



Neutral Citation Number: [2019] EWCA Civ 38

Case No: A3/2018/1274  
A3/2018/1278

**IN THE COURT OF APPEAL (CIVIL DIVISION)**  
**ON APPEAL FROM HIGH COURT OF JUSTICE**  
**BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES**  
**INTELLECTUAL PROPERTY LIST (ChD)**  
**PATENTS COURT**  
**MR JUSTICE HENRY CARR**  
**[2018] EWHC 808 (Pat)**

Royal Courts of Justice  
Strand, London, WC2A 2LL  
Date: 30/01/2019

Before :  
**LORD JUSTICE PATTEN**  
**LORD JUSTICE FLOYD**  
and  
**LORD JUSTICE FLAUX**

Between:

(1) HUAWEI TECHNOLOGIES CO., LTD  
(a company incorporated under the laws of the  
People's Republic of China)  
(2) HUAWEI TECHNOLOGIES (UK) CO., LTD  
(3) ZTE CORPORATION  
(a company incorporated under the laws of the  
People's Republic of China)  
(4) ZTE (UK) LIMITED **Appellants**  
- and -  
CONVERSANT WIRELESS LICENSING S.A.R.L. **Respondent**  
(Incorporated under the laws of Luxembourg)

Alexander Layton QC and Henry Forbes-Smith (instructed by Allen & Overy LLP) for the  
First and Second Appellants  
Michael Bloch QC (instructed by Bristows LLP) for the Third and Fourth Appellants  
Adrian Speck QC, Colin West and Thomas Jones (instructed by EIP Legal) for the  
Respondent

Hearing dates: 3-5 December 2018

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**Approved Judgment**

## Lord Justice Floyd:

### *Introduction*

1. The four appellants (a Chinese and an English company in each of the Huawei and ZTE groups) dispute the jurisdiction of the English court to determine an action brought against them by the respondent (“Conversant”) concerning UK patents owned by Conversant. I will refer to the first and second appellants as “Huawei China” and “Huawei UK” respectively, or together as “Huawei”, and the third and fourth appellants as “ZTE China” and “ZTE UK” respectively, or together as “ZTE”.
2. The appellants challenge jurisdiction on two grounds. First, they say that the claim brought against them is not justiciable in the English court. That is because the dispute, in addition to raising issues concerning the validity and infringement of Conversant’s UK patents in suit, also relates to the validity of Conversant’s foreign patents, and the validity of foreign patents is not justiciable subject matter in the English court. Secondly, they say that the English court is not the natural or an appropriate forum for the claims against them. They contend that the Chinese court is the natural and appropriate forum, and that the English court ought to refuse service out of the jurisdiction on Huawei China and ZTE China and stay the proceedings against Huawei UK and ZTE UK on the ground of *forum non conveniens*.
3. The UK patents in suit are said by Conversant to be essential to certain telecommunications standards, such that it is not possible to sell equipment, such as a mobile phone compliant with those standards without infringing the patents. In other words, the patents are “standard essential patents” or “SEPs”. Conversant accepts that, because its patents are claimed to be SEPs, it is under an obligation to offer to grant licences to implementers such as Huawei and ZTE on terms which are fair, reasonable and non-discriminatory (“FRAND”). Thus, although it seeks all the relief appropriate to an action for infringement of a UK patent, including an injunction and damages, Conversant anticipated that Huawei and ZTE would rely on Conversant’s obligation to offer to grant such a licence, the terms of which, thus far, the parties had not been able to agree. Conversant seeks, in addition, declarations from the court that the offers which it has made in the course of the negotiations with the two sets of parties are FRAND and, in addition, as to the terms on which it must offer to licence its portfolio of patents.
4. The judge, Henry Carr J, dismissed both limbs of the jurisdiction challenge for reasons which he gave in a judgment dated 16 April 2018. He gave permission to appeal against his subsequent order, sealed on 14 June 2018, on grounds relating to both limbs. Subsequent to his judgment and order, this court has handed down its judgment in *Unwired Planet International Limited and another v Huawei Technologies Co. Ltd and another* [2018] EWCA Civ 2344 (“*Unwired CA*”). *Unwired CA* involved an appeal from a decision of Birss J in which he had decided on the terms of a global licence between the parties on terms he considered to be FRAND. Huawei and ZTE now accept that, in the light of *Unwired CA*, the justiciability limb of their jurisdiction challenge is no longer arguable at this level, although they reserve their position if the case goes further. We need, therefore, only deal with the jurisdiction challenge insofar as it is based on the *forum non conveniens* ground, a ground that was not argued by Huawei in *Unwired Planet*. If the appeal against the judge’s decision on that ground fails, and the

justiciability issue becomes determinative, the appellants ask us to refer certain questions of EU law to the CJEU.

5. On this appeal Mr Alexander Layton QC presented the case on behalf of Huawei with Mr Henry Forbes-Smith; Mr Michael Bloch QC presented the case for ZTE; Mr Adrian Speck QC responded on behalf of Conversant with Mr Colin West and Mr Thomas Jones.

### *The facts*

6. The background to telecommunications standards, standard setting organisations, SEPs and the licensing of SEPs was set out in this court's judgment in *Unwired CA* at [3] to [5] as follows:

“3. It is generally accepted that the publication of such a standard supports innovation and growth by ensuring the interoperability of the digital technologies to which it relates. It leads to an increase in the range and volume of products which meet the standard and it allows consumers to switch more easily between the products of different manufacturers. Standards are set by standard setting organisations (“SSOs”). SSOs bring together industry participants to evaluate technologies for inclusion in a new standard, encourage those participants to contribute their most advanced technologies to that standard and promote the standard once it has been agreed. There are various SSOs around the world and each of them operates in much the same way. The SSO with which these proceedings are most concerned is the European Telecommunications Standards Institute (“ETSI”).

4. As the European Commission has recognised, SEPs can be of great value to their holders. These holders can expect a substantial revenue stream from their SEPs as the standard for which they are essential is implemented in products sold to millions of consumers. This revenue stream is supported by the fact that alternative technologies which do not meet the standard may well disappear from the market. But the potential for anti-competitive behaviour is obvious. The owner of a SEP has the potential ability to “hold-up” users after the adoption and publication of the standard either by refusing to license the SEP or by extracting excessive royalty fees for its use, and in that way to prevent competitors from gaining effective access to the standard and the part of the telecommunications market to which it relates. ETSI and other SSOs therefore require the owners of SEPs to give an irrevocable undertaking in writing that they are prepared to grant licences of their SEPs on fair, reasonable and non-discriminatory (“FRAND”) terms. This undertaking is designed to ensure that any technology protected by a SEP which is incorporated into a standard is accessible to users of that standard on fair and reasonable terms and that its owner cannot impede the implementation of the standard by refusing to license

it or by requesting unfair, unreasonable or discriminatory licence fees.

5. As we shall explain the negotiation of licences for SEPs on FRAND terms may be far from straightforward, however. The owner of a SEP may still use the threat of an injunction to try to secure the payment of excessive licence fees and so engage in hold-up activities. Conversely, the infringer may refuse to engage constructively or behave unreasonably in the negotiation process and so avoid paying the licence fees to which the SEP owner is properly entitled, a process known as “hold-out”.

7. Conversant is a Luxembourg company which owns a global portfolio of patents which, it claims, includes SEPs in over 40 countries. It is part of a Canadian group of companies and is managed from the United States. The portfolio was purchased from Nokia in 2011 for a sum which, at least on Huawei’s case, was \$20,000. Conversant does not itself manufacture or sell mobile phones: its business is concerned with licensing. Conversant maintains that the appellants are, and have for several years been, infringing its SEPs in many different jurisdictions. The portfolio is said by the respondents to be an “aging” one, by which they mean that the relevant patents are approaching the end of their terms.
8. Huawei are part of a major telecommunications group based in China. China accounts for 56% of the Huawei group’s worldwide sales on which damages or royalties are claimed by Conversant. Since China is the place of manufacture of the alleged infringements, Conversant can rely on its Chinese patents to claim royalties on a further share (some 19%) of global sales made in countries where Conversant has no patents. Therefore, if the Chinese patents are not infringed, or are invalid, then (according to the Huawei Defendants) some 75% of the worldwide royalty claim would fall away. By contrast, the United Kingdom accounts for only 1% of Huawei’s worldwide sales on which royalties are claimed.
9. ZTE are similarly part of a major telecommunications group based in China. The manufacture of the ZTE group’s mobile phones also takes place in China and in the first six months of 2017 60% of ZTE’s operating revenue was from China. The ZTE group does very little business in the UK with only 0.07% of turnover being generated in the UK.
10. Conversant has been in discussions, over several years, with Huawei China and ZTE China concerning the licensing of its portfolio of patents. Conversant claims to have made a number of offers for a global licence to Huawei China and ZTE China that are FRAND. Conversant alleges that no meaningful progress has been made with Huawei or ZTE, who continue to infringe, without taking a licence. The discussions have been on a global basis and have not focused, or indeed referred to, the UK as a market or to the UK patents in suit.
11. All the appellants dispute that Conversant has any valid SEP. Huawei’s approach was summarised by their solicitor, Ms Dagg, at paragraphs 33 and 36 of her first witness statement:

“33. Huawei intends to challenge validity, essentiality and infringement of the Chinese patents in particular, and of the other Asia-Pacific and other European patents as well, and also of the UK Patents. This would be done before signing any global portfolio licence and in defence to these English proceedings if they continue. Huawei intends to challenge the validity of the patents on the basis that (i) the patents are obvious over the prior art; (ii) the patents are not novel; (iii) the patents contain added matter; and / or (iv) there is a lack of priority. ...

36. As I have said, there would be no reason to require Huawei to pay to license foreign patents which are not valid or not essential or not infringed under the law of the relevant country. Moreover, Huawei should not be required to enter into a licence covering countries in which Conversant has no patent protection. It would be wrong, and contrary to competition law to require Huawei to take a licence to invalid or non-essential or non-infringed patents in order to access UK SEPs.”

