of the second day, when Mr Scott had almost completed his oral submissions, the parties were agreed that it was unnecessary to call any of the experts to give evidence.

##### *(1) French Law*

36. Professor Philippe Stoffel-Munck, who is a law professor at the University of Paris Panthéon-Sorbonne made three expert reports on French law on behalf of Xiaomi.

Professor Jean-Sébastien Borghetti, who is professor of private law at Paris-Panthéon-Assas University, made three expert reports on French law on behalf of Panasonic. Neither party objected to the admission of any of these reports although Mr Scott submitted that in a number of respects Professor Stoffel-Munck had strayed outside the permissible scope of expert evidence on foreign law.

37. Mr Scott and Ms Jamal set out certain passages from *Nokia Technologies OY v Oneplus Technology (Shenzhen) Co Ltd* [2023] EWHC 1912 (Pat) (“*Nokia v Oppo*”) in which Meade J set out the general principles of French law as they applied to the ETSI IPR Policy. Mr Boulton accepted in his oral submissions that those paragraphs accurately stated the law and I can do no better than set them out in full:

**“General Principles of French contract law**

168. In French law, a contract is a concordance of wills of two or more persons intended to create, modify, transfer or extinguish obligations.

169. Contracts are formed through a sufficiently clear and precise offer followed by acceptance, either of which may be express or implied.”

**“Stipulation pour Autrui**

Art. 1205. A person may make a *stipulation* for another person.

One of the parties to a contract (the ‘stipulator’) may require a promise from the other party (the ‘promisor’) to accomplish an act of performance for the benefit of a third party (the ‘beneficiary’). The third party may be a future person but must be exactly identified or must be able to be determined at the time of the performance of the promise.

Art. 1206. The beneficiary is invested with a direct right to the act of performance against the promisor from the time of the *stipulation* .

Nevertheless, the stipulator may freely revoke the *stipulation* as long as the beneficiary has not accepted it.

The *stipulation* becomes irrevocable at the moment when the acceptance reaches the stipulator or the promisor.

175. The *stipulation pour autrui* (“SPA”) is a legal mechanism whereby the parties to a contract, namely a stipulator and a promisor, immediately vest a third-party (the beneficiary) with a right against one of them (the promisor) even though that third-party is defined in the abstract, is not aware of the benefit of that right and has not accepted it.

176. As long as the third-party has not accepted the benefit of the right vested in it, the stipulator may revoke that right. By contrast, the promisor may not revoke the right vested in the beneficiary by the SPA.

177. The main legal effect attached to the SPA mechanism is expressed in

article 1206 paragraph 1 of the Civil Code which creates an accessory right between the beneficiary and the promisor.

178. The beneficiary is not a party to the underlying agreement between the stipulator and the promisor. It is merely the beneficiary of a specific enforceable right derived from this contract and defined therein.

179. A third party will be a beneficiary of an SPA provided that third party satisfies the conditions for being a beneficiary set out in or objectively determinable by reference to the underlying contract between the stipulator and the promisor.

180. It is not necessary for the beneficiary to be determined when the underlying contract between the stipulator and the promisor is entered into. However, it must be possible to determine the beneficiary at the time the obligation undertaken by the promisor is to be performed.

181. The right vested in the beneficiary by the SPA must be determined or determinable, as is generally required by Article 1163 (set out below). There is a dispute as to whether there is a material difference in the law before and after the Reformed Civil Code (see below).

182. If the *stipulation* (i.e., the wording of the underlying contract between the stipulator and the promisor) is valid but nonetheless unclear or ambiguous, it will not undermine the legal force of the *stipulation*; rather, the *stipulation* will have to be interpreted to see whom it is designed to benefit.

183. Acceptance of the SPA (express or implicit) makes it irrevocable. In cases where the SPA is subject to corollary obligations for the beneficiary, the role of the beneficiary's acceptance is not merely to accept the benefit but also to accept the debt.”

#### **“The ETSI undertaking creates an SPA**

191. Following *Unwired Planet v Huawei* and *Optis v Apple (UK)*, it is now well accepted that the ETSI undertaking creates an SPA or SPCA under French law.

#### **Rules on Interpretation of Contracts**

Art. 1188. A contract is to be interpreted according to the common intention of the parties rather than stopping at the literal meaning of its terms.

Where this intention cannot be discerned, a contract is to be interpreted in the sense which a reasonable person placed in the same situation would give to it.

Art. 1189. All the terms of a contract are to be interpreted in relation to each other, giving to each the meaning which respects the consistency of the contract as a whole.

Where, according to the common intention of the parties, several contracts

contribute to one and the same operation, they are to be interpreted by reference to this operation.

Art. 1190. In case of ambiguity, a bespoke contract is interpreted against the creditor and in favour of the debtor, and a standard-form contract is interpreted against the person who put it forward.

Art. 1191. Where a contract term is capable of bearing two meanings, the one which gives it some effect is to be preferred to the one which makes it produce no effect.

Art. 1192. Clear and unambiguous terms are not subject to interpretation as doing so risks their distortion.

196. The principles governing interpretation of contracts should only be looked at where there is room for interpretation i.e. where the black letter text of the contract is obscure or ambiguous.

197. Where contractual interpretation is performed, it is common practice to do so using extrinsic materials, including, for example, negotiation documents and other materials relating to the period preceding the conclusion of the contract or relating to the context of the conclusion (collective agreements, individually negotiated contracts, etc.).”

“199. From a general standpoint, French law provides two alternative tests for the interpretation of contracts: (1) a subjective one, aimed at ascertaining the genuine common intent of the parties (if any), or (2) an objective one, by reference to the standard of the reasonable person. Under the rubric of the concept of the “common intention” of the parties, the French courts have commonly adopted an objective approach when no genuine common intent could be identified.

200. A French court may prefer an interpretation which allows a provision to bear legal effects and, therefore, which is compliant with the law. In the event of ambiguity, in accordance with Article 1191, a French court may prefer an interpretation of a contract which results in the contract complying with the law (e.g., competition law), rather than one which would infringe the law and call for sanctions. A meaning that would lead the provision to become void, ineffective or Inapplicable because it would, for example, qualify as an infringement of the law, may be less preferred.

201. The rules of interpretation also favour consistency with the contractual context. It follows that, when a text allows two meanings, it must be understood to have the meaning that reconciles best with other relevant terms of the relevant agreement(s).”

38. Mr Boulton and Ms Osepciu also accepted the following paragraphs in Mr Scott and Ms Jamal’s Skeleton Argument as being an accurate summary of the views expressed by both experts:



“134. It is common ground between the parties that, as a matter of French law, a contract must be negotiated, formed, and performed in good faith pursuant to Article 1104 of the Civil Code (Borghetti 1 [C1/1] §32; Stoffel-Munck 1 [Conf D1/1] §27), and that therefore a SEP holder is required under French law to perform the ETSI obligation in good faith .

135. It is also common ground that there is no definition of good faith for the purpose of Article 1104 of the Civil Code; and that applying that concept is a highly fact sensitive question, which would be assessed by a French Court “in concreto” (i.e. in light of all the facts and circumstances) (Borghetti 1 [C1/1] §33 and §38; Stoffel-Munck 1 [Conf D1/1] §§28-30).

136. Both experts agree however that, in broad terms, good faith requires a party to perform its obligation in such a way that is consistent with the “spirit” or “purpose” of the obligation, not just the black letter of the obligation (Borghetti 1 [C1/1] §33; Stoffel-Munck 1 [Conf D1/1] §36.”

39. Mr Boulton and Ms Osepciu challenged some of the evidence given by Professor Borghetti in his earlier reports and in a report dated 22 April 2024 he clarified his position further. Mr Boulton took me to the relevant passages and fairly accepted that it accurately stated the position as agreed between the experts:

“6. Paragraph 53 of Xiaomi's skeleton states that my evidence "regarding the limits of what can be required by the principle of good faith" is "unclear". Two passages are quoted from my previous reports in relation to this. I am quoted as saying, in Borghetti 1, that good faith cannot be relied upon to "*undermine the very substance of the rights and obligations legally agreed between the parties*" (emphasis in Xiaomi's Skeleton). I am then quoted as saying, in Borghetti that good faith cannot "*alter ... the very substance of the rights and obligations legally agreed between the parties*" (emphasis in Xiaomi's Skeleton).

7. I wish to clarify that my view as to the limits on good faith has not changed between Borghetti 1 and Borghetti 2. Furthermore, the sentences quoted in paragraph 53 of Xiaomi's Skeleton from my two previous reports were not intended to convey different meanings.

8. Whilst it is true, as Prof. Stoffel-Munck sets out in paragraph 25 of Stoffel-Munck 2, that the phrase used in *Les Maréchaux* is that good faith does not authorize the Court to "undermine" the substance of the rights and obligations of the contract, that has been clarified in later cases to mean that good faith does not allow courts to "modify" (i.e. alter) the rights and obligations, as Prof. Stoffel-Munck himself states in paragraph 25 of Stoffel-Munck 2. In relation to this, I note that Prof. Stoffel-Munck states at paragraph 24 of Stoffel-Munck 2 that he agrees "*with [my] view at paragraph 36 that Article 1104 cannot be relied upon to 'alter the other party's obligations*". On this point therefore I do not understand there to be any dispute between Prof. Stoffel-Munck and me.

9. As I understand it, Prof. Stoffel-Munck and I also agree that, as there is no strict definition of what good faith requires, the limitations of good faith

in the performance of a contract will always be fact and context specific. I noted at paragraphs 11 and 12 of Borghetti 2, that the essential aspect of good faith is that it requires parties to fulfil the spirit of the contract and not just stick to the "black-letter" which may, depending on the facts, oblige parties to behave in ways that are not clearly expressed in the contract. However, it remains the case that French Courts cannot go further so as to modify the parties' rights and obligations, a point on which Prof. Stoffel-Munck and I agree as I explain at paragraph 8 above. Therefore, Prof. Stoffel-Munck and I agree that there is no hard-edged position on what constitutes the limits of good faith in the performance of a contract as the question will always be one of fact and degree."

40. Mr Boulton identified three points on which there was a difference between the experts: first, whether the "intensity" of the obligation of good faith can vary with the type of contract in question; secondly, whether the obligation of good faith could require one party to a contract to act to protect the interests of the counter-party to the detriment of their own interests and, thirdly, the limits of the obligation of good faith. Mr Boulton submitted that it was not necessary for me to decide those issues.
41. Ms Osepciu, who made oral submissions in reply on behalf of Xiaomi, accepted that it was common ground that there was no French authority on the question whether the ETSI IPR Policy imposed an obligation upon a SEP holder to grant an Interim Licence in circumstances where an implementer had agreed to accept an irrevocable licence for the relevant IPR. However, she relied on two specific authorities for the proposition that good faith in the performance of its FRAND commitment could lead to the imposition of actionable rights by the Court.
42. First, she relied on the decision of the Court de cassation in the *Le Parc de Ramonville* case which the Court effectively imposed an obligation upon a company supplying heating and hot water installations to implement a new tariff. It is sufficient for me to set out the evidence which Professor Stoffel-Munck gave about this case in his first report dated 8 March 2024 (original emphasis):

"Another example is a 1996 case before the Cour de cassation (see Exhibit PSM-21). The manager of '*Le Parc de Ramonville*' condominium signed a contract with a company on 30 March 1982 for the supply of heating and hot water and for the maintenance of the heating and hot water installations. During the performance of the contract, the company did not inform the condominium manager of the existence of a new tariff offered by '*Gaz de France*' and introduced in 1985. The new tariff was more advantageous than the existing tariff under which the condominium was

supplied and the company itself had benefited from the new tariff itself since 1 April 1986. The condominium manager brought an action against the company claiming a sum corresponding to the savings that could have been achieved had the condominium been switched to the new tariff. The condominium manager was successful at first instance, but the decision was overturned on appeal on the grounds that the company was not under a positive obligation to inform the condominium manager of the existence of the new tariff. On further appeal, the Cour de cassation quashed the decision of the Court of Appeal, holding that "*the company commissioned by its customers to operate their heating and hot water supply system was required to do so in their best interests and, consequently, to inform them of any possibility of a favourable change in Gaz de France's tariffs; by failing to fulfil this obligation for more than a year and a half, the company failed in its duty to provide information and advice and incurred liability towards 'Le Parc de Ramonville' co-ownership; in ruling as it did, the Court of Appeal disregarded [Article 1134 para. 3 of the French Civil Code].*"

43. Secondly, Ms Osepciu relied on a second decision of the Court de cassation in which the Court held that a franchisor was obliged to offer acceptable terms to a franchisee under a franchise agreement. Again, it is sufficient for me to set out Professor Stoffel-Munck's evidence from his third report dated 25 April 2024:

"A 2017 case before the Cour de cassation (see Exhibit PSM-29) in relation to franchise agreement concluded in 2004 between Holder (as "Franchisor") and Ginvest (as "Franchisee") granting exclusivity to the Franchisee to open bakeries under the 'Paul' brand. The Franchisor granted exclusivity to the Franchisee in return for a development commitment from the Franchisee to open 18 'Paul' stores within five years. The development commitment given by the Franchisee turned out to be optimistic and having opened five 'Paul' stores, the Franchisor terminated the franchise agreement and sued the Franchisee for damages resulting from the failure of the Franchisee to perform the development commitment. The Franchisee countersued for damages for wrongful termination of the franchise agreement. The Paris Court of Appeal found in favour of the Franchisee and awarded damages against the Franchisor. The Paris Court of Appeal held that the Franchisor was under a duty to renegotiate the franchise agreement in the event of the development commitment not being met and that termination of the franchise agreement amounted to a breach of Article 1134 (paragraph 3) of the French Civil Code (the predecessor to Article 1104). The Court of Appeal found that by failing to renegotiate, the Franchisor had breached its duty of good faith. The Cour de cassation upheld the Paris Court of Appeal's finding that the duty of good faith required the Franchisor to renegotiate the franchise agreement in those circumstances and "*to offer acceptable terms*" to the Franchisee."

44. I accept Ms Osepciu's submission that in principle good faith in the performance of a

contract can lead to the creation or modification of a party's rights as opposed to giving rise to a claim for damages or, perhaps, preventing a party from enforcing their own express obligations under the relevant contract. Both of the authorities to which she referred me provided support for that proposition and I can readily see that an express obligation to act in good faith in an English contract or the obligations in some relational contracts might generate similar obligations.

45. However, Professor Stoffel-Munck went much further than this and expressed the opinion that “good faith would direct a Declarant to agree to enter into a provisional regime in the form of the Interim Licence”. He also expressed the opinion that a SEP holder acting in good faith in performance of its FRAND Commitment “would not, therefore, offer a provisional regime that amounted to anything less than a licence.” It was common ground that there was no French authority to support either of these propositions and, as Mr Scott submitted, these were simply the views expressed by an expert on the construction of the ETSI IPR Policy and Panasonic's FRAND Commitment. In my judgment, those opinions are irrelevant and inadmissible: see *BNP Paribas SA v Trattamento Rifiuti Metropolitani SpA* [2019] 1 CLC 822 at [45] to 52 (Hamblen LJ). In fairness to them, Mr Boulton and Ms Osepciu did not press me to accept this evidence in their oral submissions.

