



Neutral Citation Number: [2021] EWHC 1261 (Pat)

Claim No: HP-2021-000004

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

**Rolls Building
Fetter Lane
London
EC4A 1NL**

Date 14th May 2021

Before:

MR NICHOLAS CADDICK Q.C.
(sitting as a Deputy High Court Judge)

BETWEEN:

GODO KAISHA IP BRIDGE 1
(a company incorporated under the laws of Japan)

Claimant/Respondent

and

(1) HUAWEI TECHNOLOGIES CO., LIMITED
(a company incorporated under the laws of the People's Republic of China)
(2) HUAWEI DEVICE CO., LIMITED
(a company incorporated under the laws of the People's Republic of China)
(3) HUAWEI TECHNOLOGIES (UK) CO., LIMITED
(a company incorporated under the laws of England and Wales)

Defendants/Applicants

IAIN PURVIS Q.C. and ANDREW SCOTT (instructed by Allen & Overy LLP) for the
Defendants/Applicants

NICHOLAS SAUNDERS Q.C. and SOPHIE SHAW (instructed by EIP) for the
Claimant/Respondent

Hearing date: 15 April 2021 (heard remotely)

JUDGMENT
APPROVED FOR HANDING DOWN

Nicholas Caddick Q.C. (sitting as a Deputy High Court Judge):

1. The First and Second Defendants make two applications:
 - a. An application (“the Set Aside Application”) seeking to set aside those parts of the Order of Chief Master Marsh made on 22 February 2021 which permitted the Claimant to serve the Claim Form, Particulars of Claim, Particulars of Infringement and any other document in these proceedings on them by alternative means at (a) the UK registered office address of the Third Defendant and (b) the London offices of solicitors Allen & Overy LLP.
 - b. An application (“the Extension Application”) seeking to extend their time for making any application challenging jurisdiction under CPR r.11(1) until 14 days following the determination of the Set Aside Application.

Background

2. The Claimant (a Japanese company) claims to own a number of patents declared to be essential under the IPR Policy of the European Telecommunications Standards Institute (“ETSI”). Under that policy, the Claimant is obliged to grant licences to willing licensees permitting the use of those standard essential patents (“SEPs”) on terms that are fair reasonable and non-discriminatory (“FRAND”).
3. The Defendants are members of the Huawei Group. The First and Second Defendants are companies incorporated under the laws of the People’s Republic of China. They manufacture and supply mobile devices and, in the case of the First Defendant, negotiate patent licences on behalf of the Group. The Third Defendant (“Huawei UK”) is a UK subsidiary of the First Defendant.
4. The Claimant has been involved in negotiations with the Defendants since February 2015 with regard to the grant of a licence in respect of some of its SEPs. In the course of these negotiations, each side has made offers of terms which they assert are FRAND. However, as yet, no agreement has been reached.
5. On 8 January 2021, the Claimant brought proceedings in Germany (in Munich) against the First Defendant and its German subsidiary for infringement of a German designation of one of its SEPs and seeking an injunction. Later, on 13 January 2021, the Claimant brought a further action in Germany (in Mannheim) against the same parties for infringement of a German designation of another of its SEPs and again seeking an injunction. As part of the Munich proceedings, the German court will be asked to determine whether the offers made by the Claimant were FRAND and whether the Defendants are not willing licensees so as to disentitle them to a licence. The Claimant’s evidence (in Mr Sharples’s First Witness Statement dated 20 January

2021) was that the Munich court could be expected to provide a judgment in 15 to 18 months' time (as opposed to the 2 to 3 years that it would take an English court).