12. Thus, Huawei China and ZTE China have commenced proceedings in China against Conversant, seeking to establish invalidity and (in the case of Huawei China only) non-infringement of Conversant’s Chinese patents. China has a bifurcated system for dealing with litigation about patents in which validity is determined in the Patent Re-examination Board (“PRB”), and infringement is determined in other intellectual property courts. The proceedings brought by Huawei China and ZTE China against Conversant in the PRB challenged the validity of all 11 Chinese patents in Conversant’s Chinese portfolio. We were told that the majority of these proceedings have now been determined. Of the 11 patents, 7 have been held invalid and 3 valid. A determination is awaited in relation to the 11<sup>th</sup> patent.
13. Huawei China and ZTE China have also brought claims in the Chinese courts against Conversant for determinations of FRAND royalty terms in respect of the Chinese patents and (in the case of Huawei China only) declarations of non-infringement/non-essentiality. These proceedings are pending in Nanjing (Huawei) and Shenzhen (ZTE). We were not addressed on the comparative scope of the Chinese and UK patents, but were told by Mr Layton that there are no remaining Chinese patents in the same family as any of the UK patents in suit.
14. Finally, Conversant have sued Huawei China and ZTE China in Germany for infringement of its German patents, damages for that infringement and for an injunction restraining that infringement on the basis that its global licence offers are FRAND.
15. Huawei made the following offer recorded in a document which was before the judge:

“If Conversant does not persist with this English litigation and instead proceeds in China for a global FRAND determination, the Huawei Defendants will agree to the Chinese court determining essentiality, infringement and FRAND terms for Conversant’s whole portfolio, and will not in those Chinese proceedings challenge the validity of the non-Chinese patents in the portfolio.

”

This agreement is limited to Conversant's claims in this action and does not apply to any further claims, whether by Conversant or any other party. This agreement is restricted to proceedings in such Chinese courts.

It is not an agreement to refrain from challenging the validity of any patents in these English proceedings."

16. In a note handed up to the judge entitled "Huawei Note of Global Determination" Huawei proposed that a representative sample of Conversant's non-Chinese patents could be tested (for essentiality) and treated as proxies for all the non-Chinese patents.

17. By a letter dated 26 February 2018 ZTE's solicitors made the following offer:

"... It remains our clients' case that the FRAND licensing issues are most appropriately determined in China. We have invited your client to accept our clients' offer to ask the Shenzhen Intermediate People's Court (the "Shenzhen Court") to address the global FRAND dispute.

In order to facilitate the Chinese case proceeding without raising issues that may not be justiciable by the Shenzhen Court, we would propose (for the purpose of determining the current dispute as between your and our clients as to appropriate forum only) the following:

a. The parties will not ask the Shenzhen Court to rule on the validity of any non-Chinese patents;

b. Our client will agree (provided your client also agrees) that the Chinese patents should stand as proxies for the non-Chinese members of the Relevant Families (as defined in the pleadings in these proceedings) (where applicable);

c. Both parties may refer to the contents of public records and public judicial outcomes (whether final or otherwise) for the truth of what they show or declare in relation to a particular patent (whether Chinese or otherwise); and

d. Both parties accept that the validity of the remainder of your client's Relevant Families may be presumed to be average for the industry."

*The UK proceedings and the position on service*

18. The present proceedings were issued in July 2017. Huawei UK and ZTE UK could be, and were, validly served within the jurisdiction. Conversant made an attempt, which the judge rejected as invalid, to serve Huawei China and ZTE China by means of service on subsidiaries in the UK. Conversant also applied, in November 2017, for permission to serve out of the jurisdiction on Huawei China and ZTE China, and that application was before the judge at the hearing which resulted in his judgment under appeal. The judge held, first, that the claim fell within the jurisdictional gateway (2) in CPR 6 PDB

3.1(2) (claim made for an injunction ordering the defendant to do or refrain from doing an act within the jurisdiction). That was because, in an earlier judgment given in the course of the hearing of the applications, he had granted permission to Conversant to amend its pleadings on the basis that there was at least an arguable case for an injunction against Huawei China and ZTE China. The consequence of that was that the remainder of the claim fell within gateway (4A) because it arose out of the same or closely connected facts. Secondly the judge held that the claim fell within gateway 11 (subject matter of the claim relating wholly or principally to property within the jurisdiction). This was on the basis that the four patents sued upon in these proceedings, as European patents designating the UK, constituted property within the UK within the meaning of gateway 11, since they are UK intellectual property. There is no appeal from the judge's findings that the claim passed through those gateways.

19. In its amended particulars of claim, at paragraphs 3 and 4, Conversant first identifies four UK patents ("the Patents") from amongst the portfolio acquired from Nokia in 2011. Thereafter it is explained that the Patents form part of a portfolio of patents which have been declared as essential ("the Conversant Portfolio"). At paragraph 13, it is alleged that Conversant is and at all material times has been prepared to grant licences under the Conversant Portfolio on FRAND terms in accordance with the said declarations and the ETSI IPR Policy. In the paragraphs which follow the pleading alleges that Huawei and ZTE have infringed the Patents in the manner described in the particulars of infringement; that thus far in the negotiations with Huawei and ZTE those entities have declined to take a license on the FRAND terms offered by Conversant and have not offered to take a license on terms that are FRAND; and that Huawei and ZTE are not willing licensees.
20. The pleading then continues under the heading "The relief sought". Paragraph 24 alleges that Conversant has suffered loss and damage from the infringement which has occurred thus far and that the appellants threaten and intend to continue to infringe the Patents, whereby Conversant will suffer further loss and damage. Paragraph 25 then continues:

"25. Conversant seeks that Huawei and ZTE enter into licences that are FRAND, and pay the royalties that would have been due under such a licence for their respective periods of unlicensed activity. Accordingly, Conversant seeks a declaration that it has made the Defendants, and each of them, offers in accordance with its FRAND obligations and on FRAND terms, or in the alternative, being as there is an extant, clearly defined and commercially real dispute between the parties as to what the FRAND terms for licencing the Patents are, a determination of the FRAND terms for the licensing of the Patents to Huawei and/or ZTE and a declaration that such terms are FRAND."
21. The pleading then goes on, in paragraph 26, to allege that, in the event that Huawei and/or ZTE do not take a licence under the Patents on terms determined to be FRAND, Conversant will seek relief in respect of the acts of infringement complained of. In paragraph 27 it is pleaded that, insofar as Huawei and/or ZTE are not willing licensees or fail to take a licence to the Patents on terms determined to be FRAND, Conversant seeks a FRAND injunction (as defined by Birss J in *Unwired Planet v Huawei* [2017]

EWHC 304 at [20]). Such an injunction would cease to have effect if the Defendants enter into a licence on FRAND terms which covers the Patents.

22. The relief prayed for is the following:

“(1) A declaration that the Huawei Offers and the ZTE Offers ... were made in accordance with Conversant's FRAND obligations and were themselves FRAND, or in the alternative a determination of the FRAND terms for the licensing of the Patents to Huawei and/or ZTE and a declaration that such terms are FRAND.

(2) A declaration that Huawei and ZTE, and each of them, have failed to comply with their FRAND obligations.

(3) A declaration that the Patents and each of them is Essential.

(4) A declaration that the Patents and each of them have been or will be infringed by the Defendants' actual or intended unlicensed actions.

(4A) An injunction to restrain the Defendants and each of them, ... from infringing the Patents and each of them, the said injunction to be lifted if and insofar as the Defendants or any of them enter into a licence for the Patents on terms held to be FRAND. ...

(5) An inquiry as to damages for patent infringement (including damages in accordance with the IP (enforcement etc.) Regulations 2006) or at the Claimant's option an account of profits made by the Defendants and each of them by their unlicensed actions.

(6) An order that the Defendants pay the Claimant all sums found due together with interest pursuant to section 35A of the Senior Courts Act 1981 or pursuant to the Court's equitable jurisdiction for such period and at such rate as the Court thinks is fit.

(7) An order for appropriate measures for the dissemination and publication of the judgment to be taken at the expense of the Defendants and each of them.

(8) Further or other relief.

(9) Costs.”

23. Conversant's Statement of Case on FRAND recites the offers made and contains a positive averment that it was and remains FRAND to offer a *global* portfolio licence under the Conversant Portfolio, including the Patents. This is based, amongst other things, on what is said to be “general industry practice to licence portfolios of patents and to have such licences cover sales made in all jurisdictions of the world”. It is also contended that the Conversant Portfolio is of sufficient geographical coverage that



global portfolio licensing of it is FRAND. This pleading then sets out the method of computation of the appropriate royalty rate, broadly following the methodology used by Birss J in *Unwired Planet*. The pleading alleges that "[t]he Conversant China rates are 50% of the Conversant Benchmark Rates scaled by reference to the Conversant Portfolio coverage in China compared with the rest of the world ...".

24. Annex 4 to the Statement of Case on FRAND contains a draft licence. This proposes different rates for different markets depending on whether they are a Major Market or Other Market, but China is excluded from the definition of both Major and Other Markets and is treated individually. There is no express provision which allows for a reduction in royalty rate for China to zero in the event that all the patents in China are held invalid or inessential. A comparable provision was considered in *Unwired CA* at paragraphs 89-90.

*The law on stays of proceedings against UK domiciled defendants*

25. As the two UK appellants are domiciled here, it is material to consider Article 4(1) of the Brussels I Recast Regulation ("the Recast Regulation") which provides:

"Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State."

26. In *Owusu v Jackson* [2005] QB 801 the CJEU held that an English court could not apply the doctrine of *forum non conveniens* to decline jurisdiction over a claim against a person domiciled in a contracting state on the ground that the natural forum for the claims was the courts of a non-contracting state. At [46] the court stated that:

"... the Brussels Convention precludes a court of a contracting state from declining the jurisdiction conferred on it by Article 2 of that Convention on the ground that the court of a non-contracting state would be a more appropriate forum for the trial of the action, even if the jurisdiction of no other contracting state is in issue or the proceedings have no connecting factors to any other contracting state."

27. Article 24(4) of the Recast Regulation provides that the courts of a Member State shall have exclusive jurisdiction, regardless of the domicile of the parties, in proceedings concerned with the registration or validity of patents. In *Owusu v Jackson* the CJEU was asked, but declined to answer, a second question as to whether its conclusion in relation to the availability of the plea of *forum non conveniens* also applied in cases concerned with the subject matter of Article 24. The underlying issue is whether, for example, a person domiciled in a contracting state sued for infringement of a patent registered in a non-contracting state could rely on a plea of *forum non-conveniens* to challenge the jurisdiction of the state of his domicile.