(2) *German Law*

46. Professor Dr Christoph Ann, the Chair of Business Law and Intellectual Property at the Technical University of Munich, made two expert reports on behalf of Xiaomi in relation to German law. Prinz zu Waldeck also made two witness statements relating to the practice of the Munich and Mannheim courts which Mr Scott submitted were inadmissible or had very limited weight. Professor Peter Meier-Beck, who is the Honorary Professor of Law at Heinrich Heine University in Dusseldorf and at the UCL Faculty of Laws and a retired Presiding Judge of the German Federal Supreme Court (the “**BGH**”), made two expert reports on behalf of Panasonic.
47. Both experts were agreed about the legal framework in which a SEP holder may obtain an injunction to restrain patent infringement and the procedure which the Munich or Mannheim Regional Courts would adopt and the limited defences to infringement which would be available. Professor Meier-Beck helpfully accepted that the following passage

in Professor Ann's first report dated 8 March 2024 was accurate (and I adopt the terms set out in bold in this passage myself):

“26. I have been asked by Kirkland & Ellis to explain the legal basis of the **FRAND Defence** under German law.

27. The **FRAND Defence** in German law has its basis in Article 102 of the Treaty on the Functioning of the European Union ("**TFEU**"). As a rule, a SEP holder will be in a position of economic dominance not only with respect to the technical teaching of SEP(s) but also with the market served by SEP(s). SEP(s) by their very nature must be practised by every implementer seeking to deal in products that are compliant with the technical standard for which the SEP(s) are (alleged to be) essential. As a result, if the concerned SEP(s) provide a dominant market position, the SEP holder is able to prevent effective competition in the relevant market by acting independently of its competitors and customers (i.e., normal market forces that would otherwise serve to reduce the effect of any attempt by the SEP holder to prevent effective market competition are not applicable).

28. It is well established in Germany that an implementer of a SEP has a claim against the SEP holder under Article 102 TFEU where the SEP holder engages in behaviour that is abusive of its dominant market position. Such behaviour might include the SEP holder refusing to offer a licence to its SEPs or refusing to offer a licence other than on unFRAND terms. In Germany, an implementer's claim under Article 102 TFEU is usually raised as a defence in patent infringement proceedings, but in principle, it could also be asserted independently of any patent infringement proceedings (i.e., positively asserting a claim for a **FRAND licence**). I refer to an implementer's claim under Article 102 TFEU, when it is raised as a defence in patent infringement proceedings, as a "**FRAND Defence**".

29. The German Courts will only issue a binding decision on the subject matter of the dispute before it ("**Streitgegenstand**"). Pursuant to Section 253 (2) of the ZPO (see Exhibit CA-4) the "subject matter of the dispute" is generally understood to mean the claim brought by the plaintiff based on the specific facts of the claim and the specific provisions of substantive law under which the claim is made, as set out in the plaintiff's Statement of Claim. 30. Where a claim is brought as a defence, as in the case of the **FRAND Defence**, the defence does not form part of the subject matter of the dispute and therefore the German Courts will not issue a binding decision in respect of a defence. The defence is only relevant insofar as the defence has a bearing on the Court's decision in respect of the subject matter of the dispute - i.e., the plaintiff's claim.”

(i) The **FRAND Defence**

48. Professor Ann also explained that in considering the **FRAND Defence** the German courts apply the decision of the Court of Justice of the European Union in *Huawei v ZTE* and

that in that case the CJEU set out a six step approach which is sometimes called the “**FRAND Roadmap**” (and I will use that term):

“Step 1: The SEP holder must give notice of the infringement to the alleged infringer by identifying the SEP in question and specifying the way in which it has been infringed;

Step 2: The alleged infringer must then express willingness to conclude a licence agreement on FRAND terms;

Step 3: The SEP holder must provide the alleged infringer with an offer, in writing, on FRAND terms, specifying the particular royalty and the method of its calculation;

Step 4: The alleged infringer must respond to the SEP holder's offer "in accordance with recognised commercial practices in the field and in good faith." If the alleged infringer does not accept the SEP holder's offer, the alleged infringer is obliged to make a counter offer (promptly and in writing) on FRAND terms;

Step 5: If the counter offer is rejected, the alleged infringer must render accounts and information of its allegedly infringing acts.

Step 6: In addition, the alleged infringer is required to provide security in an appropriate amount.”

49. Professor Ann pointed out that the BGH had considered *Huawei v ZTE* in two decisions in the *Sisvel v Haier* litigation. In the second of those decisions the BGH held that the appropriate standard of review was that of a reasonable party interested in the successful conclusion of the negotiations in a manner that was in the interests of both parties. He also gave evidence that both courts would take little time considering the willingness of the licensor:

“39. The Regional Courts Munich I and Mannheim spend little time, if any, considering the willingness of the licensor. A SEP holder is likely to be found unwilling only if it either did not notify the implementer of the alleged infringement and need to take a licence, i.e. the SEP holder did not comply with its requirements under Step 1, or if the SEP holder has made an offer that is determined to be "obviously unFRAND", in which case the SEP holder did not comply with its requirements under Step 3. As I explain below, the Regional Courts Munich I and Mannheim will not make a positive determination that an offer is FRAND in assessing the SEP holder's compliance with Step 3. Only if the SEP holder's offer is determined to be "obviously unFRAND", will said courts conclude that the SEP holder did not comply with its requirements under Step 3. In FRAND Defence II, the BGH held that any duties on a SEP holder other than its duty to notify under Step 1 are conditional on the implementer's expression of a clear and unambiguous willingness to license on FRAND terms. A finding of unwillingness on the part of the SEP holder would arise

at this stage because the SEP holder's failure to notify an SEP-infringer or to make a FRAND-compliant licencing offer would not be deemed consistent with what a reasonable licensor interested in concluding a FRAND licence would do.”

50. Professor Ann’s evidence was that when assessing a SEP holder’s offer, the German Courts would continue to adopt the FRAND Roadmap provided that the offer was “not obviously un-FRAND” and that only in exceptional cases would the court conclude that such an offer was “obviously un-FRAND”. He then expressed the following conclusion:

“61. It follows that (i) a finding that an offer is "not obviously unFRAND" is not the same as a finding that an offer is FRAND, and (ii) an offer that is found to be "not obviously un-FRAND" might in fact be 'supra-FRAND'.”

51. Professor Meier-Beck accepted much of this evidence although there were differences of emphasis. In his first report dated 8 March 2024 he emphasised that the BGH had understood *Huawei v ZTE* as imposing a negotiation model which stipulates that the FRAND terms should not be determined in court proceedings but found in the parties’ negotiations. In his second report dated 10 April 2024 he responded to paragraph 39 (above) as follows:

“10. At paragraph 39, Professor Ann states that the "Regional Courts Munich I and Mannheim spend little time, if any, considering the willingness of the licensor". In so far as Professor Ann suggests that the Munich and Mannheim courts may not consider the willingness of the licensor at all, I disagree. I agree, however, that they will spend a proportionately longer amount of time assessing the willingness of the licensee. The reasons for this follows from the point I make above at paragraph 8, which was a factor in the judgments in *Sisvel v Haier*: the implementer is already using the SEP holder's patents so it is logical that the SEP holder wishes to receive a licence fee for that use. In contrast, an implementer may be content with the status quo: it is currently using the SEPs without paying any licence fee at all. That is why the Court needs to carefully consider whether the implementer is truly willing to agree a licence.

11. I pointed out in my First Report (para. 21) that the SEP holder typically has no interest in delaying the resolution of the conflict, because without such a solution it can neither enforce the SEPs nor receive any royalty for their use. The implementer, on the other hand, uses the patents (globally) without paying for this use. This is the reason why a "delaying tactic", as the CJEU has put it (*Huawei v ZTE* para. 65), can pay off for the implementer. However, such an implementer must pretend to be willing to take a licence in order not to be ordered to cease and desist, and this is

precisely the reason why the German courts assess the implementer's behaviour with a critical eye. Their task is to distinguish between real and pretended willingness.

12. For German courts, it is the nature of the parties' negotiations that are key. Therefore, if an implementer applies to another court for a decision external to the negotiations with the SEP holder, it is crucial to determine whether such measures are really intended to and can promote the conclusion of a contract on FRAND terms in a timely manner, or whether it is only a matter of creating the impression of willingness in order to avoid an injunction or delay entering into a licence.”

52. Professor Meier-Beck accepted that there was a difference between terms which were not obviously un-FRAND and those which are FRAND. But he did not accept that they might be supra-FRAND without some qualification. He also referred to a decision in which the Dusseldorf court had refused an injunction because the SEP holder's offer was un-FRAND:

“18. I agree up to a point with what is stated in Ann 1 paragraph 61. It is true that a finding that an offer is "not obviously non-FRAND" is not the same as a finding that an offer is FRAND. However, I consider that some qualification is needed to the statement that an offer found to be "not obviously non-FRAND" might in fact be "supra-FRAND". It is true that an offer that is "not obviously non-FRAND" might be different to a court determined licence that results, e.g., from proceedings in the UK. However, it should be borne in mind that the judicial intention behind this stage of the consideration is simply to check whether or not the patentee has made a serious and credible proposal which was suitable for entering into negotiations. "If the patent proprietor were obliged to always immediately submit an offer anticipating the reasonable and mutually beneficial outcome of licence agreement negotiations, there would be no need for negotiations and also no counter-offer from the user who does not wish to accept the patent proprietor's offer" (*Sisvel v Haier II* para. 73). As correctly stated in Ann 1 paragraph 42, if the SEP holder's offer is classified as obviously not FRAND-compliant, it is not considered a (serious) offer, and an implementer cannot be considered unwilling merely by virtue of not responding to such an "offer". If however the SEP holder has made a serious proposal for a FRAND licence, the implementer must engage with the offer, even if it is not FRAND or not FRAND in every respect (*Sisvel v Haier II* para. 72), and it is only if the implementer has failed to so engage that it runs the risk of any injunction. It is therefore not the case that the implementer would be expected to accept an offer that is not obviously non-FRAND or supra-FRAND.

19. The same is true for the counteroffer of the implementer. Since the SEP holder does not have to make a perfect FRAND offer it cannot expect a perfect counteroffer either. Instead, the offers should show that the parties are negotiating reasonably towards reaching an agreement.



20. If the parties do so the court may take a closer look at the patent holder's offer. For example, in *HEVC Advance v Xiaomi/Vestel* of 21 December 2021, the Düsseldorf Regional Court denied an injunction against an implementer and granted the FRAND defence as it found the implementer to be a willing licensee and the patent holder's offer to be non-FRAND.

21. Professor Ann states in paragraph 60 that, according to the established practice of the Munich I Regional Court, it is up to the SEP holder to decide which of its concluded licences it presents to the court for consideration. This may again be due to the fact that it is only a question of whether the SEP holder has made a serious proposal for a FRAND licence. Enforcement of an injunction granted at first instance”

53. Mr Boulton relied on two further decisions to support the contention that it was un-FRAND or supra-FRAND for a SEP holder to apply for an injunction where the implementer had made a FRAND offer. The first was *Case AT.39985 Motorola (European Commission Antitrust Decision)* dated 29 April 2014 at [326] to [327] where the Commission had found that Apple had agreed to disadvantageous settlement terms to avoid an injunction in circumstances where it had made an Orange Book Offer on FRAND terms: see [326] to [327] and [494] to [495]. The second was *Ericsson v TCT* dated 29 November 2013 where the Tribunal de Grand Instance of Paris stated that the parties to a licence, which was about to expire, ought to have been able to negotiate the renewal without the balance of power becoming too unbalanced in favour of one party who could have obtained an injunction.

(ii) Orange Book Offers

54. Professor Ann pointed out that there is a clear difference between the practice of the English courts and the German Courts which do not set rates as Meade J will do at the FRAND Trial but limit themselves to deciding whether the rates requested by a SEP holder are FRAND. However, he identified an alternative procedure in his first report (and again I adopt the terms defined in bold below):

“65...The possibility of the Munich I and Mannheim Regional Courts determining a royalty rate only arises in circumstances where the SEP holder and the implementer agree upon a licence which includes a right under Section 315 of the German Civil Code (Bürgerliches Gesetzbuch) ("BGB") ("**Section 315**") (see Exhibit CA-15) for one party unilaterally to set the rate under that licence and for the rate set to be reviewed by the German Courts. For the avoidance of doubt, a specification under Section 315 would not be made in any pending patent infringement proceedings, instead, a fresh set of proceedings would need to be commenced by the

party seeking a review of the rate. Where a party makes an offer of a licence to the other party that includes such a right under Section 315 BGB, it is called a "**Section 315 Offer**".

66. Where the parties enter into a licence pursuant to a Section 315 Offer, and the party entitled to unilaterally specify the rate under that licence specifies the rate, Section 315 BGB permits the other party to challenge the specified rate as not equitable and to request that a German Regional Court with jurisdiction to hear patent infringement proceedings replaces the rate set with a rate that said Regional Court considers 'equitable': the test of what is 'equitable' not being the same as the test of what is FRAND, although what is 'equitable' is also FRAND. 67. Where the implementer makes a Section 315 Offer under which the SEP holder has the right unilaterally to specify the rate, such an offer is referred to as an "**Orange Book Offer**" after the decision of the BGH in *Orange Book Standard* (see Exhibit CA-16).

68. Orange Book Offers are a type of Section 315 Offer and are a mechanism designed to allow an implementer, in circumstances where there is an asymmetry of knowledge between the implementer and the SEP holder, to demonstrate its willingness to take a licence to the SEP holders patent(s). For example, only the SEP holder will have knowledge of its own licensing practices whereas implementers will often not have that knowledge. In such a scenario, the implementer may be unable to put forward an offer that could be considered FRAND. By making an Orange Book Offer, the implementer can offer a licence where terms other than the rate are agreed upon whilst (i) giving the SEP holder the right unilaterally to specify the royalty rate (in light of its knowledge of its own licensing practices), and (ii) retaining the right to have the royalty adjusted by a German Regional Court, should the rate set by the SEP holder be held to be inequitable by the German Regional Court.”

55. Professor Ann then explained the practical effect of a SEP Holder accepting an Orange Book Offer. The implementer becomes licensed immediately but if it disputes the royalty rate, the implementer will issue separate proceedings pursuant to Section 315. But Professor Ann also gave evidence that, so far as he was aware, there were no published decisions dealing with the determination of terms for licensing a SEP portfolio under Section 315.

56. Again, Professor Meier-Beck broadly accepted Professor Ann’s explanation of Orange Book Offers. In particular, he accepted that the effect of an Orange Book Offer was to give the SEP holder the right to set the royalties (and possibly other contract terms) subject to the Orange Book procedure. There were three differences of substance between the reports of Professor Ann and Professor Meier-Beck:

(1) Professor Meier-Beck did not accept Professor Ann’s evidence that there was no

right to disclosure of the licences which the SEP holder had granted to other implementers and that an Orange Book Offer does not necessarily result in a FRAND offer. He expressed the opinion that the court would need to consider whether it was necessary for the SEP holder to disclose a wider range of licences to exclude un-FRAND or supra-FRAND terms.