28. The editors of Dicey, Morris and Collins *The Conflict of Laws* (Fifteenth Edn.) ("Dicey") say at paragraph 12-021 and 12-024:

"Where the dispute before the court concerns ... the validity of certain forms of intellectual property right ... it is most

improbable that an English court, seised with jurisdiction on the basis of [Article 4], is obliged to exercise it if the defendant applies for a stay on the ground that a non-Member or non-Convention state is the *forum conveniens*”

“It is submitted that the proper course for an English court is to use [Articles 24 and 25] to identify the classes of case in which a court may continue to apply its national law. It is inappropriate to go further and to insist on the articles being applied slavishly. So, for example, it would not be necessary to show that the proceedings had as their object rights in rem in, or a tenancy of, land in a non-Member State; it would suffice that the case was one which required a court to rule on a question of title to foreign land or on the validity of a foreign patent.”

29. *Ferrexpo AG v Gilson Investments Ltd and others* [2012] EWHC 721; [2012] 1 CLC 645 was concerned with the validity of the acts of an organ of a company whose seat was in Ukraine. The subject matter therefore fell within the subject matter of Art. 24(2) (then Art. 22(2)). Andrew Smith J concluded at [154] that, in cases such as these, and despite the mandatory terms of Article 4, it was a matter of discretion whether the court should or should not assume jurisdiction. I consider that conclusion to be correct for the reasons which Andrew Smith J gave.

*The law on forum non conveniens*

30. There are three hurdles which a party must overcome in order to obtain permission to serve proceedings out of the jurisdiction. The first is that the claim comes within one of the gateways within CPR 6 PDB, the second is that there is a serious issue to be tried, and the third is that England and Wales is the proper place to bring the claim. As I have explained, the judge held that the claim passed through relevant gateways, and there is no appeal against his conclusion. He also held that there was a serious issue to be tried, and there is no appeal against that conclusion either. The focus is therefore now on the third step.
31. Basing himself on the speech of Lord Goff in *Spiliada Maritime Corp v. Cansulex Ltd* [1987] AC 460, the judge summarised the approach to *forum non conveniens* challenges at paragraphs 42 to 43 of his judgment in terms which neither side criticised:

“42. In service in cases, Lord Goff set out the law in six propositions at 476C – 478E. In summary:

i) The basic principle is that a stay will only be granted on the ground of *forum non conveniens* when the court is satisfied that there is some other available forum, having competent jurisdiction, which is the appropriate forum for the trial of the action i.e. in which the case may be tried more suitably for the interests of all the parties and the ends of justice.

ii) In service in cases, the burden of proof rests on the defendant to persuade the court to exercise its discretion to grant a stay. However, each party will seek to establish the existence of

factors which it relies upon, and in respect of any such matter the evidential burden will rest on the party who asserts its existence. If the court is satisfied that there is another available forum which is prima facie the appropriate forum, the burden will shift to the claimant to show that there are special circumstances by reason of which justice requires that the trial should nevertheless take place in this country.

iii) In service in cases, the defendant has the burden not just to show that England is not the natural or appropriate forum for the trial, but to establish that there is another available forum which is clearly or distinctly more appropriate than the English forum.

iv) Since the question is whether there exists some other forum that is clearly more appropriate for the trial of the action, the court will look first to see what factors there are which point in the direction of another forum. The natural forum is that with which the action has the most real and substantial connection. Connecting factors will include not only factors affecting convenience or expense (such as availability of witnesses), but also other factors such as the law governing the relevant transaction, and the places where the parties respectively reside or carry on business.

v) If the court concludes at that stage that there is no other available forum which is clearly more appropriate for the trial of the action, it will ordinarily refuse a stay.

vi) If, however the court concludes at that stage that there is some other available forum which prima facie is clearly more appropriate for the trial of the action, it will ordinarily grant a stay unless the circumstances by reason of which justice requires that the stay should nevertheless not be granted. In this enquiry, the court will consider all the circumstances of the case, including circumstances which go beyond those taken into account when considering connecting factors. One such factor can be the fact, if established objectively by cogent evidence, that the claimant will not obtain justice in the foreign jurisdiction, and the burden is on the claimant to prove this.

43. In service out cases, where the court exercises its discretionary power under CPR 6.37, the key principles identified in *The Spiliada* continue to apply. These were considered by the Supreme Court, in relation to CPR 6.37, in *VTB Capital plc v Nutritek International Corp and others* [2013] UKSC 5; in particular in the judgment of Lord Mance at [12] – [18]. In summary:

i) The underlying aim in all cases of disputed forum is to identify the forum in which the case can suitably be tried for the interests of all parties and for the ends of justice.

ii) However, there is an important distinction in the starting point and onus of proof between cases where permission is required to serve proceedings out of the jurisdiction and situations where service is possible without permission. In the former case, the modern rules reflect Lord Goff's statement of general principle, in providing that permission is not to be given unless the court is "satisfied that England and Wales is the proper place in which to bring the claim": CPR 6.37 (3).

iii) The ultimate overarching principle is that stated in *The Spiliada*. If the court is not satisfied at the end of the day that England is clearly the most appropriate forum, then permission to serve out must be refused or set aside."

32. In identifying the forum in which the *case* can suitably be tried for the interests of all parties and for the ends of justice, it is important to recognise that the "case" is not restricted to an analysis of the claim and relief sought by the claimant. Mr Layton submitted, and I accept, that one must have regard to the totality of the dispute, including where necessary the defendant's answer to the claim. So much is clear from *VTB Capital plc v Nutritek International Corp and others* [2013] UKSC 5, in particular from the speech of Lord Mance at [57], Lord Neuberger at [90]-[91] and Lord Clarke at [192].

33. Further, the case must be characterised in a way which does not risk pre-judging the analysis of where the appropriate forum lies. The appellants relied heavily on *re Harrods Buenos Aires* [1992] Ch 72 to illustrate this point. In that case, a company registered under the English Companies Act, having its registered office in England, had carried on business for many years in Argentina. The company was regarded under Argentine law as an Argentine company. It was owned 49% by the claimant and 51% by the defendant. The claimant brought an unfair prejudice petition in England seeking an order under the English Companies Act requiring the defendant to buy out its minority share. Harman J noted that the inquiry was into the appropriate forum to resolve "the action", and asked himself "what is this action?". He answered that question by defining "the action" as an unfair prejudice petition under the English Companies Act in respect of an English company. Having formulated the *forum conveniens* inquiry that way, he concluded that it was "blindingly obvious" that the appropriate forum was England. In the Court of Appeal Dillon LJ said at 111 A-C:

"Harman J. plainly appreciated that the factual issues in dispute favoured trial in Argentina. ... But in considering which was the more appropriate forum he seems to have put the factual issues to one side, and concentrated only on the fact that the remedies sought by Ladenimor by the petition were remedies made available by English statutes in respect of a company incorporated in England."

34. As Bingham LJ went on to explain at 111 E-G, Harman J's approach built the answer into the question:

"With every respect to the judge, the answer is only "blindingly obvious" to him because of the premises which are built into the

way he has posed his question. ... in my judgment he has failed to keep in mind at this crucial stage in his judgment that this company is by Argentine law to be considered as a local, Argentinian company. I do not regard it as at all blindingly obvious that relief for the dishonest management of an Argentinian company in Argentina should be granted by a court other than the Argentinian court. That illustrates that the question formulated may by limiting the premises on which it is formulated dictate the answer. That is in my respectful view what the judge has done here, instead of concentrating on the question as put in *Spiliada Maritime Corporation v. Cansulex Ltd.* [1987] A.C. 460.”

35. At 123 F-G Bingham LJ put the matter in this way:

“Before applying *The Spiliada* ... test, the judge posed the question: “What is this action?” That was a very pertinent question. One cannot decide where a matter should be most appropriately and justly tried without being clear what is to be tried. But I do not think the question should be answered simply by reference to the relief claimed, since in an English action the relief claimed will almost inevitably be framed in English terms, particularly where it is statutory. An English pleader will not claim triple damages or *dommage-intérêt*, appropriate as such relief may be elsewhere. Thus when the judge answered the question by quoting part of the language of section 459 of the Companies Act 1985 he was unconsciously building in a bias towards the choice of an English forum”.

*The judgment of Henry Carr J*

36. The judge dealt as a preliminary point with the position of Huawei UK and ZTE UK who had been properly served in the UK on the basis of their domicile. Having considered Article 4(1) of the Brussels I Recast Regulation, the decision of the Court of Justice in *Owusu v Jackson* [2005] QB 801, the impact of Article 24(4) of the Recast Regulation and the decision of Andrew Smith J in *Ferrexpo*, the judge concluded that Huawei UK and ZTE UK must necessarily be sued for infringement of the UK patents in the courts where they were domiciled and there was no room for the doctrine of *forum non conveniens* to apply. It followed from this that the cases would continue in this jurisdiction against the UK Defendants, whatever might be the position in respect of Huawei China and ZTE China.

37. The judge next addressed the question of whether China was an available forum to decide essentiality and infringement of non-Chinese patents and the terms of a global FRAND licence. On this issue he had evidence of Chinese law from Mr Xiaoguang Yang for Conversant, Mr Jianzhong Shen for Huawei and Ms Mu Ying for ZTE. The judge concluded at [61]:

“In my judgment, the totality of the evidence establishes that the Chinese courts do not have jurisdiction to determine essentiality or infringement of non-Chinese patents, nor do they have

jurisdiction to determine FRAND rates in respect of non-Chinese patents without agreement from both parties. The furthest that the Defendants' evidence goes is to suggest that, if Conversant were to agree to the terms of the Defendants' offers, then the Chinese courts might or would accept jurisdiction. However, no reasons are advanced to support the conclusion that the Chinese courts would accept jurisdiction conferred by agreement to determine infringement of UK patents and to set a global FRAND rate. There was no evidence that this has ever been done before in China, and, with great respect to Mr Shen and Ms. Mu, I regard their somewhat tentative suggestions as speculative."

38. The judge went on to point out that Conversant did not in any event accept Huawei and ZTE's offers, and that their refusal to do so was reasonable.
39. On this basis the judge concluded that China was not an alternative available forum in which infringement of the UK patents could be determined, nor one in which the terms of a global FRAND licence could be set. He nevertheless went on to consider the other arguments advanced by the parties.
40. The judge concluded at [65]–[66] that the characterisation of the claims as foreign portfolio infringement claims, or worldwide royalty claims, was inaccurate. As a matter of substance and not merely of form, they were claims for infringement of four United Kingdom patents, and the English court was clearly the appropriate forum in which these cases should be tried. The appellants were free to pursue their claims in respect of the Chinese patents in the Chinese courts, and the result of those Chinese proceedings would be taken into account in any global FRAND licence. The global FRAND licence sought by Conversant set different royalty rates for different territories, and it made no difference where the bulk of the sales occurred.
41. At [68] the judge characterised the dispute as follows:

“These claims are concerned with infringement of UK patents, and the relief that should be granted if infringement is established. If one or more of the four patents in suit is held to be valid and infringed, then the court will consider what relief should be granted. Conversant says that it is willing to grant a licence on FRAND terms and (subject to some equivocation) the Defendants say that they are willing to take a licence on FRAND terms. There is a dispute between the parties as to whether a global licence would be FRAND.”
42. The judge then went on to consider and deal with a number of further points relied upon by Huawei and ZTE as to why China was the appropriate forum. He concluded at [75] that England was clearly the natural and appropriate forum in which the claims should be tried.

*The application to adduce further evidence of Chinese law*

43. Both Huawei and ZTE apply to adduce further evidence of Chinese law before this court. The admissibility of the further evidence is disputed by Conversant, but we

allowed the parties to make their submissions on its admissibility, and on its effect if admitted, reserving our decision on admissibility to be given in the course of this judgment.

44. The further evidence consists of Guidelines issued by the Guangdong High People's Court, an intermediate appellate court for the Guangdong province. They are entitled "Guidelines of Guangdong High People's Court on Adjudicating Cases of Disputes Over Standard-Essential Patents (Trial)". I will refer to them as "the Guidelines".
45. The chronology of the emergence of the Guidelines is as follows. The jurisdiction applications were heard before Henry Carr J between 27 February and 2 March 2018. Judgment was handed down on 16 April 2018, but the hearing on the consequential issues was not held until 4 and 8 May 2018. Notwithstanding the resolution of certain issues at that hearing the parties were unable to finalise the wording of the order, so that on 4 June 2018 a form of order with a number of outstanding areas of dispute was submitted to the judge. The order was sealed on 14 June 2018. A short hearing had been fixed for 11 June 2018, but the parties resolved the outstanding issues at the door of the court. In the meantime both Huawei and ZTE had filed notices of appeal to this court on 29 May 2018.
46. The Guidelines are said to have been issued on 26 April 2018. The parties' solicitors did not have the Guidelines before the order was sealed. The Chinese law witnesses accept that they knew of the Guidelines in April/early May (Mr Shen) and late April (Ms Mu).
47. The Guidelines are introduced by the following statement:

"For the purpose of appropriate adjudication of disputes concerning standard-essential patents (hereinafter referred to SEPs) in the field of communications, these guidelines are formulated in accordance with relevant provisions of the laws, administrative regulations, and judicial interpretations of the Supreme Court, and with reference to business practices, and judicial practices."
48. After defining what is meant by a SEP (clause 1), referring to a principle of good faith in relation to activities relating to SEPs (clause 2) and other matters, the Guidelines continue in clause 8 with the following statement in relation to choice of law:

"For adjudication of disputes concerning SEPs, with regard to issues including, but not limited to, the interpretation of the FRAND principles, the determination of the scope and exercise of the rights of the relevant SEPs, and the definition of the nature of related actions, etc., the court shall in general, consider applying of the local laws of the place where the protection is claimed or the *lex fori*."
49. Then, in paragraph 16, one has a guideline for a case where the territorial scope of the SEPs exceeds the territorial scope of the court:

“Where the claimed territory scope of the related licensed SEPs on which judicial determination is requested by the patentee or the implementer of the SEP exceeds the territory scope of the court, and the other party does not explicitly raise an objection in the judicial proceedings or the objection raised is deemed unreasonable after examination, determination can be made on the royalty for such claimed territory scope.”

50. The Guidelines were exhibited to a second witness statement of Ms Mu Ying, ZTE’s witness. In paragraph 3 Ms Mu introduces the Guidelines as “Working Guidelines on the Trial of Standard Essential Patent Disputes (Trial Implementation)” and as having been issued by the Guangdong High People’s Court on 26 April 2018. Having explained that the Guidelines would apply in Shenzhen (which is in Guangdong province and where the proceedings brought by ZTE will be heard), she says the following about clause 16:

“This provision confirms that the Guangdong Courts (including the Shenzhen Intermediate People’s Court) will determine the FRAND royalty rate for a global licence in certain circumstances, even where one party does not agree. These circumstances would include the situation where the licensor - Conversant in this case - seeks itself to rely on global offers and has brought proceedings in multiple jurisdictions, namely the UK and Germany. This provision also suggests that the Guangdong Courts will make findings relating to the essentiality and infringement of foreign patents in so far as necessary to determine a FRAND royalty rate for a licence covering territories outside of China.”

51. Mr Shen’s third witness statement for Huawei sets out the terms of clause 16 of the Guidelines. He says that the Chinese courts would exercise jurisdiction to determine essentiality, infringement and FRAND for a global portfolio in circumstances in which both parties consented to such a determination. He says further that he is of the opinion that clause 8 confirms that the Chinese courts will resolve a dispute over foreign FRAND obligations as appropriate, including under foreign law.
52. Mr Yang for Conversant disagrees with Ms Mu’s propositions about how the Chinese courts would apply clause 16. He describes Ms Mu’s conclusions about how the Guidelines would be applied as speculative. He says that clause 16 of the Guidelines certainly does not reflect the case law of the Chinese courts discussed in his previous statements and those of Ms Mu. He points out that the Chinese courts have never made a global FRAND determination and have only ever considered Chinese patents in a FRAND dispute. There was no case law concerning the circumstances in which it would be “unreasonable” for one party to object to the Chinese courts determining the scope of a licence for territories outside China. He also disagrees with Ms Mu when she says that the Guangdong Courts will make findings relating to the essentiality and infringement of foreign patents in so far as necessary to determine a FRAND royalty rate for a licence covering territories outside of China. He considers, again, that her conclusions on this point are speculative and he disagrees with them. He also points out that neither Ms Mu nor Mr Shen appears to conclude that paragraph 16 of the Guangdong Guidelines would permit a Chinese court to make a determination of the



full terms of a FRAND licence. That is not something the Chinese courts have done to date, and he does not believe that the Guidelines will change this position. In any event the Guidelines were to be implemented for a trial period only.

53. Ms Mu makes three points in response in her fifth statement. These points are (a) that there is no legal provision or Chinese case which states that the Chinese courts **cannot** set a FRAND rate for non-Chinese patents or make findings relating to the essentiality and infringement of non-Chinese patents if that is necessary for the determination of a FRAND rate for non-Chinese territories; (b) that this is a relatively new area of law in China, which is viewed as having major importance for the Chinese economy and which is evolving rapidly; and (c) clause 8 of the Guidelines lends support to the notion that the Chinese courts will make findings as to essentiality and infringement of foreign patents in so far as necessary to determine a FRAND royalty rate for a licence covering territories outside of China.
54. Conversant takes further points about the status of the Guidelines, including points in relation to the manner in which they were made available and the impact of a recent decision which has the effect of “leapfrogging” cases concerning patents from first instance to the Supreme Court, thereby removing the intermediate tier of which the Guangdong High People’s Court forms part. These points do not add materially to the debate which I have outlined above as to the substantive effect of the Guidelines, and I need say no more about them.
55. In addition to this evidence, Mr Layton placed before us previously unheralded evidence of the position in China, consisting of an article by Jill Ge, a senior associate at Clifford Chance’s Shanghai office, commenting on the Chinese court’s ability to adjudicate a global FRAND licence. The article points out that “*Chinese courts have not to date been asked to decide upon the royalty rate of a worldwide portfolio*”. The Ge article suggests that the Guangdong Guidelines go a step further than previously “*by confirming the court’s willingness to determine a global FRAND rate*”. It goes on to comment on a decision of Shenzhen Intermediate Court of Guangdong Province in *Huawei v Samsung* handed down on 4 January 2018, in which “*the Shenzhen court closely examined the proposed offers and counter-offers Huawei and Samsung each made during the negotiation of a global cross-licence*”. In the author’s view the case indicated that a Chinese court “*can preside over a global licensing dispute*”. Mr Layton said that this material was supplied to us in answer to questions posed by the court. However, we received no explanation of why this material was not placed before the judge, where it could have been dealt with in evidence by the Chinese law experts. There can be no doubt that Huawei was aware of it given that they were one of the parties, and the issue to which it relates was squarely before the judge.

## The Appeal

56. Save for an exception noted below, Huawei and ZTE presented common arguments in support of the appeal. Mr Bloch therefore adopted Mr Layton’s submissions (subject to the exception) but emphasised certain points in his own way.

### *Submissions for Huawei*

57. Mr Layton submitted that the judge asked himself the wrong question. By asking himself where the appropriate forum was for an action concerning infringement of UK

patents, he had wrongly injected the UK into the *forum conveniens* inquiry, and committed the error which the Court of Appeal had warned against in *re Harrods Buenos Aires*. On the judge's approach, the local court in which infringement was asserted would always be the appropriate court to determine the terms of a global licence, because it was an action for infringement of a local patent. That analysis took no account of the economic reality of the case. Not only was China the largest market, but it was the place of manufacture of the phones which are accused of infringement and on which damages or royalties are said to be due. If the proceedings were in China the court would be scrutinising the Chinese patents themselves, whereas the English court could not do that.