- (2) Professor Meier-Beck did not accept Professor Ann's evidence that the implementer must pay the royalties to the SEP Holder once an Orange Book Offer is accepted. His evidence was that both the CJEU and the BGH had opened up the possibility that the implementer could pay the relevant funds into an escrow account.
  - (3) Professor Ann did not accept Professor Meier-Beck's evidence that the German Courts would only set a new royalty rate if the licence agreed between the parties expressly included a right to apply to court under Section 315.
57. Mr Boulton also suggested in his opening submissions that the Orange Book Offer procedure would only resolve the royalty rate and would not resolve the other terms of the relevant licence. Mr Scott did not accept this (or, indeed, that this was the effect of Professor Ann's evidence) and he submitted that I should accept Professor Meier-Beck's evidence on the disputed issues because Xiaomi had not served a reply report from Professor Ann (by contrast with its approach to the French law issues). However, Mr Scott accepted that in practice the SEP Holder would make an offer and that an implementer would have to accept that offer subject to Section 315 in order to buy off the risk of an injunction.
58. Xiaomi also relied on the evidence of Prinz zu Waldeck that, in his experience, that the making of an Orange Book offer would not necessarily bring proceedings for an injunction to an end in the German Courts and he gave as an example the decision of the Regional Court in Munich I in *Nokia v Lenovo* dated 30 September 2020. Mr Scott submitted that I should disregard this evidence because Prinz zu Waldeck was attempting to give expert evidence when he was not an expert. He also submitted that the example which he had given was a bad one because it did not involve a valid Orange Book offer. Mr Boulton submitted that this was incorrect and that I had been taken to the report of the first instance decision rather than the decision on appeal.

59. I attach very little weight to the evidence of Prinz zu Waldeck. I am prepared to accept Mr Boulton’s submission that his evidence about *Nokia v Lenovo* was accurate because he was referring to an appellate decision and that he gave accurate evidence about his own experience. However, he was not called to give expert evidence about the law, practice and procedure of the German Courts and, as Mr Scott pointed out, his was just one lawyer’s personal experience which was not necessarily representative. Moreover, his evidence seemed to me to be inconsistent on some points with the evidence of Professor Meier-Beck, who is clearly an expert witness of great authority. Finally, Professor Ann did not go so far as to suggest that the German Courts might ignore an Orange Book Offer in deciding whether to grant an injunction.
60. It is not possible for me to resolve the three issues between the experts which I have identified above or the question whether the Orange Book procedure would resolve other questions apart from the royalty rate. Given that neither party applied to cross-examine the German law expert of the other party, I cannot be satisfied to a high degree of assurance that the evidence of one expert should be preferred to the evidence of the other on these issues. In the event, I am not satisfied that any of these four issues is determinative of the Applications.

## **V. The Legal Principles**

### *(1) The ETSI IPR Policy*

61. Although the proper law of the ETSI IPR Policy is French law, it has been the subject of detailed consideration by the English Courts. Mellor J identified the principal authorities as they apply in an English Court in *Interdigital Technology Corporation v Lenovo Group Ltd* [2023] EWHC 539 (Pat) (“*Interdigital v Lenovo I*”) at [165] (and I gratefully adopt the same defined terms and abbreviations for a number of the key authorities):

“As to the first headline issue which I identified at the start, this is the second time the English Court has been called upon to determine what terms are FRAND. As to the second headline issue(s), aspects of the relevant principles have been addressed by Meade J. in the *Optis v Apple* litigation. Accordingly, my task has been significantly simplified by the relevant prior judgments in this area. Here I simply identify them and define my references to them:

- i) The masterful analysis undertaken by Birss J. (as he then was) in the first case of this kind – *Unwired Planet International Ltd v Huawei*

*Technologies (UK) Ltd & Anr* [2017] EWHC 711 (Pat) (the public version) ('*UPHC*'), together with his later judgment on remedies [2017] EWHC 1304 (Pat) ('*UPHC Remedies*').

ii) The judgments on appeal from Birss J: [2018] EWCA Civ 2344 ('*UPCA*') and [2020] UKSC 37 ('*UPSC*').

iii) Two judgments of Meade J. in *Optis Cellular Technology LLC & Ors v Apple Retail UK Ltd & Ors* in which he had to consider aspects of the ETSI IPR Policy. First, in Trial B [2021] EWHC 1739 (Pat) ('*Optis B*') and then in Trial F: [2021] EWHC 2564 (Pat) ('*Optis F*'). Whilst preparing this judgment, the Court of Appeal heard and dismissed Apple's appeal and Optis' cross-appeal regarding Optis F: [2022] EWCA Civ 1411 ('*Optis F CA*')."

iv) The judgment of HHJ Hacon on the form of order hearing in Trial A in this litigation, in which he declined to grant any injunction: [2021] EWHC 3401 (Pat) ('*Trial A FOO*').

v) Although I have not found it necessary to discuss it, I have also had regard to the ruling of the CJEU in *Huawei Technologies Co Ltd v ZTE Corp* Case C-170/13, ECLI:EU:C:2015:477 [2015] 5 CMLR 14 ('*Huawei v ZTE*')."

62. More recently, in *Lenovo Group Ltd v Interdigital Technology Corporation* [2024] EWHC 596 (Ch) ("*Interdigital v Lenovo III*") Richards J gave the following summary of these authorities which both parties accepted as providing a very useful starting point for the issues which I have to consider:

"13. There has been much analysis in English authorities as to the precise nature of an implementer's FRAND defence where a patentee has given an undertaking pursuant to Clause 6.1. Fortunately, in the context of the two applications before me, there was no material disagreement between the parties. I therefore simply summarise the following aspects of the analysis applied by the English courts which I understand not to be the subject of much dispute. My intention in doing so is not to provide a comprehensive summary of all relevant principles, just those on which the parties were agreed and which help to put in context some of the arguments dealt with later on:

i) In England and Wales, an implementer's FRAND defence to infringement proceedings is analysed by reference to contractual principles with the courts construing, and giving effect to, the stipulation *pour autrui* governed by French law that is contained in Clause 6.1 (see [14] of *Unwired Planet International Ltd v Huawei Technologies (UK) Ltd* [2020] UKSC 37 ("*Unwired Planet SC*").). In the course of adjudicating on the FRAND defence, an English court is entitled to determine the terms of a FRAND-compliant global licence of the relevant SEPs.

ii) Where a patentee has given an undertaking under Clause 6.1, that patentee has a contractual obligation to offer a global licence of the ETSI

FRAND-encumbered SEPs on FRAND terms (see [258] of the judgment of Meade J in *Nokia Technologies Oy v Oneplus Technology (Shenzhen) Co Ltd* [2023] EWHC 1912 (Pat) ("*Nokia v Oppo 2023 HC*").

iii) In order to take the benefit of that contractual obligation, an implementer must establish that it is within the class of beneficiaries covered by the promise. Any implementer which wants a licence to work a relevant standard by any commercial activity and which intends to work the standard under a licence from the SEP owner falls within the class of beneficiaries of the stipulation ([285] of *Optis v Apple (Trial F)* [2021] EWHC 2564 (Pat) ).

iv) Built into that formulation of the class of beneficiaries is a concept of "willingness". An implementer that is not willing to take a licence on FRAND terms does not fall within the class. An implementer can demonstrate "willingness" by giving an undertaking to the English court that it will take a licence on such terms as the English court determines to be FRAND.

v) The English courts are likely to make an injunction against an "unwilling" implementer who is infringing SEPs on the basis that such an implementer is not a beneficiary of a SEP-owner's Clause 6.1 undertaking. Such an injunction is likely to be made whether or not the SEP-owner has made an offer of a FRAND global licence ([255] of *Nokia v Oppo 2023 HC*).

vi) The English courts will not grant a patentee an unqualified injunction restraining infringement by an implementer who is within the class of beneficiaries of an undertaking under Clause 6.1 (although they may grant a "FRAND injunction" restraining infringement until the implementer enters into a FRAND licence). The reason for that is that Clause 6.1 operates as a contractual derogation from a SEP owner's right under general law to obtain an injunction to prevent infringement of its patent (see [14] of *Unwired Planet SC*).

vii) Patent licences are complicated. It is quite possible that there can be a range of different licences of particular SEPs, none of which are identical, but all of which are FRAND. In such a case, a SEP owner could discharge its obligation under Clause 6.1 by offering whichever FRAND licence it chooses ([269] of *Nokia v Oppo 2023 HC*). Accordingly, if there are proceedings in different national courts, both of which will lead to the determination of the terms of a FRAND global licence, it is in principle up to a SEP owner to choose which court's formulation of a global FRAND licence it proposes to offer ([271] and [272] of *Nokia v Oppo 2023 HC*). (I say that it is "in principle" open to the patentee to choose because the court may choose to enquire as to whether a patentee really is seeking to choose between two competing formulations of a FRAND global licence or whether it is seeking some other unrelated advantage.)

viii) It follows from the point made in paragraph vii) that, if there are proceedings in multiple jurisdictions that seek to determine the terms of a FRAND global licence, an implementer who is not prepared to commit to taking a licence on terms the English court determines to be FRAND, but

instead will undertake only to accept a foreign court's formulation of a FRAND licence, may be labelled "unwilling" in English proceedings (*Nokia v Oppo 2023 HC* at [313]).”

63. It is clear from this passage and from the relevant passage in *UPSC* that the Supreme Court anticipated that an implementer would rely on clause 6.1 as a defence to a claim for an injunction to prevent infringement. In the classic case, the SEP holder would threaten or even issue a claim for an injunction, the implementer would indicate a willingness to accept a Court-Determined Licence by giving an undertaking to the Court and the SEP holder would have to accept this and also accept the Court’s determination. In the meantime, the parties could be expected to negotiate terms.
64. In *UPHC Birss J* (as he then was) addressed the possibility that clause 6.1 might give rise to contractual rights which the implementer could enforce rather than rights which derogated from the SEP holder’s ability to obtain an injunction. He stated this at [142] and [143]:

“142. Neither side before me suggests that the FRAND undertaking is specifically enforceable in the sense I have described. For my part I doubt that the FRAND undertaking can be specifically enforced in such a way that either party could legally be compelled to enter into a contract against their will. Certainly the implementer could not be so compelled and I doubt the patentee could be either. However a proper analysis of the full legal situation needs to have regard to the intellectual property rights which the FRAND undertaking relates to as well as the contractual position. It also needs to take into account competition law.

143. I do not believe it is necessary in order for the FRAND undertaking to be legally effective, for it to be true that the undertaking is specifically enforceable in such a way that the IPR holder could be compelled to enter into a contract against their will. In other words, even if a patentee cannot be compelled to enter into a contract by specific performance of the FRAND undertaking, that undertaking can still have substantive legal effect. As mentioned already FRAND is an objective standard. Courts concerned with patent cases in a number of countries around the world have set FRAND rates and this court will do so too. If a patentee refuses to enter into a licence which a court has determined is FRAND then, subject to the *Vringo* problem which I will consider below, a court can and in my judgment should normally refuse to grant relief for patent infringement. The converse applies to an implementer who refuses to accept a FRAND licence. In that case the normal relief for patent infringement should normally follow. Thus there is no need for contract law to go as far as creating a power to compel parties to enter into FRAND licences against their will because patent law already has the tools available to give legal effect to the FRAND undertaking.”

65. In *Optis F CA* Arnold LJ made a similar point. As he pointed out the purpose of the ETSI IPR Policy is to prevent “hold up” and “hold out”. It does so by requiring the SEP holder to make an irrevocable offer of a licence to the class of willing implementers. In that case, Apple argued that an implementer who seeks a licence in good faith is a beneficiary of the *stipulation pour autrui* created by clause 6.1 of the ETSI IPR Policy and is protected from an injunction regardless of whether it commits to take a Court-Determined Licence. Apple also argued that the implementer was only bound to take a licence or could only be subject to an injunction where (a) a SEP had been found valid and infringed and (b) the Court had fixed the terms of the Court-Determined Licence as FRAND. Arnold LJ rejected this argument for a number of reasons but the relevant passage in his judgment may be found at [73] and [74]:

“73. Secondly, Apple argue that the judge's interpretation is inconsistent with the policy objectives of the ETSI IPR Policy, which envisage that the SEP owner and the implementer will negotiate a licence on FRAND terms. This is another bad point. Of course it is preferable that SEP owners and implementers should negotiate licences. This is reflected in the ETSI IPR Policy and in paragraph 4.4 of ETSI's Guide on Intellectual Property Rights (which states that both members and non-members should engage in a negotiation process for FRAND terms). As the judge recognised at [78] and [128], the importance of negotiation has been emphasised both by the CJEU in *Huawei v ZTE* and by the Supreme Court in *UPSC*. The present issue arises, however, when the parties cannot agree terms. In those circumstances the national court must resolve the dispute, as paragraph 4.3 of the ETSI Guide states and as both the CJEU and the Supreme Court recognised. As discussed above, the twin purposes of the ETSI IPR Policy are to avoid hold up and hold out. To achieve this it is necessary, in the absence of agreement between the parties, for the national court to be able to enforce its determination against both parties. The national court can only enforce its determination against the SEP owner by withholding an injunction from the SEP owner if it is unwilling to abide by its ETSI Undertaking by granting a licence on the terms determined to be FRAND. The national court can only enforce its determination against the implementer by granting an injunction against the implementer if it is unwilling to take a licence on the terms determined to be FRAND.

74. Apple argue that the judge's construction would enable the SEP owner to avoid negotiations by (i) commencing proceedings, (ii) offering to enter into a Court-Determined Licence, (iii) demanding an undertaking to enter into Court-Determined Licence from the implementer and (iv) proceeding to a court determination of FRAND rates. What this argument ignores is that in order to get to step (iv) the patentee has to get a judgment from the court that the SEP is valid, essential and infringed. Furthermore, the argument is contrary to the very authority that Apple rely upon in support of it, namely *Huawei v ZTE*. As Apple themselves point out, the CJEU



made it clear in at [63]-[66] that, in order to avoid abusing a dominant position, the SEP owner must present to the implementer a specific written offer for a licence on FRAND terms, the alleged infringer must diligently respond to that offer in good faith and without delaying tactics, and if it does not accept the SEP owner's offer the implementer must promptly submit a counter-offer that corresponds to FRAND terms. Thus, as Apple themselves argue in the context of their ground 3, both parties are obliged by competition law to negotiate. Moreover, experience shows that SEP owners and implementers invariably do negotiate, at least in the sense of making rival offers. This case is no exception, both Optis and Apple having made offers of what they respectively consider to be FRAND terms (although the judge was required to assume that Optis' offers were not FRAND, but on the contrary designed to disrupt negotiations, whereas Apple's offer was FRAND). There is nothing in the judge's interpretation to undermine this. As I have said, the judge's interpretation addresses the situation when negotiations are unsuccessful. Apple's interpretation would undermine the incentive identified by the Supreme Court for implementers to negotiate in a meaningful way.”

66. Finally, in *Nokia v Oppo* Meade J rejected the argument that the implementer had become licensed by agreeing to accept a licence on FRAND terms to be set by the First Intermediate People's Court of Chongqing (which the judge referred to as the Chongqing proceedings). In particular, he rejected the argument that a licence automatically came into existence when an implementer agreed to accept the SEP holder's clause 6.1 undertaking to grant a licence on FRAND terms. He stated this at [254]:

“Oppo said that if the obligation on the patentee was to make a FRAND offer and which was capable of acceptance then there was no difference between interpreting the ETSI undertaking as one to grant licences and one to offer them. It said that in either case, if the implementer accepts then a licence results. I agreed that if a patentee makes an offer and the implementer accepts then a licence arises. So far as the existence of the licence is concerned it does not matter what the exact obligation on the patentee was. But there is still a very significant difference between a patentee having to make an offer which is capable of acceptance (as Nokia accepted it must be) and its granting a licence immediately on terms unknown at the election of the implementer, for all the reasons explored above.”

67. The judge also held that before a licence can come into existence clause 6.1 requires the SEP holder to make an offer which is capable of acceptance and is also FRAND although in practice a licence usually eventuates when the Court has reached its determination. He described the process at [258] to [263]:

“258. In the light of this analysis as a whole I agree with Nokia that Clause

6.1 requires the patentee to make a FRAND offer which is capable of acceptance, and actually FRAND. How does that then work in practice?

259. In the Patents Court, a FRAND matter such as this comes on for trial with a concrete set of terms for consideration (sometimes more than one set of terms if there has been more than one offer by the patentee, and there may also be offers from the implementer to consider; it does not matter to the practical point I am making).

260. The court applies the standard of whether the offer was FRAND or not. Because it is almost impossible to hit the nail on the head, it is usually found that the offer was not FRAND, but the court is able to say what would be FRAND. In cases to date the patentee has always (at least since *Unwired*), as far as I am aware, given an undertaking before trial that it will offer what the court decides is FRAND. So it then complies with Clause 6.1 and its undertaking to the court by doing so. Similarly, implementers have usually, following a finding of infringement at a technical trial, given an undertaking that they will accept the offer at the FRAND stage (see *Optis F*, and the same applied as I understand it in *InterDigital v Lenovo*; it had not happened in *Unwired Planet* and a lesson was learned from that).

261. In the unlikely event that the patentee had not prior to trial given an undertaking to make an offer on the FRAND terms decided by the court then it would have the choice whether to do so, but if it did not then it would not have complied with Clause 6.1 and would not be entitled to an injunction. Such a situation ought to be unlikely to arise because the court typically expects the patentee to give such an undertaking to try to ensure that the parties' dispute is conclusively resolved by a licence coming into being.

262. As I have said above, it is possible that the court might say that more than one offer would be FRAND, and then the patentee can choose which to offer, but as the Court of Appeal said in *Unwired Planet*, this will be rare in practice."

68. In their Skeleton Argument Mr Scott and Ms Jamal submitted that the English Court's role in declaring global FRAND licence terms results from the need to decide what relief to grant for patent infringement and, in particular, whether to grant injunctive relief. They also submitted that this did not entail a wider jurisdiction to step beyond that role. Finally, they submitted that even if the parties give undertakings to the English Court that they will offer or accept a licence on terms declared to be FRAND, those undertakings cannot change the meaning and effect of the ETSI IPR Policy which was to make an offer on FRAND terms no more no less (as Mr Scott emphasised in his oral submissions).
69. In broad terms I accept those submissions. The authorities which I have cited support both the first and second propositions. *Nokia v Oppo* also supports the proposition that

the SEP holder's obligation under the ETSI IPR Policy is to make an offer on FRAND terms which are capable of acceptance and that a licence will not come into existence unless or until the implementer accepts those terms or the Court has determined what terms are FRAND. Moreover, even if a binding contract to enter into a licence on FRAND terms comes into existence when the parties give undertakings to the Court, I respectfully agree with Birss J in *UPHC* that it is impossible to see how the Court could order specific performance of such a contract unless or until the Court had fixed the terms of the Court-Determined Licence.

(2) *Anti-suit injunctions*

70. Although Xiaomi made no application for an anti-suit injunction, the principles upon which an English Court would apply in deciding whether to grant one are relevant to the issues which I have to consider. This is because an anti-suit injunction is the usual way in which a party can be expected to enforce a contractual obligation which is said to prevent the counter-party from commencing proceedings in a foreign court. In *Deutsches Bank AG v Highland Crusader Offshore Partnership LP* [2010] 1 WLR 1023 Toulson LJ set out the relevant principles at [50]:

“1. Under English law the court may restrain a defendant over whom it has personal jurisdiction from instituting or continuing proceedings in a foreign court when it is necessary in the interests of justice to do.

2. It is too narrow to say that such an injunction may be granted only on grounds of vexation or oppression, but, where a matter is justiciable in an English and a foreign court, the party seeking an anti-suit injunction must generally show that proceeding before the foreign court is or would be vexatious or oppressive.

3. The courts have refrained from attempting a comprehensive definition of vexation or oppression, but in order to establish that proceeding in a foreign court is or would be vexatious or oppressive on grounds of forum non conveniens, it is generally necessary to show that (a) England is clearly the more appropriate forum (“the natural forum”), and (b) justice requires that the claimant in the foreign court should be restrained from proceeding there.

4. If the English court considers England to be the natural forum and can see no legitimate personal or juridical advantage in the claimant in the foreign proceedings being allowed to pursue them, it does not automatically follow that an anti-suit injunction should be granted. For that would be to overlook the important restraining influence of considerations of comity.

5. An anti-suit injunction always requires caution because by definition it

involves interference with the process or potential process of a foreign court. An injunction to enforce an exclusive jurisdiction clause governed by English law is not regarded as a breach of comity, because it merely requires a party to honour his contract. In other cases, the principle of comity requires the court to recognise that, in deciding questions of weight to be attached to different factors, different judges operating under different legal systems with different legal policies may legitimately arrive at different answers, without occasioning a breach of customary international law or manifest injustice, and that in such circumstances it is not for an English court to arrogate to itself the decision how a foreign court should determine the matter. The stronger the connection of the foreign court with the parties and the subject matter of the dispute, the stronger the argument against intervention.

6. The prosecution of parallel proceedings in different jurisdictions is undesirable but not necessarily vexatious or oppressive.

7. A non-exclusive jurisdiction agreement precludes either party from later arguing that the forum identified is not an appropriate forum on grounds foreseeable at the time of the agreement, for the parties must be taken to have been aware of such matters at the time of the agreement. For that reason an application to stay on forum non conveniens grounds an action brought in England pursuant to an English non-exclusive jurisdiction clause will ordinarily fail unless the factors relied upon were unforeseeable at the time of the agreement. It does not follow that an alternative forum is necessarily inappropriate or inferior. (I will come to the question whether there is a presumption that parallel proceedings in an alternative jurisdiction are vexatious or oppressive).

8. The decision whether or not to grant an anti-suit injunction involves an exercise of discretion and the principles governing it contain an element of flexibility.”

71. Toulson LJ developed a number of these propositions and cited a number of authorities in support of them. For present purposes, it is sufficient to note that he cited *Barclays Bank plc v Homan* [1993] BCLC 680 in which Hoffmann LJ had addressed the submission that an anti-suit injunction operated in personam and was not, therefore, an interference with the jurisdiction of the foreign court. Toulson LJ developed this point at [56]:

“In *Barclays Bank plc v Homan* [1993] BCLC 680, 686–688 Hoffmann J observed that the theory that an anti-suit injunction is not an intended interference with the affairs of a foreign court, because it merely operates in personam upon a person subject to the jurisdiction of the English court, is a more realistic description in some cases than in others. It is a fair description where the injunction is intended to enforce a contractual submission to the exclusive jurisdiction of the English court. But where the court is not enforcing a contractual right under English law, the normal assumption is that an English court has no superiority over a foreign court

in deciding what justice between the parties requires and, in particular, that both comity and common sense suggest that the foreign judge is usually the best person to decide whether in his own court he should accept or decline jurisdiction, stay proceedings or allow them to continue. In other words, there must be a good reason why the decision to stop the foreign proceedings should be made by an English judge rather than a foreign judge, and cases where justice requires the English court to intervene will be exceptional. Hoffmann J recognised that exceptional cases cannot be categorised, but he instanced cases where a foreign court has by its own jurisprudence a long arm jurisdiction so extensive that to English notions it appears contrary to accepted principles of international law, and where the English court may feel it necessary to intervene by injunction to protect a party from the injustice of having to litigate in a jurisdiction with which he or the subject matter had little connection. There may also be cases in which the judicial or legislative policies of England and the foreign court are so at variance that comity is overridden by a need to protect British interests or to prevent what the English court regards as a violation of the principles of customary international law.”

72. Where a SEP holder has registered patents in a number of jurisdictions, the existence of concurrent proceedings in a foreign court is not normally regarded as an attack on the jurisdiction of the English Court. In *Koninklijke Phillips NV v Guangdong Oppo Mobile Telecommunications Corp Ltd* [2022] EWHC 1703 (Pat) (“*Phillips v Oppo*”) Meade J approved the following statement in counsel’s Skeleton Argument at [7]:

“3. Since *Unwired Planet* [2020] UKSC 37 it has been clear that the English court is prepared to set FRAND terms for a global SEP portfolio, not just for a SEP holder's UK portfolio. The English court is not the only jurisdiction which will do this. The courts of the People's Republic of China ('PRC') will also set global terms (see *Sharp v OPPO*). There is a potential for inconsistent determinations therefore and questions as to the correct approach to managing such potential parallel litigation are before the Court of Appeal this week (*Nokia v OPPO* on appeal from [2021] EWHC 2952 (Pat) with the Judge's permission).

4. Actual or potential concurrent proceedings on the same or similar subject matter in England and abroad may be undesirable from a costs perspective but are not of themselves regarded as an attack on the English court and the overseas proceedings may not be restrained by injunction. In the present context in particular, the risk of there being conflicting judgments from different courts is acknowledged to be an unfortunate consequence of the industry's decision to establish international standard setting organisations such as ETSI (*Unwired Planet* (above) [90]; *Nokia v OPPO* (above) [116]).”

73. Indeed, the Supreme Court accepted in *UPSC* that an implementer might reserve the right to challenge the validity of the relevant patents in other jurisdictions and that the Court

could take that into account in fixing the royalty rate: see [64]. The judgment on consequential matters in *Interdigital v Lenovo* (above) also provides an example of this flexibility: see [2023] EWHC 1578 (Pat) (“*Interdigital v Lenovo II*”). In that case, Mellor J declined to include an adjustment clause for litigation in other jurisdictions in the Court-Determined Licence but also declined to include a term prohibiting the parties from continuing that litigation: see [93] to [98]. An English Court will usually grant an anti-suit injunction only to restrain a party to FRAND proceedings in this jurisdiction from challenging them in a foreign jurisdiction in which parallel proceedings are taking place: see *Phillips v Oppo* (above) at [68].

74. Mr Boulton and Ms Osepciu submitted that there was a substantive difference between asking the Court to declare the parties’ contractual rights and applying for an anti-suit injunction. In particular, they submitted that a declaration that the FRAND Commitment required Panasonic to grant an Interim Licence (if it wished to be treated as a willing licensor), would not be binding on the German Courts and the English and German Proceedings did not involve competing or inconsistent claims. In support of this proposition they relied on *Optis Cellular Technology LLC v Apple Retail UK Ltd* [2024] EWHC 197 (Ch) (“*Optis E II*”) in which Optis sought to resile from its FRAND Commitment to enter into a global Court-Determined Licence. Marcus Smith J dealt with the argument that the Court should make a declaration as to the FRAND terms and I leave it at that [83]:

“I should briefly deal with the contention advanced by Optis that Apple should have done more to resist Optis’ claims in the EDTX Proceedings by – for instance – seeking a stay in favour of these proceedings. That is a fundamentally bad point, because it assumes that which is not the case, namely that this is a question of competing proceedings. For the reasons I have given, it is not. This is a case where the outcome is not a judgment that competes with or is inconsistent with the EDTX Proceedings, but rather a Court-Determined Licence that will oblige Optis, as a matter of contract, to behave in a certain manner in relation to the EDTX Proceedings and any fruits of those proceedings (should any be paid by Apple to Optis). I have little doubt that if – prior to this point in time – Apple had applied to the US courts for a stay on forum grounds, the response would have been a negative one (and rightly so). The effects on the EDTX Proceedings arise as a matter of contract, not competing jurisdictions, and the contract in question is the Court-Determined Licence.”

75. In my judgment, *Optis E II* provides no support for Xiaomi’s case. Optis had bound itself

contractually to submit the determination of the terms of a global licence to the English Court and the Court plainly had jurisdiction to declare the rights and obligations of the parties under the Court-Determined Licence. Indeed, the judge described the Court-Determined Licence as “a remedy arising out of an established or admitted infringement of the United Kingdom intellectual property right, justiciable before the courts of England and Wales”: see [86](i). But the judge was not being asked to determine whether it would be a breach of those contractual rights to bring proceedings in a foreign jurisdiction.

76. But in any event, Mr Scott submitted that the principle of comity was concerned just as much with perception as with the direct effect of any decision by the Court. He also submitted that the present case had “a strong flavour of anti-suit about the relief”: see the decision of Meade J in *Lenovo Group Ltd v Telefonaktiebolaget Lm Ericsson* [2023] EWHC 3222 (Pat) (“*Lenovo v Ericsson I*”) at [11]. I agree with this broad submission. In deciding whether to grant the declarations I must take into account not only the direct effect of the relief on the parties but also the risk of giving rise to a perception that the English Court is trying to exercise its long reach and interfere with the German Proceedings. This was a strong factor in the Court of Appeal’s decision in *Howden North America Inc v ACE European Group Ltd* (below).

(3) *Declarations*

77. CPR Part 40.20 provides that the Court may make binding declarations whether or not some other remedy is claimed. In *Financial Services Authority v Rourke* [2002] CP Rep 14 Neuberger J (as he then was) stated that this power is unfettered and that the Court should not grant a declaration merely because rights, facts or principles had been established. He concluded as follows:

“It seems to me that, when considering whether to grant a declaration or not, the court should take into account justice to the claimant, justice to the defendant, whether the declaration would serve a useful purpose and whether there are any other special reasons why or why not the court should grant the declaration.”

78. In *Clarke v Fennoscandia Ltd (No 4)* [2007] UKHL 56 Lord Rodger explained that the Court will only decide “live practical questions” and not “hypothetical, premature or academic questions”: see [17]. This was a decision of the House of Lords on a Scottish

appeal but Mr Scott and Ms Jamal submitted (and I accept) that this principle applies in England. The general principle of “utility” applies in all cases but it has a particular relevance to claims involving a foreign element where one party wishes to obtain a declaration in aid of its claim or defence in foreign proceedings.

79. *Howden North America Inc v ACE European Group Ltd* [2012] EWCA Civ 1624 provides a good example. In that case, the US Court in Pennsylvania had refused to stay coverage proceedings in relation to an insurance policy on forum non conveniens grounds. The insured commenced proceedings for a declaration that the policy was governed by English law and Field J permitted service out of the jurisdiction. The Court of Appeal set aside his order because it would not serve a useful purpose to make the declarations. Aikens LJ (with whom Toulson and Maurice Kay LJJ agreed) gave three reasons for the decision and Mr Scott placed particular reliance on the third at [37]:

“Thirdly and most importantly, Judge Conti is an experienced and well respected Federal Judge sitting in the Federal Court in Pennsylvania. She has expressed no request or need to be instructed by the English court on what is, in its view and according to the applicable English conflict of laws rules, the applicable law of the policies. Nor is there any suggestion by Judge Conti that she would welcome being told of the English court's view on the elementary principles of English insurance law on the ‘coverage issues’ that would be raised in the proposed English proceedings. There is no other evidence that Judge Conti wishes to be assisted by the English court's views. Furthermore, it is clear from the transcript of the hearing before Judge Conti on 16 November 2011 that counsel for the Insurers disavowed the idea that the Insurers were starting proceedings in the English court to obtain ‘more favourable treatment’ there and counsel specifically accepted that English law could be applied in the Pennsylvania court. In these circumstances, for my part, I would regard the idea that the English court should give its unsolicited judgment as ‘advice’ to a Federal Judge in the US District Court for the Western District of Pennsylvania on elementary principles of English law, in the expectation or even hope that such a judgment would be ‘at the very least ... of considerable assistance’ as both presumptuous and condescending. To use the phrase of Leggatt LJ in *Barclays Bank plc v Homan* it smacks of ‘unacceptable hubris’.”