58. Mr Layton continued that the approach adopted by the judge would generate the risk of inconsistent judgments. Unless a proper *forum conveniens* inquiry was conducted on a principled basis there would be no criterion for deciding which court was the most appropriate to decide the overall, global dispute.
59. The question which the judge should have asked, said Mr Layton, was which court was the more appropriate to try a *local* patent infringement claim for damages and an injunction, unless a global licence is agreed, and to set terms for a global licence. Put in that way, China was an available forum, because the Chinese court would consider the terms of a licence by reference to the local Chinese patents. Such a licence could in fact be global because the Chinese patents were controlling in the place of manufacture, "and can reach 100% of worldwide sales". The remainder of the portfolio was relevant only to whether Conversant was able to obtain an uplift on the royalty rate set by the Chinese court in respect of sales which infringed non-Chinese patents. That was a variation in quantum only which did not prevent the Chinese court from doing substantial justice between the parties, or mean that China was not an available forum. It was irrelevant that the Chinese court would not be able to consider infringement or essentiality of foreign patents including the UK patents.
60. On the issue of available forum (which Mr Layton submitted was strictly speaking only a separate component of the analysis in "service in" cases) Mr Layton submitted that the judge had committed two errors. First, he had said that the Chinese court needed to be able to determine essentiality and infringement of UK patents. Secondly, he had said that the Chinese court needed to be able to set the terms of a global licence, meaning a licence to a global patent portfolio. The relief available in England did not need to be available in the foreign court. He relied on a passage in *Dicey, Morris and Collins* The Conflict of Laws (15<sup>th</sup> Edition 2002) at paragraph 12-032:

"... the claimant may seek to contend that the foreign court is not available to him on the ground that the claim which he makes in the English proceedings, or the remedy he seeks, would be unavailable to him in the foreign court, or that because of the foreign court's choice of law rules, he would lose in the foreign court. It is submitted that these matters are irrelevant to the issue of whether the foreign court is available, but that they may be taken into account under the second limb of the test in determining whether the claimant can show that it would be unjust to deprive him of a trial in England."

61. Further, Mr Layton submitted that even if (contrary to the above submissions) it was necessary for the Chinese court to be able to set the terms of a global licence the judge should have held, on the evidence of foreign law which was before him, that the Chinese court could set the terms of a global licence. The judge had concluded that the evidence established that the Chinese court could set the terms of a global patent licence by agreement between the parties. It was irrelevant that Conversant did not wish to accept Huawei's offer.
62. Mr Layton went further, and launched an attack on the judge's finding, on the basis of the evidence of Chinese law before him, that China was not an available forum in the absence of consent of the parties. That submission was not in any ground of appeal. It was not supported at all by Mr Bloch for ZTE. In my judgment it was wholly unrealistic.
63. Mr Layton went on to submit, however, that the further evidence made it plain that the Chinese court would entertain a dispute as to the terms of a global FRAND licence even where the other side did not consent, including where necessary determining infringement and essentiality of foreign patents. It was therefore an available forum. He also sought to rely on passages in the decision of the Shenzhen Intermediate Court in *Huawei v Samsung*, saying that it indicated that a Chinese court can preside over a global licensing dispute.
64. Mr Layton argued that it was open to the court to grant permission to serve out (and to stay) some but not all of the claims on the claim form if the court considers it is the appropriate forum for some claims but not for all. Thus Huawei's fall back case was that permission should be restricted to the claims for declarations of essentiality and infringement of the UK patents, the FRAND injunction and the claims for damages and interest (i.e. paragraphs 3, 4, 4A, 5 and 6 of the prayer for relief set out in paragraph 22 above), but exclude the claims for declarations that the offers made by Conversant were made in accordance with Conversant's FRAND obligations, a determination of the FRAND terms for the licensing of the Patents to Huawei and a declaration that such terms are FRAND (i.e. paragraph 1) and the declaration that the respondents have failed to comply with their FRAND obligations (i.e. paragraph 2). The grant of permission should be on terms that there should be an immediate stay of the claims for an injunction and damages pending determination of global FRAND in China, with liberty to apply if for some reason that turned out not to be possible.
65. Returning to the question of appropriate forum, Mr Layton submitted that there were two "big reasons" why China was an appropriate forum and why England was not the proper place to bring the claim. The first was that the Chinese courts could and the English court could not scrutinise the Chinese patents. The second reason was that the royalty rate and other terms set for the Conversant patents would likely be industry-wide and affect the public. The appropriate forum for the determination of those rates for the Chinese patents was China. He relied on what Aldous J had said in *Plastus Kreativ AB Minnesota Mining and Manufacturing* [1995] RPC 438 at 447 lines 21 to 40:

"For myself I would not welcome the task of having to decide whether a person had infringed a foreign patent. Although patent actions appear on their face to be disputes between two parties, in reality they also concern the public. A finding of

infringement is a finding that a monopoly granted by the state is to be enforced. The result is invariably that the public have to pay a higher price than if the monopoly did not exist. If that be the proper result, then that result should, I believe, come about from a decision of a court situated in the state where the public have to pay the higher prices. One only has to imagine a decision of this court that the German public should pay to a British company substantial sums of money to realise the difficulties that might arise. I believe that, if the local courts are responsible for enforcing and deciding questions of validity and infringement, the conclusions reached are likely to command the respect of the public. Also a conclusion that a patent is infringed or not infringed involves in this country a decision of validity as in this country no one can infringe an invalid patent. In the present case the plaintiffs admit the validity of the patent and therefore there is no dispute upon the matter. However, it will be implicit in the judgment of this court that there has been infringement, and that, between the parties, the patent is valid. Thus, I believe it is at least convenient that infringement, like validity, is decided in the state in which it arises."

66. As to other factors which might affect the assessment, Mr Layton submitted that the governing law did not point to England, because the governing law was French law in respect of the claim that Conversant makes, because Conversant alleges that it has complied with its FRAND obligations under the ETSI licence. Language, personal connections and costs, all pointed towards China, on the hypothesis that the patents would be Chinese patents.
67. Mr Layton next turned to the position of the UK defendants. He accepted that the claim as formulated did not fall within the Article 24(4) exclusive jurisdiction because it was not concerned with the registration or validity of non-UK patents. Notwithstanding this, and basing himself on the passage from *Dicey* at paragraph 12-022 (cited in paragraph 28 above), he submitted that jurisdiction became discretionary where the subject matter was "closely allied" to subject matter which was within Article 24(4). That is what the editors of *Dicey* had meant by not resorting to a slavish application of Article 24(4) when applying it reflexively.
68. Mr Layton submitted further that, if England would not otherwise be the proper place to bring the claim so that the court would not allow service out of the jurisdiction on Huawei China, then it did not become the appropriate place merely because *Owusu* required the court to accept jurisdiction against Huawei UK. To proceed in that way was to allow the Huawei UK tail to wag the Huawei China dog: see for example *Pacific International Sports Clubs Limited v Soccer Marketing International Limited and others* [2009] EWHC 1839 (Ch) at [112] a decision of Blackburne J; *OJSC Oil Company Yugraneft (in liquidation) v Abramovich and others* [2008] EWHC 2613 (Comm) at [490], a decision of Christopher Clarke J; and *American Motorists Insurance Co (Amico) v Cellstar Corp and another* [2003] EWCA Civ 206; [2003] 2 CLC 59 at [50], a decision of the Court of Appeal (Kennedy, Mance, Mantell LJ).
69. Yet further, Mr Layton submitted that, in any event, the court could use its case management powers to regulate its own procedure in such a way as to enable the global

FRAND issue to be decided in the appropriate forum, namely China, before any determination of the UK patent infringement claim. It was not a good reason to allow service out of the jurisdiction on Huawei China to say that a global FRAND case will be pursued against Huawei UK in any event. As Huawei UK, itself, had no global sales, no global licence could be appropriate or FRAND in respect of Huawei UK. It was no more necessary to have Huawei UK in the FRAND trial than any other of Huawei's many subsidiaries around the world.

70. Finally, Mr Layton submitted that if the *forum non conveniens* challenge failed, then the justiciability issue considered in *Unwired CA* would become determinative and this court should refer questions to the CJEU. The justiciability issue was not *acte clair*, and the court should refer the questions now rather than wait for a reference if the matter goes to the Supreme Court, because of the United Kingdom's stated intention to leave the European Union in March of this year.

#### *Submissions for ZTE*

71. Mr Bloch submitted that the issue at the heart of the appeal was how global SEP owners should go about securing adequate reward for their portfolios. He submitted that as the UK represented only 0.07% of ZTE's mobile device sales, it was clear that Conversant should not go about it by seeking to enforce its UK patents. He drew attention to the contrast between this relatively small volume of sales and the comparatively heavy costs of litigation in the UK. It might not be an answer to that to say that ZTE had the option to withdraw from the UK market, because the devices made and sold elsewhere must be allowed to "roam" and will inevitably come into the UK. Withdrawal might not be a practical option.
72. Mr Bloch submitted further that the court should appreciate that what it has been and is being asked to do by SEP owners, in *Unwired Planet* and this case, is to fashion a sensible way forward which deals with the conundrum or the potential conflict that arises where one has a global basket of territorially limited rights. The court should also be alert to the fact that, by its decisions in these cases, it might upset the negotiating balance between the parties. Thus, for example, the cost for a lead implementer of fighting a case on the terms of a licence might be wholly disproportionate to the value of the licence.
73. So far as the characterisation of the claim was concerned, it was not correct, in this case, to regard the claim as being for infringement of UK patents, with the FRAND issues only being raised by way of defence. The claim for a declaration as to FRAND had been the principal, and freestanding claim on the claim form. Moreover it was the claim which really mattered. It was not right that Conversant could avoid the need to show that England was the appropriate place to bring that freestanding claim by tacking on a claim for infringement of UK patents.
74. Further, Mr Bloch submitted that the fact that the patentee has a UK patent in his portfolio does not oblige the court to determine every issue that might arise in relation to a claim for infringement of that UK patent, let alone to determine it at the earliest possible opportunity. The relief sought included a qualified, or FRAND, injunction, which meant that the injunction ceased to have effect if the defendant entered into a FRAND licence. In the present case, if the court was minded to allow the patent infringement proceedings to continue, the relief could be fashioned so that the

injunction did not come into effect until the appropriate court had determined the terms on which the portfolio was to be licensed. If that were so, the court could stay the FRAND issues until determined in China (if they can be) and allow the substantive patent issues to continue in England subject to the limitation of the injunction.

75. Mr Bloch also laid emphasis on what this court said in *Unwired CA* about this being a developing area of law and one in which harmonisation should not be achieved on a first to decide basis: see paragraphs 83 and 206 in particular.
76. As to the availability of China as a forum, Mr Bloch submitted that although he did not challenge the judge's findings on the basis of the evidence before him, once one considered the further evidence and the Guidelines and the recent case law, the position was clear. There could be no doubt that the Guidelines emanated from the Guangdong High Court and represented that court's thinking. Further, *Huawei v Samsung* showed that the court was prepared to tackle global FRAND.
77. It was unrealistic, Mr Bloch submitted, to imagine that the Chinese courts are going to decline to determine global licences in a world in which other courts are determining global licences. Whatever the Chinese courts might have done before other courts started to determine global licences, the Chinese courts are hardly going to cede the matter to foreigners on a blanket basis. In cases, such as this case, where the manufacture takes place in China, where the majority of the sales take place in China, and where the greatest socioeconomic impact will be felt in China, the Chinese courts would not cede it to others to tell them what is to be paid on Chinese patents on a blanket basis.
78. Mr Bloch submitted that the factors which are to be taken into account in deciding which court should exercise jurisdiction over determining a global FRAND licence will include the nature of the portfolio, which patents were of the most commercial significance and where the socioeconomic impact of any determination will be felt. In the present case it was clear that China was the appropriate forum and this country was not.