80. In *Teva UK Ltd v Novartis AG* [2022] EWCA Civ 1617 Arnold LJ (with whom Nugee LJ and Sir Christopher Floyd agreed) reviewed the history of declarations in aid of foreign patent proceedings and held that it was not appropriate for the Court to make declarations for the sole purpose of influencing the foreign court’s decision. He stated this at [51]:



“The conclusion I reach having considered these cases is that, as a matter of principle, it is wrong for an English court to make a declaration solely for the purpose of influencing a decision by a foreign court on an issue governed by the law of the foreign court. It is not the function of the courts of England and Wales to provide advisory opinions to foreign courts seised of issues which fall to be determined in accordance with their own laws. The English courts have no special competence to determine such issues. If anything, it is likely that they have less competence than the local courts. It makes no difference that the English court and the foreign court are applying the same basic law. Furthermore, comity requires restraint on the part of the English courts, not (to adopt Floyd LJ's graphic phrase) jurisdictional imperialism. Otherwise the English courts would be enabling forum shopping.”

81. The way in which these principles apply is well-illustrated by the earlier decision of the Court of Appeal in *TQ Delta LLC v ZyXEL Communications UK Ltd* [2019] EWCA Civ 1277. The SEP holder brought proceedings for infringement and the implementer relied on an undertaking to accept a licence on RAND terms to prevent an injunction being granted. It was found to have infringed the patent but the parties could not agree terms and the SEP holder wished to proceed for a Court-Determined Licence. However, the patent was about to expire and the implementer chose to submit to the injunction and waive its undertaking and any right to acquire a licence. The Court of Appeal held that it would serve no purpose for the RAND trial to proceed. Floyd LJ (with whom Lewison LJ agreed) stated this at [47] to [49] and [52]:

“47. That brings me to the reliance placed by TQD on the recently added claim for a declaration that ZyXEL are not "willing licensees", and, by reason of their conduct, are not entitled to a RAND licence. The utility of such a declaration is said to be that it would have effect as *res judicata* in proceedings in foreign jurisdictions were TQD to seek to obtain injunctive relief for infringement of patents in those jurisdictions.

48. There are a number of quite serious problems with this way of putting the case. First, there are no other proceedings in existence involving these parties anywhere in the world. The US proceedings involve US companies in the Unizyx group, not the two appellants. Moreover, we were not shown any evidence that TQD had any proceedings against the first or second appellants in imminent contemplation. The grant of relief in aid of foreign proceedings requires to be particularly closely scrutinised, but it is a step further to grant such relief in favour of foreign proceedings which are not extant and may never be started. Secondly, in this evolving jurisdiction, there is no single Europe-wide, let alone worldwide approach to the interaction between the RAND undertaking and the grant of relief for patent infringement. It is not possible to be at all sure that such a declaration would have the impact on any foreign proceedings which TQD

hope for. Thirdly, the doctrine of *res judicata* is a technical one – Mr Saunders rightly goes no further than saying that the declaration may be *res judicata* in the foreign proceedings, without the benefit of any evidence as to how the finding of this court would be treated in the foreign proceedings. The foreign court may not have a doctrine of *res judicata*, or at least not one which recognises the decisions of a foreign court. Fourthly, the concept of a "willing licensee" is not in any sense an internationally recognised term of art. There will at least be potential for argument about whether the declaration is in fact of any assistance in the exercise being conducted in the foreign jurisdiction. Fifthly, TQD's contention is that ZyXEL are not "willing global licensees". Proceedings to obtain such a declaration should surely include other companies in the group, so that ZyXEL's global interests are represented.

49. The judge did not deal at all with these fundamental objections to the grant of declaratory relief of the kind now suggested. He observed cryptically at paragraph 43 that the waiver is arguably "just more hold-out", but he did not explain how this observation led to the conclusion that there was still some proper basis for useful declaratory relief concerning these specific defendants."

"52. These considerations force me strongly to the conclusion that the questions on which the court's declaratory judgment is sought are far better decided in the foreign court where those questions arise, if they ever do. It would be an exercise in jurisdictional imperialism to foist this court's view as to whether ZyXEL were unwilling licensees, or holding-out on an unknown foreign jurisdiction. Far less can it be said that it is in the interests of justice for it to do so."

82. *Lenovo v Interdigital III* has strong similarities with the present case. Lenovo applied for a declaration that an Interim Licence would be FRAND and for a stay of proceedings. This claim was separate from the earlier claims which Mellor J had decided (and which are currently being considered by the Court of Appeal). Richards J explained the background at [2] to [9]:

"2. Lenovo and InterDigital have been litigating for some time in relation to the Cellular SEPs. In particular, there was litigation in England in which InterDigital asserted infringements of various "anchor" UK patents and Lenovo raised, as an aspect of its defence, an assertion that it was entitled to a worldwide licence on FRAND terms of InterDigital's Cellular SEPs. In March and June 2023, after a lengthy trial, Mellor J handed down two judgments that determined a FRAND lump sum for a global licence of the Cellular SEPs based on US\$17.5 cents per device and determined the terms of a global licence (the "Cellular PLA"). Both sides have permission to appeal various aspects of Mellor J's determination to the Court of Appeal with that appeal due to be heard over five days in June 2024.

3. The Cellular PLA expired on 31 December 2023. InterDigital and Lenovo have held negotiations on the terms of a new FRAND licence of

the Cellular SEPs for the period commencing on 1 January 2024. However, to date those negotiations have not concluded successfully.

4. On 22 September 2023, InterDigital filed proceedings (the "German Proceedings") seeking an injunction against Lenovo in the Regional Court of Munich on the basis of infringement of European Patent EP 2 127 420 B1 ("EP (DE) 420"), one of InterDigital's Cellular SEPs. The practice of the German courts is to determine questions of infringement and whether to grant an injunction before determining the validity of the patent in suit. Accordingly, the expression "German Proceedings" refers to the injunction proceedings and does not include validity proceedings that might follow. In its defence in the German Proceedings, Lenovo argues that it is willing to take a global licence of the Cellular SEPs on FRAND terms.

5. InterDigital has made two proposals to Lenovo for settlement of the German Proceedings: (i) an "Orange Book" offer (named after a case decided in the German Supreme Court) under which InterDigital says the German court would determine a FRAND-compliant royalty rate for a worldwide licence of the Cellular SEP and (ii) an offer of arbitration. To date Lenovo has not accepted either offer.

6. On 24 September 2023, Lenovo brought proceedings (the "English Proceedings") in England and Wales. By those proceedings, Lenovo invokes the procedure considered in *Kigen (UK) Limited v Thales Dis France SA* [2022] EWHC 2846 (Pat) and asks the English court to settle FRAND terms for a global licence, to commence on 1 January 2024, of a number of patents held by InterDigital extending beyond the Cellular SEPs. InterDigital disputes the jurisdiction of the English courts to determine such a licence in relation to some categories of patents specified in Lenovo's claim. However, it is now common ground that the English courts have jurisdiction to settle the terms of a FRAND-compliant global licence of Cellular SEPs with effect from 1 January 2024 although InterDigital considers that matter is best determined in Germany.

7. In its Particulars of Claim in the English Proceedings, Lenovo undertakes that it will enter into any licence agreement that the English court determines to be FRAND.

8. As will be seen, InterDigital argues that the English Proceedings overlap with, and interfere with, the German Proceedings at least to an extent. Mr Segan KC said on instructions in his submissions on behalf of Lenovo that Lenovo was unaware that the German Proceedings had been brought at the time they issued the English Proceedings.

9. A hearing of the German Proceedings is listed for one day on 18 April 2024."

83. Richards J considered both the principles relating to the grant of an interim declaration and declarations more generally at [35] to [42]. He concluded that the Court would be slow to grant an interim declaration but that if it did so, it was likely to be appropriate to require "a high degree of assurance" that the applicant was entitled to the declaration

sought: see [35](v) and [41]. He accepted that if the sole purpose of the declaration was to influence the German court, the declaration should not be made: see [43]. However, he also accepted that if it would serve some other useful purpose to make the declaration, then the court might declare the parties' rights even if this might have some influence over the German court's decision-making. He stated this at [46] and [47]:

“46. The key question that emerges from *Teva v Novartis* is whether making the Interim Licence Declaration would be only for the purpose of influencing the German Proceedings. If making that declaration would serve some other genuine useful purpose, then the fact that it might also be of some interest in the German Proceedings is not a negative, particularly since both Professor Chrocziel and Professor Meier-Beck are agreed that the German Proceedings will pay some regard to dispute resolution mechanisms proposed in non-German proceedings.

47. However, I consider that the court's exercise of discretion entitles it to take into account considerations of relative utility. If a party will obtain some, but little, benefit from an interim declaration in English proceedings and is in substance seeking the declaration to influence foreign proceedings, the court can treat that as a negative feature of the application.”

84. The judge rejected one particular argument, namely, that a declaration would reduce the implementer's exposure to interest in the German Courts. He did so because the judge at trial would have a discretion to refuse interest where the SEP holder had been refusing offers of an interim payment to bolster its case in Germany: see [57] and [58]. After a detailed analysis the judge refused to make the declaration because he saw real difficulties in determining on an interim basis whether the Interim Licence was FRAND and because he did not have a high degree of assurance that it would be. He also declined to make a declaration for the following reasons at [84]:

“A consideration of the advantages and disadvantages of making the Interim Declaration also points against making it. Making the Interim Declaration would at most confer a slender benefit on Lenovo in the English Proceedings. The substantial benefit that Lenovo seeks from the Interim Declaration is the ability to influence the outcome of the German Proceedings. While I consider that InterDigital overstates matters in classifying the Interim Declaration as tantamount to an anti-suit injunction, I do not consider that it would be appropriate for the court to make the Interim Declaration for the substantial purpose of influencing the German Proceedings. I am reinforced in that view by my conclusions as to the commercial disbenefits that InterDigital would suffer if the Interim Declaration is made.”

85. Shortly before the hearing before me began, Richards J also handed down his decision in *Lenovo Group Ltd v Telefonaktiebolaget Lm Ericsson* [2024] EWHC 846 (Ch) (“**Lenovo v Ericsson II**”). In that case, Lenovo and Ericsson were involved in litigation in North Carolina USA, Brazil, Colombia and the US International Trade Commission when Lenovo commenced proceedings in England and Wales for, amongst other things, a declaration that Ericsson was in breach of its FRAND Commitment. Lenovo also sought permission to amend to claim a declaration that a willing licensor and licensee would enter into an Interim Licence and what its terms would be. The judge granted permission to amend and permitted service out of the jurisdiction for the following reasons:

“109. Ericsson made the following specific criticisms of the claim for Interim Declarations:

i) There is no reasonable prospect of those declarations being made as against D2 which has no FRAND Commitment.

ii) There is insufficient specificity in the request for a declaration that a willing licensor and a willing licensee would take certain steps "in accordance with contractual obligations on the part of the Defendants by virtue of undertakings, declarations and/or declarations of essentiality made by or behalf of them to ETSI". In her oral submissions, Ms Abram argued that Lenovo had failed to plead a "legal springboard" that provided a basis for the English court to make findings as to how a "willing licensor" and "willing licensee" would behave in the period before trial.

110. The point made in paragraph 109i) is correct as far as it goes but relatively unimportant. The declarations sought are not as to rights and obligations of D2 specifically but rather as to how a "willing licensor" or "willing licensee" would behave. There is a drafting glitch in that the basis for determining the actions of a "willing licensor" and "willing licensee" is, in essence, the FRAND Commitment of the "Defendants". If it is accepted that D2 has no FRAND Commitment, the drafting glitch should simply be fixed by referring only to D1's FRAND Commitment. If it is asserted that D2 has FRAND Commitments as well, they should be specified.

111. I do not accept the argument made in paragraph 109ii). The FRAND Commitments of both Ericsson and of Lenovo, and the way those commitments are analysed by the English courts, necessarily mean that questions of "willingness" will arise in the English Proceedings. A licensee who is "unwilling" to take a FRAND licence risks being determined to fall outside the class of beneficiaries of a licensor's FRAND Commitment. A licensor who is perceived to be "unwilling" is unlikely to obtain an injunction restraining an implementer. The legal "springboard" for the claim for the Interim Declarations therefore consists of a combination of (i) undertakings that both D1 and C2 have given to ETSI, (ii) the way those undertakings are analysed in English infringement proceedings and (iii) the court's power under CPR 25 to make interim declarations as to how

"willing" licensors and licensees might be expected to behave.

112. Ericsson's argument that an English court is unlikely to make the Interim Declarations was stronger. Ericsson argues that the Interim Declarations sought would simply amount to abstract statements of how hypothetical "willing licensors" and "willing licensees" might act which lack any utility in the English Proceedings. It argues that, if Lenovo seeks an interim licence, it should do so in jurisdictions such as Brazil and Colombia in which it is presently facing injunction proceedings rather than asking the English court to sort out what is essentially a foreign problem. It characterises the Interim Declarations as objectionable attempts to influence injunction proceedings that Ericsson has brought or might seek to bring in foreign courts. Ericsson goes as far as to argue that the Interim Declarations amounts to an anti-suit injunction by the back door.

113. There is force in those points. In the past weeks I have accepted some similar arguments in refusing an application for a declaration that a particular form of interim licence agreement would be FRAND in *Lenovo Group Limited and others v InterDigital Technology Corporation and others* [2024] EWHC 596 (Ch) . However, it does not follow from the fact that I refused the application in *Lenovo v InterDigital* that the claim for Interim Declarations fails the merits test. The jurisprudence in this area is developing. Moreover, over the past few months a number of cases have come to the court in which implementers complain that SEP holders are using the threat of foreign injunctions as a means to secure supra-FRAND rates. I make no finding as to whether those complaints are justified in this or any other case. However, the fact that implementers are making these complaints suggests that there is some demand for a court-sponsored interim regime to regularise the position until FRAND licences or cross-licences are determined. Even though valid criticisms can be made of the Interim Declarations that Lenovo seeks, it is, in my judgment, too early to say that they fail the merits test.”

(4) *Interim Relief*

(i) Interim Declarations

86. CPR Part 25.1(1)(b) provides that the Court may grant an interim declaration. In *Interdigital v Lenovo III* Richards J had to consider whether the claimant was claiming an interim declaration that it was entitled to a licence or a final declaration that it was entitled to an interim licence and in *Lenovo v Ericsson II* he had to consider whether a different test applied to an application for an interim licence under CPR Part 25.1(1)(b) as opposed to a final declaration under CPR Part 40.20.
87. Fortunately, it was unnecessary for me to consider either of those issues on these Applications. It was unnecessary because both parties accepted that Xiaomi was in

substance seeking final relief (even though any Interim Licence would come to an end as and when the parties entered into the Court-Determined Licence following the FRAND Trial). They also accepted that the appropriate test which the Court should apply was whether the Court was satisfied to a high degree of assurance that Xiaomi was entitled to the declarations asked.