#### *Submissions for Conversant*

79. Mr Speck supported the judge's approach to the forum challenge. The judge had correctly characterised the claim, correctly understood what the evidence established as to availability of China as a forum, and properly taken account of the fact that Huawei UK and ZTE UK were "anchor" defendants and that the action would continue in England in any event.
80. Further, the appellants' attempts to divide up the dispute into separate issues, allowing patent infringement to continue here but to await determination of global FRAND somewhere else, were not properly to be regarded as a *forum non conveniens* challenge. They were essentially seeking case management directions. Moreover there were at present no proceedings in China which would resolve those other issues.
81. In characterising the claim Mr Speck stressed the territorial nature of Conversant's patent rights. On the face of it, Conversant was entitled to choose which rights it wished to enforce. It recognised that its rights were subject to the undertaking to offer licences on FRAND terms, but it contended that it had done all that that undertaking required it

to do, and that there was therefore no obstacle to it enforcing those rights. The overall dispute, which had as its object the enforcement of the underlying territorial rights, involved a number of issues in addition to the issues of infringement and essentiality, in particular whether the offers it had made were FRAND, and if not, what FRAND terms would be. This did not mean that the action was not properly characterised as an action to enforce the UK patents. The fact that by asking for declarations in its claim, rather than waiting for those matters to be raised by way of defence, Conversant had anticipated the appellants' reliance on the FRAND obligation, did not mean that the FRAND obligation should not be seen essentially as a defence to patent infringement. Indeed, failure readily to acknowledge the possibility of such a defence, by suing for infringement without reference to the FRAND obligations, could render Conversant's claim susceptible to competition law defences as well.

82. Mr Speck submitted that if the court acceded to the appellants' argument the effect would be that, despite having patents in some 42 countries around the world, it would be only the Chinese patents which could be sued on. In all the other countries the existence of the FRAND obligation meant that it would not be possible to sue, despite Conversant's contention that it had complied with its obligations to ETSI. In the meantime Huawei and ZTE could continue their infringing activities, which Conversant contended infringed those patents. That conclusion, he suggested, did not strike the right balance between SEP owners and implementers, and promoted "hold out".
83. In any event, although the declarations claimed in paragraphs 1 and 2 of the particulars of claim were in theory freestanding claims, Conversant accepted that they would not pursue those in the absence of a finding of validity and essentiality of a UK patent.
84. Mr Speck submitted further that the refusal of service out or a stay in the present case would not result in Conversant being able to resort to an alternative forum to bring the claim. The claim it could bring in China would be for infringement of different, Chinese patents, which were not even in the same family as any of the UK patents in suit. The alleged infringements would be sales in China and not the United Kingdom. The claim would therefore have an entirely different factual underpinning from the claim it had chosen to bring in this country. There was no good reason why the appellants should be able to choose which of Conversant's patents Conversant was able to enforce against them.
85. Mr Speck argued that this case was analogous to a scenario in which a patentee has an international portfolio of patents, but a worldwide licence permits the defendant to make and sell products of a certain type of product falling within the claims. The defendant develops another product and says it is licensed because it is within the definition of licensed product but the patentee disagrees. After their failed attempts to resolve their differences, the patentee decides to enforce its UK patent. The defendant challenges validity and perhaps infringement, but also relies upon the licence as a defence to the claim. The licence issue would also arise as an issue under potential claims for infringement of non-UK patents. The suggestion that, in those circumstances, a patentee could not enforce whichever patents he decides to on the grounds of *forum non conveniens* would, said Mr Speck, be hopeless.
86. Mr Speck submitted that the course suggested by the appellants, that Conversant should sue for infringement of its Chinese patents and ask the Chinese court to determine the FRAND rate for the Chinese patents ignored the fact that a licence under the Chinese

patents was not a licence under patents anywhere else. It was a fallacy to suggest that because manufacture took place in China, the licence determined by the Chinese court was the equivalent of the global licence which Conversant contended was FRAND. It would leave Conversant with the need to sue in other countries.

87. The appellants' error, submitted Mr Speck, was to treat the dispute as involving a "portfolio claim", and then to treat the FRAND licence defence as a defence to the whole of the claim. It is only in that way that it is possible to treat the claim as a single claim and then to suggest that the claim could be more conveniently decided in a different forum. There was, however, no such thing as a portfolio claim, as this court had explained in *Unwired CA*.
88. The fact that the appellants had, through their offers, to resort to quite complex sets of proposals in order to allow the Chinese courts to determine the dispute also showed that the claim was not a single dispute which could be "exported" to China as it stood.
89. Turning to the effect of *Owusu*, and the fact that the UK defendants had to be sued here, Mr Speck did not take issue with the suggestion that Article 24(4) might have reflexive effect, so as to prevent the court deciding on the validity of patents registered in a non-contracting state. The common law rule in *British South Africa Co. v Cia de Moçambique* [1893] AC 602 rendered such issues non-justiciable in any event. The claim in the present case, however, insofar as it was determining the terms of the FRAND licence, does not involve deciding on validity of foreign patents.
90. Mr Speck continued by submitting that this was not a case of the tail wagging the dog as Mr Layton had contended. First, both the UK and Chinese companies needed a licence which was not limited to the UK because of the need to allow purchasers of phones to roam into other territories. Secondly it was reasonable for Conversant to insist that all activities of a group are licensed at group level.
91. This was not an appropriate case for a stay of the FRAND issues using the court's case management powers. The Chinese court was not going to determine a global FRAND licence. Further, Conversant would be prejudiced by any delay because the portfolio was an aging one, and the delay might take the case beyond the point at which Conversant could obtain an injunction.
92. Turning to availability of China as a forum, and the application to admit the further evidence, Mr Speck submitted that there was a tension between the statement that the Guidelines simply confirmed the current state of the law and the evidence that the Guidelines were for a trial period. In fact, the Guidelines seemed to take the law a step further, as the article from Ms Ge of Clifford Chance had suggested. The *Huawei v Samsung* case in the Shenzhen intermediate court did not establish that the Chinese court would set a global FRAND rate. Instead the court was reviewing the conduct of the parties in the negotiations to determine which if any was at "obvious fault" both procedurally and substantially. In the result the court had concluded that Samsung was at obvious fault, both procedurally and substantially and it granted an injunction. The court nowhere set about determining the terms of a FRAND licence.
93. Mr Speck submitted that the further evidence which it was sought to adduce based on the Guidelines, in particular that of Ms Mu, went much further than that which could be understood simply from a reading of the Guidelines themselves. Although Mr Shen



had initially confined himself to saying that it was now clear that the Chinese court could determine essentiality, infringement and FRAND for a global portfolio in circumstances in which both parties consented, Ms Mu had gone much further and speculated as to the circumstances in which they would do so without consent. This was the only point at which the evidence went further than the judge's conclusion, and it was too speculative to allow its admission under the CPR, applying the former *Ladd v Marshall* [1954] 1 WLR 1489 guidelines by analogy. He also submitted that the material had been available to the parties before the judge's order was sealed, and ought to have been brought to his attention rather than saved up for the appeal.

94. Finally Mr Speck invited us to take a more pragmatic approach to the question of service out, relying on the observations of Lord Sumption JSC in *Abela and others v Baadarani and another* [2013] UKSC 44; [2013] 1 WLR 2043 at [53].

#### *Characterisation of the dispute*

95. Before one can decide whether the English court is the proper forum for the determination of a dispute, a critical initial question is how the dispute is properly to be characterised. The proper characterisation of the dispute has an impact in the subsequent analysis: it may affect whether the foreign court is available to try the dispute and whether it is the appropriate forum. It is of particular importance in the present case.
96. I accept Mr Layton's submission, supported by Mr Bloch, and not contested by Mr Speck, that in characterising the claim one does not look simply at Conversant's claim: one must look at the overall dispute between the parties. That may involve looking at how the claim is to be answered insofar as that is known: see the passages from *VTB v Nutritek* identified in paragraph 32 above. That consideration alone does not assist the appellants, because the dispute characterised as a whole still involves, as Ms Dagg has explained, the questions of essentiality, infringement and validity of the UK patents. Although Ms Dagg does not speak on behalf of ZTE, it is quite unrealistic to suppose that, with the proceedings structured as they are, ZTE would not join in the attacks on validity as well, just as it has done in China.
97. It is clear that one may get different answers to the *forum conveniens* questions depending on the level of generality at which one characterises the dispute. It is possible to define the dispute both in a way which is too specific and in a way which is too general. Thus, to define a dispute in a way which focuses on the relief which would be granted in the English court was to define it too specifically: see *re Harrods Buenos Aires*. On the other hand, to define the dispute in so general a way that the claimant is left to pursue a claim based on a different property right and different underlying facts in the foreign forum is, in my judgment, likely to define it too broadly.
98. The way in which claims of the type which Conversant wishes to bring are to be analysed was considered in some depth in *Unwired CA*. The points which emerge from that judgment which are relevant to this appeal are the following:
- i) At [52] the court pointed out that it was accepted that there was no such thing as a global portfolio right, and that the court in this country will only determine disputes concerning infringement and validity of UK patents or European patents designating the UK. Moreover, if a UK patent is found valid and

infringed the relief by way of injunction and damages will relate only to acts of infringement of those patents within that territory.