(ii) Interim Payments

88. Nevertheless, Mr Boulton and Ms Osepciu submitted that the Court had power to order Xiaomi to pay an interim royalty under CPR Part 25.7 either because it applied directly or applied by analogy. CPR Part 25.7 provides as follows (so far as relevant):

“(1) The court may only make an order for an interim payment where any of the following conditions are satisfied—

(a) the defendant against whom the order is sought has admitted liability to pay damages or some other sum of money to the claimant;

(b) the claimant has obtained judgment against that defendant for damages to be assessed or for a sum of money (other than costs) to be assessed;

(c) it is satisfied that, if the claim went to trial, the claimant would obtain judgment for a substantial amount of money (other than costs) against the defendant from whom he is seeking an order for an interim payment whether or not that defendant is the only defendant or one of a number of defendants to the claim;

(d) the following conditions are satisfied— (i) the claimant is seeking an order for possession of land (whether or not any other order is also sought); and (ii) the court is satisfied that, if the case went to trial, the defendant would be held liable (even if the claim for possession fails) to pay the claimant a sum of money for the defendant’s occupation and use of the land while the claim for possession was pending;...”

89. Mr Boulton and Ms Osepciu relied on *Ultraframe (UK) Ltd v Eurocell Building Plastics Ltd* [2005] EWHC 2111 in support of their argument that the Interim Licence which Xiaomi proposed provided for the “irreducible minimum” which the Xiaomi Defendants would be required to pay on the execution of the Court-Determined Licence. In that case Pumfrey J (as he then was) gave the following guidance about the application of CPR Part 25.7 in the context of patent law (their emphasis):

“1. Generally, interim payment procedures are not suitable where factual issues are complicated, or where difficult points of law arise;

2. This does not prevent an award being made even in respect of part of a complex claim if that part can be identified as what Mr. Justice Robert

Walker calls ‘**an irreducible minimum part without venturing too far into the disputed area of fact or law**’;

3. It may well be appropriate simply to ignore certain heads of claim altogether while concentrating on those parts of the claim which can be assessed on established principles with some confidence;

4. While a broad brush approach to detail may be appropriate to an inquiry as to damages (see, for example, *Gerber -v- Lectra* [1997] RPC 443), at this stage it is also necessary to take a conservative view, however broad the brush employed is.

5. Even though the rule contains provision to accommodate over-payment, the extent to which comfort can be derived from the thought that even if the amount awarded under heads that are considered at the interim stages excessive, the other unconsidered heads can make up for it is strictly limited. Hence, Mr. Justice Robert Walker's reference to ‘the irreducible minimum’ reflects a fundamental feature of the jurisdiction. All the same, I do not think that the phrase merely suggests that the sums awarded must be undisputed. There is room for a degree of uncertainty provided that it is treated in a conservative manner.”

90. In my judgment, CPR Part 25.7 has no application to the present case either directly or by analogy. CPR Part 25.7(1) requires one of three conditions to be satisfied before the Court may grant an interim payment: an admission of liability, a judgment or satisfaction that the claimant would obtain such a judgment. None of those conditions are satisfied in the present case. Moreover, it is impossible to see how the Court could exercise the power to order a defendant to make an interim payment if the claimant did not seek such an order. The Civil Procedure Rules cannot fill the gaps in the ETSI IPR Policy which was clearly designed to preserve a balance between the interests of potential licensors and licensees.

## **VI. The Issues**

91. The parties were unable to agree a list of issues for the hearing and produced rival versions. The principal reason why they could not agree was that Mr Scott wished me to decide whether it would be useful to grant an injunction first whereas Mr Boulton submitted that I could only decide that question when I had fully analysed the facts. Given that the question whether Panasonic was required to grant an Interim Licence was fully argued, I propose to decide it and to do so before I consider whether it would serve a useful purpose to make a declaration at all (whatever the outcome). I therefore adopt Xiaomi’s list of issues (which I have simplified for presentational purposes):



- (1) Does performance of its FRAND Commitment in good faith require Panasonic to agree to enter into an Interim Licence on appropriate terms?
  - (2) Are the terms of the Interim Licence proposed by Xiaomi appropriate or is Panasonic's Non-Enforcement Proposal appropriate and sufficient to discharge its FRAND Commitment?
  - (3) Would declaratory relief serve a legitimate useful purpose?
  - (4) Is the English Court the appropriate forum to determine the Interim Licence Application?
  - (5) Is the Interim Licence Application limited to an application for summary relief pursuant to CPR Part 24 or CPR Part 25?
92. In the light of the answers to these questions, Panasonic asked the Court to determine whether Xiaomi should be permitted to amend its Defence and Counterclaim and Reply to Defence and Counterclaim to plead the Interim Licence or should those allegations be struck out or stayed. The final form of the declarations which Xiaomi Defendants invited the Court to make were as follows:

“1. The Claimant and Xiaomi Defendants having given the Reciprocal Undertakings, a willing licensor in the position of the Claimant, and a willing licensee in the position of the Xiaomi Defendants, would agree to enter, and would in fact enter, into the Interim Licence.

2. The Claimant and Xiaomi Defendants having given the Reciprocal Undertakings, and the Xiaomi Defendants having given the Interim Licence Undertakings, the Claimant is required to take the following steps in order to comply with its FRAND Commitment: agree to enter, and to enter, into the Interim Licence with the Xiaomi Defendants during the Interim Period.

3. The terms of the aforesaid Interim Licence are (i) the non-financial terms at Confidential Annex A to Panasonic's Amended FRAND SoC, as amended to provide for a term limited to the Interim Period, and (ii) the Reasonable Interim Royalty set out in the Confidential Annex 1 to this Order.

4. The Interim Licence shall be subject to the supervision of this Court and the Reciprocal Undertakings.

5. At the end of the Interim Period and subject to any directions to be given by the Court having determined the Court-Determined Licence (including as to the schedule applicable to any payments released pursuant to this paragraph), where the Xiaomi Defendants have paid the Reasonable

Interim Royalty into Court, then: a. If the total sum of the Reasonable Interim Royalty paid by the Xiaomi Defendants (including any interest accrued) during the Interim Period exceeds the Court- Determined Royalty, the amount of the Court-Determined Royalty shall be released to the Claimant and the balance released to the Xiaomi Defendants; or

b. If the total sum of the Reasonable Interim Royalty paid by the Xiaomi Defendants (including any interest accrued) during the Interim Period is less than the Court- Determined Royalty, the sum paid into Court shall be released to the Claimant in part satisfaction of the Court-Determined Royalty.

6. In the event that the Claimant does not (i) undertake prior to the date of this Order to enter into the Interim Licence, or (ii) enter into the Interim Licence within 7 days of this Order, or (iii) undertake within 7 days of this Order to comply with the terms of the Interim Licence as if it was in full force and effect, the Claimant is in breach of its FRAND Commitment and is an unwilling licensor.”

## **VII. Determination**

*(1) Does performance of its FRAND Commitment in good faith require Panasonic to agree to enter into an Interim Licence on appropriate terms?*

93. Mr Boulton and Ms Osepciu submitted that Panasonic had no “plausible legitimate interest” in refusing to enter into an Interim Licence given that the parties were bound by the Reciprocal Undertakings and the Interim Licence provided an appropriate interim amount for Xiaomi’s use of the Panasonic Portfolio before the terms of the Court-Determined Licence were fixed. They submitted that the “only conceivable rationale” was to avoid entering into the Court-Determined Licence by forcing Xiaomi out of the market before the FRAND trial had taken place and Meade J had given judgment. They expressed this submission in the following terms (footnotes omitted):

“Panasonic’s only conceivable rationale for eschewing the opportunity to enter into an Interim Licence in such circumstances is to avoid entering into the Court-Determined Licence in due course – and thus avoid the effect of the Undertaking that Panasonic so reluctantly gave to this Court at the Listing Hearing. Panasonic seeks to do this by putting Xiaomi to the invidious election, prior to the settlement of the Court-Determined Licence, of either (i) being taken off the market across Germany and/or 17 EU Member States or (ii) paying Panasonic supra-FRAND royalties. Panasonic refers to this as “commercial pressure” but it is nothing of the sort. It is holding Xiaomi to ransom, as was acknowledged by this Court during the Listing Hearing (see further below). Indeed, Panasonic clearly seeks to force this election even if the FRAND Trial in this jurisdiction has taken place and judgment is awaited, or following judgment but prior to

the form of order hearing at which the licence terms to be signed are settled (notwithstanding the substantial time and millions of pounds that would have been spent, and thus wasted, on these proceedings by that time).”

94. At the end of the hearing Mr Boulton and Ms Opsepciu handed in a note entitled “Xiaomi’s Note on Construction of the FRAND Commitment”. They helpfully summarised the key propositions of French law on which they relied before putting their case in two ways (which I will call Submission (A) and Submission (B)):

“**First**, in circumstances where the parties have given the Reciprocal Undertakings such that they will enter into the English Court-Determined Licence, turning down cash on the table now (plus the protection of a further substantial bank guarantee) under the Interim Licence proposed by Xiaomi simply in order to keep alive the threat of injunctive relief can only be part of a strategy to pursue supra-FRAND rates. That is not consistent with the spirit of the FRAND Commitment. It is not performing the FRAND Commitment in good faith. The consequence is that good faith performance requires Panasonic to agree to take the money now and grant the Licence.

**Second, and alternatively**, there is no qualification of the temporal scope of Panasonic’s obligation to grant FRAND licences. So Panasonic has an obligation under the FRAND Commitment, to grant Xiaomi a FRAND licence now. There are only two potential licences before the Court at this hearing: Xiaomi’s proposed Interim Licence, which is fair and reasonable. And Panasonic’s Updated Offer [i.e. the Non-Enforcement Proposal] – with a single lump sum payment for 2011-2029 – which is not for the reasons canvassed yesterday.”

95. Mr Scott was open about Panasonic’s position. He submitted that clause 6.1 imposed an obligation upon Panasonic to give an undertaking to make an irrevocable offer of a licence on FRAND terms, that it had done so and that it had complied with its FRAND Commitment by entering into the Reciprocal Undertakings. He also submitted that in the meantime Panasonic was entitled to pursue injunctive relief in the German Courts with a view to negotiating a settlement and the final terms of a licence. His submission was encapsulated in the following passage from the transcript:

“MR. SCOTT: Indeed. Our position is that the FRAND commitment does not limit a party to a single avenue for achieving a FRAND licence. It sets an objective. It does not prescribe the means by which the objective is achieved. The FRAND trial in England is one of the means by which that objective may be achieved and, as I have said, we are committed to it, but there are others. The ongoing commercial negotiations between the parties are one other route. A further other route is the proceedings in Germany and the UPC, and nothing in the ETSI IPR policy or, indeed, our

undertakings to the court, has tied our hands in any way from pursuing those other legitimate avenues. They may come to nothing, and if they do come to nothing we will have the FRAND trial here and we will enter into the licence settled by the court. However, it is in everyone's interests if a resolution can be achieved without the need for a long and expensive trial here, and the appeals that may well follow from it. Unless your Lordship is satisfied that we have no plausible, legitimate interest in seeking to achieve that outcome, my submission will be that your Lordship cannot be satisfied ----”

(i) Submission (A)

96. Before an English Court the question whether a party is acting in bad faith (or in breach of a duty of good faith) is usually a matter for determination at trial and after cross-examination of the relevant party themselves or, in the case of a corporate entity, the relevant decision-maker even where the test is an objective one or partly an objective one. For instance, the question whether a director of an English company has acted in breach of the duty to act for proper purposes under section 171(b) involves an objective assessment but the motive for the director's acts or omissions is highly relevant: see, e.g., *Eclairs Group Ltd v JXX Oil & Gas plc* [2016] 1 BCLC 1 at [14] (Lord Sumption JSC).
97. In the present case, both parties were agreed that the question whether a party was acting in breach of the duty of good faith in the performance of a contract was highly fact-sensitive. Mr Scott accepted that the test was an objective one although he submitted that Panasonic's motive in refusing to grant an Interim Licence was directly relevant to the Court's determination. That evidence was given by Mr Peter Jelf, a partner in Bristows, on the instructions of Mr Andrew Yen, Chief IP Counsel of Panasonic Intellectual Property Management Co Ltd. In his witness statement dated 1 March 2024 Mr Jelf gave the following evidence:

“20. Panasonic has given an unconditional undertaking to offer and, if accepted by Xiaomi in accordance with its undertaking, enter the Court-Determined Licence. Panasonic remains committed to that undertaking and stands ready and willing to comply with it if or when it is required to do so. That has not happened yet. It will never happen if the parties themselves agree a licence before the FRAND Trial. Even if they do not so agree, it is only after the Court has determined the relevant terms - i.e. after it has given judgment and made its consequential order following the FRAND Trial - that Panasonic will be bound to offer them.

21. Unless and until Xiaomi enters into a licence, however, (whether on terms bilaterally agreed or determined by the Court) it is infringing

Panasonic's patents and liable to suit accordingly. Further, Panasonic considers that, until such time as Xiaomi is licensed on FRAND terms, it is legitimate for Panasonic to exercise its rights as patentee in the actions before the German Courts and the UPC. which will decide in accordance with their own respective laws and procedures whether to grant Panasonic the relief it claims, having considered the submissions and evidence submitted by Xiaomi (as well as Panasonic).

22. In this regard, Panasonic's position is that those foreign courts are the only appropriate fora to consider whether and if so what relief to grant in respect of patent infringement that is local to them. The German Courts and the UPC are, I believe, both competent to determine the proceedings that Panasonic has brought before them and well-respected internationally. Furthermore, my understanding from having been involved for over 20 years in English litigation concerning standard essential patents where there are parallel proceedings before the German courts, and from having watched the development of the rules and procedures of the Unified Patent Court for a number of years, is that any injunction granted in those jurisdictions would only be obtained once the relevant court has fully considered whether granting such an injunction would be consistent with its understanding of the FRAND regime, having taken account of the factual contexts of the parties' respective conduct both in terms of their negotiations, their licence offers and in the various ongoing proceedings (including these proceedings).

23. In the circumstances, Panasonic considers that it is entirely legitimate for it to ask the German courts and the UPC to apply their relevant procedures and law and to allow them to reach a decision as to whether Panasonic's rights have been infringed and, if so, what relief would in their respective views be appropriate in the light of both parties' obligations under the FRAND framework.

24. Panasonic does not view the proceedings in Germany and the UPC as "wasteful nor is Panasonic continuing them to put "undue pressure" on Xiaomi "with the aim of extracting excessive and supra- FRAND royalty terms from Xiaomi" (as suggested by Mr Baldwin at paragraphs 7, 31, 33 and 49). Panasonic considers that pursuing a claim for relief that would only be granted in circumstances where - in the light of all the relevant circumstances (including offers that have been made and the parties' conduct in those and other proceedings) - a court considers that relief to be appropriate and consistent with Panasonic's FRAND commitment, cannot put any "undue pressure" on Xiaomi. Further, if Xiaomi and Panasonic chose to settle between them a global licence in circumstances where the German court or UPC has held that the terms proposed by Panasonic are consistent with its FRAND commitment, then notwithstanding that Xiaomi might be subject to an injunction if it does not choose to do so, that would not be illegitimate or lead to any "supra FRAND" outcome.