- ii) At [53] the court contrasted the territorial nature of patent rights with the position in relation to the FRAND undertaking given to ETSI. The undertaking, like the standard to which it relates, was of international effect, applying to all patents which belong to the same family irrespective of the territory in which they subsist. This was necessary in order to protect implementers whose equipment may be sold in a number of different jurisdictions and then used by members of the public who may travel with that equipment from one jurisdiction to another.
- iii) However, just as it was necessary to protect implementers by giving them global protection in this way, it was necessary to protect SEP owners from the need to negotiate patent licences on a country by country basis, and the need to litigate on such a basis. As the court pointed out at [55], Huawei's witness had accepted that the costs of such litigation to the SEP owner would be impossibly high.
- iv) Thus, the court pointed out at [56], in such circumstances it was possible, depending on the facts, that a global licence could be FRAND.
- v) Where a SEP owner brings proceedings for infringement against an implementer in one jurisdiction in respect of the SEPs which it owns there and makes good its case, two outcomes might follow. First, if the evidence establishes that a willing licensor and a willing licensee in the position of the parties would agree a FRAND licence in respect of that jurisdiction but the SEP owner refuses to offer it such a licence then no injunction should be granted. If on the other hand, the implementer refuses to enter into the FRAND licence for that jurisdiction then the SEP owner can properly seek an injunction to restrain further infringement there. Secondly, however, if the evidence establishes that a willing licensor and a willing licensee in the position of the parties would agree a *global* FRAND licence, that such a licence would conform to industry practice and that it would not be discriminatory but the SEP owner refuses to grant such a licence to the implementer then once again it should be denied an injunction. If on the other hand, the implementer were to refuse to enter into such a licence then the SEP owner should be entitled to an injunction in that jurisdiction to restrain infringement of the particular SEPs in issue in those proceedings: see [57] and [58].
- vi) Were the position otherwise then the SEP owner seeking to recover the FRAND licence monies for all of the SEPs in the same family from an uncooperative implementer who is acting unreasonably would be required to bring proceedings in every jurisdiction in which those rights subsist, which might be prohibitively expensive for it to do. This result would not involve any alteration of the territorially limited characteristics of any SEP; nor would it involve any jurisdictional expansionism. To the contrary, it would amount to a recognition by the court (i) that the SEP owner has complied with its undertaking to ETSI to offer a licence on FRAND terms; (ii) that the implementer has refused or declined to accept that offer without any reasonable ground for so doing; and (iii) that in these circumstances the SEP owner is entitled to the usual relief

available for patent infringement including an injunction to restrain further infringement of the particular SEPs in issue in the proceedings.

99. Conversant's claim in the present case is closely analogous to the claim advanced in the *Unwired Planet* case. It is (i) that the UK patents are essential to the standard, (ii) that it has complied with its ETSI undertaking, in that the offers which it has made are FRAND, (iii) that Huawei and ZTE have not so complied without any reasonable ground for so doing, and (iv) that it is therefore entitled to enforce its UK SEPs and obtain the usual relief for infringement, including a FRAND injunction and damages. Conversant also seeks a determination as to the terms which are FRAND for the licensing of its portfolio. Huawei's and ZTE's answer is likely to be (i) that Conversant's patents are neither essential nor valid, and (ii) that Conversant has not complied with its FRAND undertaking and so is not entitled to an injunction even if it establishes that its UK patents are valid and essential. The content of Conversant's FRAND undertaking is thus an inseparable part of the dispute about whether Conversant is entitled to relief for infringement of valid UK patents.
100. I do not accept that this analysis, by referring throughout to the UK patents in Conversant's portfolio, commits the error which the Court of Appeal identified in *re Harrods Buenos Aires*. In that case the dispute was about prejudice to the minority shareholders of a company registered in England. By focussing on the place of registration of the company and on the specific remedy of a buyout provided in English law, Harman J had prejudged the question of appropriate forum, particularly as, through the lens of Argentine law, the company was an Argentine company. If the case were to be tried in Argentina, the relief available would be different, but the underlying dispute would be the same. The facts relied on to establish prejudice would be the same, as would the shareholdings, and the company, about which the parties were fighting. It was possible to say that the appropriate forum for deciding *that dispute* was Argentina.
101. In the present case, leaving Conversant to seek a remedy in China would be to compel them to advance a case based on different patents. The Chinese patents are not the UK patents viewed through the lens of Chinese law, but are different property rights applied for and registered in China. They are not even in the same families as the UK patents. They will have different claims. Different prior art will be relevant to their validity. The issue of essentiality of those patents will give rise to wholly different technical issues from the issues which would arise on the essentiality of the UK patents. The acts of infringement relied on will be acts in China, not acts in the UK. I find it impossible to view such a dispute as being the same dispute as that which would arise in the English court.
102. I therefore do not accept it is legitimate to generalise out the claim made in the present proceedings and characterise it as a claim for infringement of a "local" patent. That characterisation suggests that it is a matter of indifference to Conversant which national patents they sue on, when that is plainly not the case. It is a way of characterising the dispute so as to make it suitable for determination in any jurisdiction where Conversant has a patent, no matter how different the scope of that patent may be to the scope of the UK patents in suit. Of the two ways in which the parties seek to characterise the dispute, it seems to me that the appellants' way is the one which offends against the warnings in *Harrods Buenos Aires* against building the answer into the way in which one formulates the question.

103. It is also not legitimate to characterise the claim as one for enforcement of a global portfolio right. No such right exists, as this court readily accepted in *Unwired CA*. I therefore reject the appellants' challenge to the way in which the dispute is to be characterised. The question which the judge asked himself was the correct one.

*Forum non conveniens on the basis of the judge's characterisation of the claim*

104. If one characterises the case in the way in which the judge characterised it, with which I agree, then it seems to me that the *forum conveniens* question answers itself. The fact that the dispute concerns UK patents is a matter of substance and not of form. Resolution of the dispute will involve determining infringement, essentiality and validity of UK patents. A UK forum is clearly the most appropriate forum, indeed the only possible forum, for this dispute to be tried. The further evidence of Chinese law, if admitted, could not influence this outcome. Even taken at its highest it does not suggest that the Chinese court could inquire into the validity of UK patents.
105. I think Mr Speck's analogy of a patentee seeking to enforce one patent out of a large portfolio of patents, with a defendant arguing that the infringement is licensed, is a good one. It would be a very surprising result if the patentee could not choose the country in which it chose to enforce a patent selected from the portfolio, but could be obliged to sue on the patent which subsisted in the country where the defendant's principal place of manufacture was located.
106. Many of the appellants' submissions appeared to treat the claim as if it were a claim to enforce a global right. In his written submissions Mr Layton referred to the influence of "the place where the tort is committed" as a factor of particular importance. He contended that this was China because that was where the manufacture and the majority of infringements by sale took place. Such a consideration would only be relevant if one were considering a unitary global right and deciding where the preponderance of the infringement occurred. It does not apply in a case concerned with national territorial rights where the tort is committed in each individual jurisdiction. A case where such a consideration was relevant was *Kinahan v Kinahan* (1895) 45 Ch D 78 where leave to serve English proceedings for infringement of a UK trade mark case on an Irish company in Ireland (Ireland then being part of the UK) was refused on *forum non conveniens* grounds, the preponderance of the business in question being conducted in Ireland. The UK trade mark was a right which extended territorially to both England and Ireland, and so the right in question would have been the same whether the action was brought in England or Ireland. That would not be the case if Conversant were obliged to sue on their different, Chinese rights.
107. Likewise this is not a case where it is possible to say that Chinese law is the law which governs the dispute between the parties, or that the Chinese patents are the key patents which determine the dispute. All these submissions are based on a characterisation of the dispute which ignores the fact that Conversant is seeking to enforce UK patents, governed by English law.
108. It is of course true that if Conversant were to sue on its Chinese patents in China, then the Chinese court would be scrutinising the validity and essentiality of the Chinese patents (the first of Mr Layton's big reasons). That in itself is not a reason for saying that the English court is not the appropriate forum for deciding the validity and essentiality of the UK patents. In any event, as the judge pointed out, it is likely that

the results of the Chinese proceedings will be known before the English court determines the terms of the licence, so that those results can be factored in to the court's determination.

109. So far as the second big reason is concerned, I do not disagree with the sentiment expressed by Aldous J in *Plastus Kreativ* (cited in paragraph 65 above), that, ideally, decisions taken with regard to the validity and infringement of monopolies affecting the public in one jurisdiction should be taken by the courts of that jurisdiction. Aldous J's point applies with less force where one is concerned with the impact of an undertaking which has international effect, such as the FRAND licensing undertaking given to ETSI, and still less so when one takes the more modern, pragmatic approach advanced by Lord Sumption in *Abela* (cited at paragraph 94 above). It is a fact of life that the effect of decisions taken by the courts in one country can be felt elsewhere in the world. Moreover, at least within Europe, the courts have not held strictly to Aldous J's line: see *Eli Lilly and Company v Actavis (UK) Limited and others* [2017] UKSC 48 at [102] where the Supreme Court made findings of infringement of European patents having effect in France, Italy and Spain. Finally, although the English court would be deciding the royalty for China, it would be doing so without precluding the Chinese court from deciding on the validity and essentiality of the Chinese patents, and having that court's decision considered in the context of fixing the royalty, if any, for China.
110. The fallback positions advanced by the appellants are not, to my mind, properly applications of the *forum non conveniens* principle at all. As the analysis in *Unwired CA* shows, consideration of the offers made by the parties against the FRAND criterion is an embedded part of the determination of whether Conversant is entitled to relief for infringement of their UK SEPs. Whether one views consideration of these offers as a precondition for liability or relief, or part of the defence which the appellants will offer to the claim, it is not a claim which is capable of being treated separately for *forum conveniens* purposes. Whilst the claim for a declaration as to the terms of the FRAND licence might be regarded as a separate claim, it arises out of the same facts and is closely connected to the issues which arise for determination as part and parcel of the patent dispute, a conclusion which is supported by the unchallenged conclusions of the judge in relation to the jurisdictional gateways. In addition, although I would accept that this confirmation was in part tactically motivated, Mr Speck confirmed that Conversant does not seek that declaration if no UK patent is found to be valid and essential. Given the confirmation, the declaration is better regarded as a dependent claim. I would therefore reject the fallback positions as well.
111. I can also see no basis for a case management stay, so as to allow the patent issues to be determined up to but not including the grant of an injunction. Such a stay would only work if there were some proceedings on foot elsewhere which will result in an adjudication on the offers made by the parties and determine the terms of a global FRAND licence, or at least some licence which would extend to the UK. At present the proceedings in China only seek a FRAND determination in respect of the Chinese patents. A FRAND licence under the Chinese patents determined by the Chinese courts would not clear away the obstacles to the enforcement of the UK patents or provide Huawei with an answer to the claim for infringement of the UK SEPs. The age of the Conversant Portfolio is also a factor which weighs against the grant of such a stay.