25. In addition, the proceedings in Germany and the UPC will serve to establish important points, for example, about the full negotiation conduct of the parties (including prior to the commencement of litigation), under the leading case of Huawei v ZTE, which is an area that is far less of a

focus in the English jurisprudence and is not being addressed in the FRAND Trial in these proceedings.”

98. Mr Boulton did not apply to cross-examine Mr Jelf or challenge this passage from his evidence. Mr Scott submitted that it provided clear evidence that Panasonic did not believe that it was acting in bad faith and that its motive was not to put undue or illegitimate pressure on Xiaomi. Although he accepted that the test was an objective one for the Court, he submitted that I could not be satisfied to the high degree of assurance necessary to make an interim or final declaration that Panasonic was acting in bad faith.
99. In the absence of any application to cross-examine Mr Jelf, I accept his evidence. In particular, I accept his evidence that he and his clients believed that Panasonic has complied with its FRAND Commitment by entering into the Reciprocal Undertakings, that it will only be bound to offer a licence to Xiaomi once the Court has fixed the terms of the Court-Determined Licence and that the parties are entitled to negotiate a consensual solution in the meantime. I also accept his evidence that he and his clients believe that it is legitimate for Panasonic to exercise its legal rights in the German courts in the meantime and that by doing so it is not putting undue pressure on the Xiaomi Defendants.
100. Finally, and perhaps most importantly, I accept Mr Jelf’s evidence that he and his clients believe that if Panasonic and Xiaomi choose to agree a licence on terms which the German Courts have held are consistent with Panasonic’s FRAND Commitment, this would not lead to any “supra-FRAND” outcome even if Xiaomi might be subject to an injunction if did not accept those terms: see the last sentence of paragraph 24. The formulation of that sentence was no doubt the subject of very careful thought and consideration. But I am not prepared to go behind it and accept that Mr Jelf or Mr Yen or any other Panasonic executives have consciously formulated or adopted a strategy designed to enable it to avoid complying with the Reciprocal Undertakings or its FRAND Commitment.
101. This is not the end of the enquiry, however. The Court could reach the conclusion that Panasonic is acting in bad faith if viewed objectively the effect of its actions is to frustrate its FRAND Commitment (whatever Mr Jelf and his clients might subjectively believe). However, I am not satisfied to a high degree of assurance that this will be the effect of Panasonic continuing to pursue its infringement claims in the German Courts. I have

reached this conclusion for the following reasons:

- (1) Mr Boulton and Ms Osepciu did not suggest that Panasonic was acting in breach of the Panasonic Undertakings by continuing to prosecute the German Proceedings in both the UPC and the German courts. Indeed, they were careful not to do so (and in my judgment rightly so). Panasonic gave those undertakings to the Court not to Xiaomi to fulfil its FRAND Commitment.
- (2) Moreover, Panasonic's counsel made it quite clear to Meade J that it was reserving its rights to prosecute the German Proceedings notwithstanding the Reciprocal Undertakings. The judge may have found this position unattractive but neither the Court nor Xiaomi could have been in any doubt what Panasonic's intentions were.
- (3) I consider whether a contractual undertaking can properly be implied in the ETSI IPR Policy in considering Submission (B) below. But in the absence of a contractual undertaking or an undertaking to the Court, I see no reason why it should be considered illegitimate for Panasonic to enforce its legal rights to prevent the infringement of UPC or German registered patents in the German Courts with the aim of a negotiated settlement of all worldwide proceedings.
- (4) I accept that in applying the Roadmap and deciding whether to grant an injunction the German Courts may not subject a SEP holder's offer to the same level of scrutiny as the English Court in fixing the terms of a Court-Determined Licence. I also accept that Panasonic intends to put commercial pressure on Xiaomi to accept the terms of its offer if it is free to pursue the German Proceedings. But I do not accept that this will necessarily result in "supra-FRAND" rates or even that there is a significant risk that they will do so.
- (5) Professor Ann's evidence that an offer which was "not obviously un-FRAND" might in fact be a "supra-FRAND offer" was tentative only and I attach limited weight to it. He did not provide any evidence or statistics to support his conclusion or attempt to assess the risk that the German Courts might grant an injunction if a SEP Holder made a supra-FRAND offer and the implementer rejected it. I also accept the qualifications in Professor Meier-Beck's reply report. The Court scrutinises the SEP holder's offer to consider whether it is a serious and credible proposal and, if it is, then there is an obligation upon the implementer to engage.

- (6) Moreover, with the greatest of respect to Professor Ann, this does not seem so very different from the approach which an English Court might take in infringement proceedings. In *Nokia v Oppo* Meade J accepted that the Court applies the standard of whether an offer is FRAND or not but because it is almost impossible to hit the nail on the head, it is usually found that the offer is not FRAND and the SEP holder meets that difficulty by giving an undertaking to be bound by a Court-Determined Licence: see [258] to [260] (above). A SEP holder can meet the same difficulty in the German Courts by offering to enter into a licence which includes a right to a Section 315 determination. Indeed, this is the effect of Panasonic's revised Non-Enforcement Proposal. I accept that there are differences of procedure, that they are significant and that they may lead to different outcomes. But I am not satisfied that there is a real risk that the German Proceedings will result in a supra-FRAND outcome.
- (7) Moreover, there is nothing to prevent Xiaomi from relying on the Reciprocal Undertakings in the German Proceedings as evidence that it is a willing licensee. Neither Professor Ann nor Professor Meier-Beck gave evidence about the approach which the UPC or German courts might adopt once informed that Xiaomi had undertaken to accept a global Court-Determined Licence and the fact that the FRAND Trial is listed in October 2024. It is at least possible that the German Courts will hold that it is a breach of Article 102 for Panasonic to seek injunctive relief having agreed to the Reciprocal Undertakings. But this is a matter best left to the German Courts.

102. If Mr Boulton had been able to persuade me that Panasonic had been holding out for terms which were obviously un-FRAND or supra-FRAND I might have been prepared to take a different view. However, Mr Boulton was unable to persuade me that this was the case for the following reasons:

- (1) Mr Boulton did not attempt to demonstrate to a high degree of assurance that Panasonic's royalty rate was obviously un-FRAND (although he relied on the fact that it had recently amended its case to plead a different figure). It was common ground that there is no single figure which is FRAND and that, in theory at least, a SEP holder may choose between different available licences: see *UPCA* at [121] to [125]. Although the Court of Appeal accepted that this was more of a theoretical



problem than a real one it does make it very difficult for a party to demonstrate on an interim application and without detailed expert evidence that a party has made an un-FRAND offer.

- (2) The principal difference between the parties was in relation to the period of the licence. Mr Boulton relied on the decision of Marcus Smith J in *Optis Cellular Technology LLC v Apple Retail UK Ltd* [2023] EWHC 1095 (Ch) (“*Optis E I*”) for the proposition that the licence period should run from the date on which the SEP holder asserted its rights (or the implementer became aware of them): see [499] to [502]. Mr Scott relied on the decision of Mellor J in *Interdigital v Lenovo II* for the proposition that the licence period should cover all unlicensed sales: see [60](v). This issue is currently before the Court of Appeal and it is not possible for me to predict the outcome or to conclude that Panasonic’s insistence that it should be paid for all unlicensed sales over a long period of infringement is unreasonable and supra-FRAND.
- (3) Mr Boulton placed some reliance on Panasonic’s small stack share and submitted that given that percentage, it was unreasonable for Panasonic to seek injunctive relief. However, he did not point to any clear authority that a limited stack share either had an effect on the overall royalty or rate or that the Court might refuse to grant an injunction to restrain patent infringement because of stack share. Marcus Smith J accepted in *Optis v Apple I* that stack share may have an effect in driving the price in a FRAND Licence but no more: see [86]. Mellor J also took stack share into account in *Interdigital v Lenovo I* in carrying out a “top-down cross-check”: see [840] to [855]. But neither decision justified the conclusion that Panasonic’s revised Non-Enforcement Proposal was supra-FRAND.

(ii) Submission (B)

103. Submission (B) involved a contractual analysis which is far more familiar to an English Court. But for the following reasons I am not satisfied to a high degree of assurance that Panasonic’s FRAND Commitment imposes an obligation to grant Xiaomi a FRAND licence now:

- (1) As stated above, I accept in principle that the obligation to act in good faith in the performance of a contract may lead to the creation or modification of substantive

rights and that it would in theory be possible to imply an obligation to grant an Interim Licence (although there is no evidence that a French court has yet been prepared to do so).

- (2) I am also prepared to accept that an Interim Licence falls with clause 6.1 of the ETSI IPR Policy and, in particular, that it falls within the description “irrevocable licences on fair, reasonable and non-discriminatory (“FRAND”) terms and conditions”. It follows that I reject Mr Scott’s submission that an Interim Licence is not an irrevocable licence. I also reject his submission that a licence which contained a “true up” provision would not be a licence on FRAND terms and conditions provided that the provisional terms which take effect immediately are not obviously un-FRAND.
- (3) However, I find it impossible to imply from the express words of clause 6.1 an obligation to grant an Interim Licence. The only express obligation imposed by clause 6.1 is to give an undertaking to the Director General of ETSI that the SEP holder is prepared to grant irrevocable licences. This language is intended to demonstrate a present intention to grant future rights. The FRAND Commitment is, therefore, a binding commitment to grant future rights if the SEP holder’s offer is accepted.
- (4) Mr Scott submitted that the only further obligation which the undertaking to ETSI imposes on the SEP holder is an obligation to make a FRAND offer which is capable of acceptance. I accept that submission: see *Nokia v Oppo* at [258]. Moreover, there was no authority to which I was taken that a SEP holder is required to make an offer in a particular form or to cover particular licence periods or, indeed, to make more than one offer to cover different periods. The only obligation is to make an irrevocable offer on FRAND terms.
- (5) Moreover, English Courts have consistently interpreted the FRAND Commitment in this way: see *UPHC* at [143], *Optis F* at [73] and *Nokia v Oppo* at [254] (above). The significance of the FRAND Commitment is not that it gives rise to an immediate obligation to grant a licence on FRAND terms. Such an obligation will only arise if the implementer accepts the offer. If the implementer chooses not to accept the offer, it may prevent the grant of an injunction by making a counter-

offer or by agreeing to accept a Court-Determined Licence.

- (6) Again, I am prepared to accept that the French law doctrine of good faith in the performance of a contract imposes a duty on Panasonic not to frustrate its FRAND Commitment or the underlying purpose of the ETSI IPR Policy. But I do not accept that the exercise by Panasonic of its legal rights in a court of competent jurisdiction with a view to negotiating a licence on FRAND terms can be characterised as an attempt to frustrate its FRAND Commitment. Although there are clear differences between the law and procedure of the German Courts and the law of procedure of the English Courts I do not accept that the negotiation model of the UPC and German Courts does not achieve “a fair balance between the interests of implementers and owners of SEPs”: see *UPCA* at [7] (above).
- (7) Moreover, there are obvious difficulties in requiring a SEP holder to grant an Interim Licence. Mr Boulton did not formulate the precise term which he submitted should be implied into the ETSI IPR Policy and I have found it impossible to formulate a term which would be sufficiently certain and which would not lead to satellite litigation or mini-trials to determine the terms of the Interim Licence in advance of the FRAND trial to fix the Court-Determined Licence. I explore these difficulties in addressing Question (2) (below). But I have in mind Meade J’s words of caution in *Optis F* at [275]:

“...clause 6.1 applies to parties of all kinds and sizes, and has effect internationally. It has to be applied in relation to the UK, which is the task facing me, but also around the world, and its interpretation should therefore not be undertaken exclusively or excessively through the lens of UK litigation practice. Other territories will not have the situation where there is a significant gap between finding validity and essentiality and then later FRAND terms.”

- (8) Finally, I am not satisfied to a high degree of assurance that it is consistent with the spirit of the ETSI IPR Policy to require a SEP holder to grant an Interim Licence as soon as the implementer agrees to accept a Court-Determined Licence. In my judgment, Xiaomi’s argument is much the same as the argument which Apple ran in *Optis F* and which both Meade J and the Court of Appeal rejected. Apple argued that any implementer who sought a licence in good faith was protected against injunctive relief until the Court had fixed terms which were FRAND. Meade J held

on the detailed evidence before him that this would promote hold out. The Court of Appeal held that the underlying purpose of the ETSI IPR Policy was to promote negotiation and that Apple's interpretation of clause 6.1 would undermine the incentive identified by the Supreme Court in *UPSC* to negotiate in a meaningful way: see [73] and [74]. If an implementer could count on an Interim Licence, it could very well have a similar effect and affect the fair balance (above).

104. Accordingly, my answer to the first question is that performance of its FRAND Commitment in good faith does not require Panasonic to agree to enter into an Interim Licence on any terms and that it is free to try and exercise such rights as it may have to prevent infringement in the German Courts until or unless Xiaomi accepts the terms which it has offered, the parties agree the terms of the global licence or the Court fixes the terms of the Court-Determined Licence. I add that this answer is not intended to restrict in any way the material which Xiaomi may put before the German Courts.

*(2) Are the terms of the Interim Licence proposed by Xiaomi appropriate or is Panasonic's Non-Enforcement Proposal appropriate and sufficient to discharge its FRAND Commitment?*

105. Question (2) does not arise in the light of my answer to Question (1). But I make some brief observations about it. In my judgment, the formulation of the declarations which Xiaomi asks the Court to make illustrate the difficulty which the Court will have if the answer to Question (1) had been positive. I say this for the following reasons:

- (1) Declaration 1 is framed in hypothetical terms. This Court is normally resistant to answering hypothetical questions: see *Clarke v Fennoscandia Ltd (No 4)* (above). But in any event, the way in which the declaration is framed illustrates the difficulty. It assumes that a willing licensor would enter into an Interim Licence. But Panasonic's position is that it is a willing licensor for the purpose of both the English and the German Proceedings having given the Panasonic Undertakings and fortified this with the Non-Enforcement Proposal and then the revised Non-Enforcement Proposal. It is impossible to resolve this issue on these Applications without, in effect, deciding many of the issues which will be live at the FRAND Trial.
- (2) Moreover, Mr Scott was very careful to make it clear that the Non-Enforcement Proposal and the revised Non-Enforcement Proposals were not counter-offers of an

Interim Licence but a basis on which Panasonic would be prepared to undertake not to enforce its rights in the German Courts (and this is why I have defined it as I have). Indeed, I understood it as an assurance that it would not seek to extract supra-FRAND rates in the German Proceedings by offering to submit to the Orange Book procedure. This goes to show that Declaration 1 is not simply limited to assessing the terms of the proposed Interim Licence.

- (3) Declarations 2 and 3 assume that the only appropriate terms of an Interim Licence are those offered by the Xiaomi Defendants. I was initially attracted by Mr Boulton's submission that Xiaomi had made a "simple and generous" offer which matched the "irreducible minimum" to which Panasonic will be entitled at trial and that a retrospective true-up mechanism protected Panasonic's legitimate interests pending trial. But as Mr Scott pointed out, in *UPCA* the Court of Appeal rejected Birss J's conclusion that there can only be one set of FRAND terms: see [121]. If Panasonic's offer was FRAND, it complied with its FRAND Commitment by making an offer on those terms. This shows that Declarations 2 and 3 are not limited to assessing whether the implementer's Interim Licence terms are both FRAND and reasonable but also whether the SEP holder's terms are un-FRAND and unreasonable.
- (4) Finally, the task of deciding whether Xiaomi's Interim Licence terms were appropriate would also have required the Court to second-guess many of the issues which Meade J will have to decide at the FRAND Trial. This can be illustrated by the changes which Xiaomi made to its terms during the hearing. It began by offering to pay Panasonic's royalty rate but for Xiaomi's licence period by reference to the table in Baldwin 11. But its revised offer based on the same table involved Xiaomi's royalty rate for Panasonic's licence period. This illustrates the raft of different issues and terms which the Court will face if any implementer which agrees to take a Court-Determined Licence, is in principle entitled to an Interim Licence under the ETSI IPR Policy.