112. These reasons are sufficient, in my judgment, to result in the appeal being dismissed. I would, however, wish to say something on the questions of (a) the position of the two UK defendants, (b) the further evidence of Chinese law and (c) the suggested reference to the CJEU.

*The position of the UK defendants*

113. The fact that the two UK defendants are domiciled here means that the court cannot decline jurisdiction as against them unless the case presents an exception to *Owusu*. Huawei and ZTE argue that it does present such an exception, because there is scope for the reflexive application of Article 24(4). They accept (at this level), however, that the present dispute does not require the court to decide on the validity of non-EU patents. That concession is rightly made given what was said in *Unwired CA* at [79] - [80].
114. The argument depends critically on the passage in Dicey at 12-024, cited in paragraph 28 above, which states that Article 24 should not be applied “slavishly”. This is a slim basis for suggesting that the reflexive application of the Article should be extended to cases where it would not apply substantively in its direct application. The burden of what the editors of Dicey are saying is that the Article should be applied *mutatis mutandis*. Thus for example one does not ask whether the object of the proceedings is land situated in a contracting state, but substitutes a suitably adapted formulation, broad enough to cover land in a non-contracting state. The appellants’ argument gains no support from the judgment of Andrew Smith J in *Ferrexpo* (cited at [29] above). His reference to not applying Article 24 “slavishly” in paragraph 154(i) was to explain that the reflexive application should be discretionary rather than mandatory, a proposition with which I have already agreed. It would be absurd if the reflexive application of Article 24(4) expanded the exclusive jurisdiction beyond the scope it would have if the patent was that of another member state, where the article would apply directly. Mr Layton’s suggestion that Article 24(4) should be applied reflexively in a case which is “closely allied” to a case which would fall under Article 24(4), is untenable, and unsupported by any authority.
115. If the case is to continue here against the UK defendants, that can be, depending on the facts, a point in favour of not fragmenting the case by requiring the claimant to pursue the foreign parties in a different jurisdiction: see *Iiyama (UK) Ltd v Samsung Electronics Co Ltd* [2018] EWCA (Civ) 220 at [128]-[132]. I do not accept Mr Layton’s submission that in the present case to allow the UK companies to act as anchor defendants in this way would necessarily be to allow the tail to wag the dog. The UK companies have a real and substantial business in mobile communications in this country, notwithstanding that it is a small part of their global operations. It is not suggested that they are not worth suing in their own right. Moreover it may not be correct to say that the UK defendants do not need a global licence, for the reasons connected with roaming advanced by Mr Speck and recognised in *Unwired CA* at [53]. Finally, the Chinese defendants are not merely sued as joint tortfeasors with the UK defendants, but for direct infringement. The judge found that there was a properly arguable case of direct infringement in the UK by the Chinese defendants.
116. I should deal with the cases relied on by Mr Layton by way of analogy. They all turned on their own, somewhat extreme, facts. In *Pacific International Sports Clubs Limited v Soccer Marketing International Limited and others* [2009] EWHC 1839 (Ch) the

defendant (SMI) was the only company with any connection with this jurisdiction, due solely to the fact that it was incorporated here: it carried on business outside the jurisdiction of the English court. None of the events which gave rise to the claim had any connection with this jurisdiction: all occurred in Ukraine. The claims were governed by Ukrainian law. The only relevance of SMI to the claims was as the vehicle which held some shares. It had been dissolved, as a result of which it ceased altogether to exist but was restored to the register on the application of the claimant and specifically for the purpose of the proceedings. So far as is known it had no assets. In those circumstances it is not surprising that Blackburne J at [122], thought that allowing SMI to act as anchor defendant for claims against the other defendants was “to allow the tail to wag the dog”. It is clear that the proceedings against the UK company had no substantial purpose in their own right.

117. In *OJSC Oil Company Yugraneft (in liquidation) v Abramovich and others* [2008] EWHC 2613 (Comm) the UK defendant also had minimal assets. The claim was about the conduct of Russians in Russia under Russian law. At [490], Christopher Clarke J said that it was obvious that the claim against the UK defendant was to provide the anchor on which to tether a claim against the Russian defendant. By implication it had no other substantial purpose.
118. In *American Motorists Insurance Co (Amico) v Cellstar Corp and another* [2003] EWCA Civ 206; [2003] 2 CLC 59 (a case decided before *Owusu*) the Court of Appeal (Kennedy, Mance, Mantell LJJ), said that even if the European Court ruled that Amico’s proceedings must continue against the UK defendant in addition to parallel Texan proceedings, the problem should not be compounded by requiring the US defendant to come to this country to defend proceedings in addition to those which it was bringing in Texas. That is a very long way from the facts with which we are dealing.
119. By contrast in *Microsoft Mobile OY (Ltd) v Sony Europe Ltd and others* [2017] EWHC 374 (Ch) 419 Marcus Smith J regarded the fact that the UK defendant was a substantial entity well worth suing in his own right as a decisive factor, albeit in an otherwise finely balanced case.
120. What these cases show is that, in evaluating the arguments on *forum non conveniens*, it is necessary to be alert to artificial attempts to anchor proceedings against a foreign defendant in this country when the true connection of the case is with some other jurisdiction, and the proceedings against the UK company have no substantial purpose in their own right. I do not accept that that is what is happening in the present case in which Conversant seek relief for infringement of its UK SEPs. It follows that the judge was right that the case would have to continue against Huawei UK and ZTE UK in any event, and he cannot be criticised for relying on that fact in his *forum non conveniens* assessment.

#### *The further evidence of Chinese law*

121. As I have indicated, I do not think that the further evidence of Chinese law assists the appellants on the view which I have taken as to the correct characterisation of the dispute. Had I considered otherwise, I would not have been persuaded that the evidence should be excluded on the first *Ladd v Marshall* criterion. It is accepted that the Guidelines could not have been available for the trial. It is true that an application could have been made to the judge to reconsider his judgment in the light of the Guidelines

before his order was sealed, but it is clear that the parties' litigation solicitors did not have the document in time. On the narrow facts of this case it would be harsh to exclude the material on the basis that it could have been placed before the judge after his judgment had been handed down.

122. To the extent that the further evidence shows that the Chinese courts will entertain issues concerning FRAND royalties for non-Chinese patents with the consent of both parties, it goes no further than the findings that the judge made on the evidence before him. That evidence would not satisfy the second *Ladd v Marshall* criterion, as it could not have an influence on the outcome of the case. However, the evidence, at least on its face, goes further, and suggests that a party can be compelled to accept that jurisdiction if it refuses unreasonably to agree to it and suggests that the court would regard Conversant's objections to its exercise of this jurisdiction as unreasonable. It also suggests that the Chinese court might accept the invitation to decide questions of essentiality and infringement of foreign (i.e. non-Chinese) patents. That evidence, if accepted at face value, could influence the outcome, at least on one view of the case. I would accordingly have admitted the further evidence, so that it, and Conversant's answer to it, could be considered in the round.
123. Considering the evidence in the round, it is not, to my mind, clear how the Chinese court would apply the new criterion of reasonableness prescribed by the Guidelines. Neither the Guidelines themselves, nor the evidence of Ms Mu explains this. Ms Mu simply asserts that if the facts were analogous to this case, the court would take the view that the refusal to agree was unreasonable. Ms Mu's further suggestion that the Chinese court would accept the invitation to decide essentiality and infringement of non-Chinese patents is also not something which is clearly stated in the Guidelines and Ms Mu does not provide any basis for her statement that this will be so. Mr Yang regards all this as speculative, and I agree. Ms Mu is very frank in accepting that this is an evolving jurisprudence in China. The Guidelines have been recently introduced and are, on the evidence, for a trial period.
124. The court raised with Huawei's counsel how its contentions in this case as to the state of Chinese law related to Huawei's case in *Unwired CA* which contended that the English court was out of step with other courts, including the courts in China, in being prepared to determine a global FRAND rate. We were subsequently provided with a copy of a letter sent by Huawei's counsel in the *Unwired* case in connection with its petition for leave to appeal to the Supreme Court. The letter refers to paragraph 16 of the Guidelines and continues:

“The Guidelines provide guidance on how Chinese courts determine disputes related to SEPs, but they have not been construed or applied in any case in China to date. Huawei understands them to indicate that a global royalty-setting exercise may proceed with the consent of the parties (which has never been in dispute in these proceedings). There is no decided case in which the Chinese courts have gone further, as the English courts did in these proceedings, by conducting a global royalty-setting exercise without the consent of the parties and then imposing the result thereof as a condition of avoiding a territorial injunction. Whether they might do so in the future remains unknown to Huawei and the Chinese courts may well be



influenced by the approach of the courts in other jurisdictions, which further underlines the importance of this case.”

125. I think this passage realistically states the effect of the Guidelines. In the end therefore, I do not think the further evidence materially advances the appellants’ case. It raises as many questions as it answers.
126. Despite the unsatisfactory way in which it was produced, I would also allow reliance on the *Huawei v Samsung* decision of the Shenzhen court. It does not, as it seems to me, show anything other than analysis of the negotiations between the parties against a criterion of obvious procedural or substantive default. I have no doubt, given the issues as they were before the judge and on this appeal, that both Huawei’s and ZTE’s experts would have commented on it if it went any further. It does not support the proposition that the Chinese court had demonstrated that it was prepared to settle the terms of a global licence.

*Reference to the CJEU on justiciability*

127. Given that I propose dismissing the appeal on the *forum non conveniens* issue, the justiciability issue foreclosed by *Unwired CA* would be determinative. These are the circumstances in which Mr Layton proposes that we refer questions on justiciability to the CJEU.
128. I would refuse to make a reference to the CJEU for the following reasons. First, the court in *Unwired CA* was able to reach a clear conclusion on justiciability without the need to refer any question of EU law to the CJEU. Secondly, Huawei, who were a party in *Unwired CA*, did not at any time suggest during the course of *Unwired CA* that a reference to the CJEU was necessary for the court to reach its decision in that case, which it is now accepted precludes any justiciability argument at this level. Thirdly, despite Mr Layton’s extensive draft questions, I am not persuaded that there is any lack of clarity in the relevant EU law.

**Conclusion**

129. For the reasons I have given, I would dismiss the appeal.

**Lord Justice Flaux:**

130. I agree.

**Lord Justice Patten:**

131. I also agree.