*(3) Would declaratory relief serve a legitimate useful purpose?*

106. Mr Boulton and Ms Osepciu accepted the general proposition that it was wrong as a matter of principle for the English Court to make a declaration solely for the purpose of

influencing a decision by a foreign court: see *Teva v Novartis* (above). They also sought to distinguish *Interdigital v Lenovo III* for four reasons:

- (1) The parties had not agreed reciprocal undertakings to be bound by a Court-Determined Licence whether by the English Court or a foreign court and whether at first instance or on appeal.
- (2) The proceedings had been initiated by the implementer rather than the SEP holder. But in the present case there was no dispute that the English Court was the appropriate forum for the determination of FRAND terms.
- (3) The Court was not being asked (as it is here) to make declarations in relation to the SEP holder's obligations under the FRAND Commitment or the conduct of a willing licensor.
- (4) The applicant was asking for an interim rather than a final declaration that the royalty rate was FRAND.

107. Mr Boulton and Ms Osepciu also submitted that the declarations which Xiaomi was seeking served a substantial number of useful purposes which I set out in full (original emphasis and footnotes omitted):

“a. Clarifying the parties' rights and obligations under the FRAND Commitment and, accordingly, the consequences of those rights and obligations as regards Xiaomi's willingness, and Panasonic's unwillingness, as licensee and licensor (respectively).

b. Enabling a FRAND licence to be settled by this Court without the application of undue pressure on Xiaomi - created by the pursuit and/or (threat of) enforcement of injunctive relief not only in Germany and the UPC, but also in other international foras - to agree to a licence covering the Panasonic Portfolio on supra-FRAND terms prior to the Court-Determined Licence being available in these proceedings.

c. By virtue of (a) and (b) above, protecting the integrity and utility of the FRAND determination (covering a substantial number of UK SEPs included in the Panasonic Portfolio) to be made in Panasonic's chosen forum in these proceedings to which Panasonic and Xiaomi have each unconditionally committed by way of the Reciprocal Undertakings.

d. Ensuring that declared Interim Licence terms are made available to Xiaomi and, thus ensuring that a FRAND licence will be available to Xiaomi within twelve months, which will assist in creating a balanced system between SEP holders and implementers, based on the ETSI IPR Policy (see below) and in facilitating the successful development of a SEP

licensing ecosystem that works for the entire global SEP industry.

e. Ensuring that the unconditional undertakings provided to this Court cannot be circumvented by Panasonic (see paragraph 56 above) whilst also giving Panasonic the opportunity (in the event that it signs the Interim Licence) to receive payment from Xiaomi earlier than would otherwise be the case pursuant to the Court-Determined Licence. Indeed, such payment would be for a "generous" payment for more money than it would otherwise be entitled to for the Interim Period following settlement of the Court-Determined Licence.

f. By virtue of (a) - (e) above, furthering the aims of the ETSI IPR Policy including the broadest possible adoption of ETSI standards which is promoted by (i) parties entering into worldwide licences, covering UK SEPs, on FRAND terms and (ii) implementers being provided maximum possible access to the international ETSI standards, including in the UK to the benefit of UK consumers. As such, the Interim Licence Declarations serve to preserve this Court's ability to declare at the FRAND Trial the worldwide FRAND terms on which Xiaomi can access the Panasonic Portfolio as relevant to those international ETSI standards.

g. Offering Xiaomi a degree of protection against interest payments under the Court-Determined Licence. This was recognised as a relevant benefit in *Lenovo v IDC*.

h. Ensuring (in the event that the Interim Licence Declarations are made and Panasonic enters into the Interim Licence as required by the FRAND Commitment) that Xiaomi is put into the position of being licensed to the Panasonic Portfolio (including its UK SEPs), in circumstances where Xiaomi has unconditionally committed to be so licensed, there will be a FRAND Trial in October 2024 and it is guaranteed that Xiaomi *will be licensed for this same Interim Period*. In other words, the Interim Licence will effect a licence for the Interim Period, in circumstances where Xiaomi will be licensed for this same period of time within twelve months from now. In performing its last minute volte-face on its refusal to offer an Interim Licence, it appears that Panasonic has realised the inherently contradictory nature of its position in this regard, whereby it was refusing to provide a licence to Xiaomi in circumstances where it had unconditionally agreed that Xiaomi will be licensed for that same period."

108. Mr Boulton and Ms Osepciu also submitted that the declarations which they sought would achieve these purposes in two ways. They also submitted that this would be a benefit in the present proceedings (original emphasis and footnotes removed):

"81. As regards paragraphs 80(a)-(e), the Interim Licence Declarations will achieve those purposes in particular in one of two ways:

a. In the event that the Interim Licence Declarations are made and Panasonic enters into the Interim Licence as required by the FRAND Commitment, Xiaomi will have a full defence to any claims for injunctive relief whether currently pending or yet to be issued. Panasonic is not

understood to dispute this in principle; but takes the position that it will not enter into an Interim Licence even if that is required by the FRAND Commitment. That position is addressed below.

b. If Panasonic does not enter into the Interim Licence notwithstanding the Interim Licence Declarations, Xiaomi maintains that the making of the Interim Licence Declarations will be relevant to the assessment in the German and UPC proceedings of whether Panasonic is a willing licensor that should be granted injunctive relief (and thus to protecting the integrity and utility of the FRAND determination process in these proceedings).

82. Contrary to Panasonic's contention, removing the threat of injunctive relief against Xiaomi is a benefit in these proceedings. It protects the investment of significant time and resource made by the parties and Court in the (expedited) FRAND determination in these proceedings to which the parties have unconditionally committed via the Reciprocal Undertakings. The utility and integrity of that FRAND determination, which covers Panasonic's UK SEPs amongst others, would be undermined were Xiaomi forced by the (threat of) enforcement of injunctions to agree to supra-FRAND terms before the Court-Determined Licence is available (but, quite possibly, after all or the majority of the costs of the FRAND Trial in these proceedings had been sunk)."

109. Finally, they submitted that the declarations were sought primarily to influence Panasonic's conduct and not any foreign court by clarifying its contractual obligations under the FRAND Commitment and that, unlike *Teva v Novartis*, the English Court had an ongoing role in the dispute because the parties have chosen the English Court as the forum for deciding the terms of the Court-Determined Licence and they are bound to accept that decision.

110. Mr Scott submitted that the declarations would serve no useful purpose under English law because the Xiaomi Defendants do not face an injunction risk in this jurisdiction and because Panasonic had entered into the Panasonic Undertakings. He submitted that the present case had close similarities with *TQ Delta* (above) and that it would be an exercise in jurisdictional imperialism to make declarations for the following reasons:

"MR. SCOTT: We say the present case exhibits important similarities to *TQ Delta*. Just as the implementer in *TQ Delta* had no interest in a licence to the UK patents, we have made it clear that we have no interest in an interim licence. Just as there was no need in *TQ Delta* to determine licence terms in order to decide what relief to grant in a claim for patent infringements, likewise there is no need in the present case to decide whether or not we are obliged to issue an interim licence in order to determine the questions that remain before this court in this action. Your Lordship's declarations and determinations will have no bearing if granted on the issues at the FRAND trial, none whatsoever. The only hint of a



suggestion that they might was a point taken about interest that you see, I think, in Mr. Baldwin's 11th statement. It was addressed in response by Mr. Jelf in his third and it is also addressed in our skeleton. While I am continuing through my submissions, perhaps Ms. Jamal can find the reference to where we deal with the interest points. However, interest aside, there is no suggestion that in the context of these English proceedings, these declarations will have any bearing. MR. JUSTICE LEECH: Except that they will declare that he has either got a contract or he is entitled to one. MR. SCOTT: So what? It will have no significance at all to the issues that arise for resolution in this action. That is because the effect of both parties having given the reciprocal undertakings is that no question of willingness arises here. The only question that remains for determination on the FRAND part of the case is what terms are fair, reasonable and non-discriminatory.”

111. I accept Mr Scott’s submissions. Even if I had found that Panasonic had an obligation to grant the Xiaomi Defendants an Interim Licence as a matter of French law, I would not have been prepared to make the declarations (above). I would not have been prepared to do so because, in my judgment, not only would it serve no useful purpose to do so, it would also be an exercise in jurisdictional imperialism. I have reached this conclusion for the following reasons (and paragraph references below are to the passage from Xiaomi’s Skeleton Argument above):

- (1) There is no need to clarify the parties’ respective rights and obligations in this jurisdiction or take steps to preserve the integrity of these proceedings ahead of the FRAND Trial: see paragraphs 81(a) and (c). Panasonic has entered into the Reciprocal Undertakings and agreed to be bound by the Court-Determined Licence. It has not asked the Xiaomi Defendants to pay licence fees now or threatened to apply for an injunction if they fail to do so. It has made it clear that it will accept a retrospective licence and rely on any rights which it may have to claim interest.
- (2) The only real purpose in granting the declarations, therefore, would be to influence the outcome of the German Proceedings. Indeed, Mr Boulton and Ms Osepciu accepted that the declarations would prevent undue pressure being put on the Xiaomi Defendants by the threat of an injunction or its enforcement in the UPC and the other relevant jurisdictions and to give them a complete defence in the German Proceedings: see paragraphs 80(b) and 81(a).
- (3) For reasons which I have already given I am not satisfied to a high degree of assurance that it would be consistent with the spirit of the ETSI IPR Policy to

compel Panasonic to grant an Interim Licence. But even if I were, it is not for this Court to dictate to the German Courts how they should interpret an international policy governed by French law or further its underlying aims and objectives: see paragraphs 81(d) and (f). Moreover, French law is a question of fact and the German Courts are just as well-placed as this Court to construe and apply the ETSI IPR Policy.

- (4) The fact that the Court-Determined Licence will be retrospective is a reason to refuse the declarations not to make them: see paragraph 80(h). It demonstrates that there is no gap for this Court to fill. I also reject the argument that the declarations will reduce Xiaomi's exposure to interest: see 80(g). Richards J rejected the same argument in *Interdigital v Lenovo III* and Mr Boulton did not suggest that Meade J did not have the discretion to refuse to award Panasonic interest for the period between now and trial because it had refused to accept Xiaomi's various offers (including the offer of an Interim Licence).
- (5) Furthermore, there is no useful purpose in declaring that a willing licensor would grant an Interim Licence: see paragraph 81(b). Floyd LJ rejected a very similar argument in *TQ Delta* for reasons which carry equal weight in the present case: see [47] to [52]. I reject the argument that the English and German Proceedings are not competing or inconsistent because the German Courts will not be bound by any declarations which the Court makes and in my judgment there is a "strong flavour of anti-suit" about them (to use Meade J's description). There is no evidence that German Courts require assistance from the English Courts or, indeed, that they will treat a hypothetical declaration by me that a willing licensor would grant an Interim Licence as any other than an attempt to interfere with the integrity of the German Proceedings and Professor Ann did not suggest otherwise.
- (6) But even if Xiaomi had been able to overcome all of these objections, there is one powerful reason why it would be an exercise in jurisdictional imperialism to make the declarations. As Mr Scott pointed out, the German Courts are the only courts in which Panasonic has rights to bring proceedings for infringement of their UPC and German registered patents. Xiaomi's case is that Panasonic has a contractual obligation under the ETSI IPR Policy to grant it an Interim Licence the effect of which will be to prevent it from enforcing those rights and give it a complete

defence to Panasonic's claims: see paragraph 81(a). This is a strong reason in itself to doubt that Xiaomi's construction of clause 6.1 is correct. But if that is the effect of the ETSI IPR Policy then the obvious place to raise this defence is in the German Proceedings themselves: see *Deutsches Bank* (above) at [56]. This is the natural and obvious forum to take this defence and comity requires an English Court to leave it to the German Courts to assess the validity of that defence.

- (7) Finally, I agree with Mr Boulton and Ms Osepciu that *Interdigital v Lenovo III* was a very different case for the reasons which they gave and, for this reason, it provides useful guidance only. I also agree that there are stronger reasons for the Court to grant an Interim Licence in the present case because the parties have agreed the Reciprocal Undertakings and to be bound by the Court-Determined Licence and the Court in that case was asked to make interim declarations only. However, like Richards J in *Interdigital v Lenovo III*, I take the view that the question whether the Reciprocal Undertakings provide a defence in the German Proceedings is one for the German Courts and not me.

*(4) Is the English Court the appropriate forum to determine the Interim Licence Application?*

112. Mr Boulton and Ms Osepciu originally anticipated that Panasonic would argue that the Court should not exercise its jurisdiction on *forum non conveniens* and applying *The Spiliada* test. Mr Scott and Ms Jamal did not advance a separate argument to that effect and their submissions on comity and forum-shopping formed part of their argument in relation to the utility of making declarations. In particular, they relied on *Howden v ACE* and *TQ Delta* in support of their argument that there is little or no utility in making a declaration for the purpose of foreign proceedings in cases where the foreign court is clearly competent, has not admitted evidence of English law and not requested assistance from the English Court. I agree. Moreover, in the present case this Court was not asked to make a declaration of English law but declarations applying the law of one foreign jurisdiction to influence the outcome in a second foreign jurisdiction. In my judgment, it is not appropriate to make the declarations both because there is no utility in doing so but also out of interests of comity with the German Courts.

*(5) Is the Interim Licence Application limited to an application for summary relief pursuant to CPR Part 24 or CPR Part 25?*

113. This issue was resolved before the hearing began and the parties agreed that I should approach the Applications on the basis that Xiaomi was applying for a final declaration that it was entitled to an Interim Licence as opposed to either an interim declaration that it was entitled to a licence or, alternatively, an interim declaration for an Interim Licence. But I record that in my judgment this was the correct analysis. Although an Interim Licence would only have lasted until the FRAND Trial, there was no suggestion that Meade J would be asked to revisit my conclusions at trial or that there was any reason for him to do so because on any view the Interim Licence would have come to an end once the parties entered into the Court-Determined Licence. In any event, neither party submitted that the test for interim and final declarations was different and Richards J applied the “high degree of assurance” test in *Interdigital v Lenovo III*.

### **VIII. Disposal**

114. For these reasons I refuse to make the declarations requested by Xiaomi. Moreover, even if I had been satisfied to a high degree of assurance, I would have declined to exercise the Court’s jurisdiction to make the declarations both in the interests of comity with the German Courts and because there was no utility in doing so. Finally, I refuse permission to the Xiaomi Defendants to make the amendments to the ADC relating to the Interim Licence. I therefore dismiss the Interim Licence Application and grant the FNC Application. I leave it to the parties to try and agree any consequential relief and, in particular, the precise effect of this judgment on the proposed amendments to the statements of case. But if those issues cannot be resolved, I will determine them at the consequentials hearing.