6. The current UK claim was also commenced by the Claimant on 13 January 2021. In it the Claimant asserts that the Defendants are infringing several of the Claimant's UK SEPs. As in the Munich proceedings, the Claimant argues that the Defendants are not willing licensees and are not, therefore, entitled to enforce the Claimant's FRAND obligations and should be enjoined. In the alternative, if the Defendants remain entitled to a licence, the Claimant asserts that they should be enjoined unless and until they enter into a licence on FRAND terms. Although these FRAND issues are matters in respect of which the Munich court was first seised, the Claimant asserts that it was necessary to bring the UK proceedings in respect of its UK patents in case the Munich court were to decide that the Claimant's offers had not been FRAND or in case the Defendants decline to enter into a FRAND licence on terms decided by the Munich court.
7. It appears that at some point (and after the German and UK actions were commenced), the First and Second Defendants commenced proceedings in China against the Claimant. These proceedings are narrower in scope than the Claimant's German and UK actions in that the Chinese court is only being asked to determine a FRAND royalty rate for the Claimant's Chinese SEPs.
8. Returning to the UK action, on 22 February 2021, after a without notice hearing, Chief Master Marsh made an Order permitting the Claimant to serve the UK proceedings on the First and Second Defendants out of the jurisdiction and also permitting the Claimant, in place of service pursuant to the provisions of the Hague Service Convention ("the HSC"), to serve those Defendants in the UK by the two alternative means to which I have already referred. Service by those means took place on, respectively, 25 February and 27 February.

The Extension Application

9. I can deal very briefly with the Extension Application because it was agreed in the course of the hearing that it was only necessary to grant an extension until the date when the Set-Aside Application is determined. Given that the Defendants do not seek to challenge the English court's jurisdiction on any other grounds, a longer extension is not required.

The Set Aside Application

10. Because the Order of 22 February was made without notice, it contained the usual provision whereby the First and Second Defendants were entitled to apply to have it set aside. In the event, the First and Second Defendants do not challenge the grant of permission to serve out of the jurisdiction. However, by their application dated 8 March 2021 (the Set Aside Application), they seek to set aside those parts of the Order that permitted service on them by alternative means. The Set Aside Application takes the form of a re-hearing rather than of an appeal.

11. The principles governing when it is appropriate for the court to make an order for alternative service on a defendant in a country (such as China) that is a signatory to the HSC have been discussed in a number of recent cases. I was referred in particular to *Deutsche Bank AG v Sebastian Holdings Inc.* [2014] EWHC 112 (Comm), *Société Generale v Goldas Kuyumculuk Sanayi Ithalat Ihracat AS* [2017] EWHC 667 and, on appeal, at [2018] EWCA Civ 1093, *Marashen v Kenvett* [2017] EWHC 1706 (Ch), *Celgard LLC v Shenzhen Senior Technology Material Co Ltd* [2020] EWHC 2072 (Ch), *M v N* [2021] EWHC 360 (Comm) and *GHS Global Hospitality Limited v Beale* [2021] EWHC 488 (Ch).
12. The principles derived from these authorities can be summarised as follows:
 - a. Where the court gives permission to serve a claim form out of the jurisdiction, it also has power, by reason of CPR r.6.37(5)(b)(i) and r.6.15(1), to make an order permitting service by an alternative method or at an alternative address (*Celgard* at [115] and *GHS* at [10]).
 - b. Such an order can only be made if the court is satisfied that there is “a good reason”. If there is a good reason, the most important aspect of the jurisdiction is to ensure that the defendant is adequately informed of the contents of the claim form and the nature of the claim (*Celgard* at [116]).
 - c. Where a defendant is resident in a country that is party to a convention as regards service, then service in accordance with that convention is “the prime way of service” in that country (*Deutsche Bank* at [27]). Further, where a country has (like China) stated its objection under Art.10 of the HSC to service otherwise than through the authority that it has designated to deal with service under the HSC, an order for alternative service will only be made in “exceptional circumstances” (sometimes referred to as “special circumstances”) (*Société* [2017] EWHC 667 at [49(9)(b)] endorsed at [2018] EWCA Civ 1093 at [31]-[35]), *Marashen* at [57] and *M v N* at [8(iv)]).
 - d. In determining whether exceptional circumstances exist, each case will turn on its own particular facts and involves balancing the various factors (*GHS* at [12]).
 - e. Mere delay or additional expense arising from having to serve in accordance with the HSC do not, without more, constitute exceptional circumstances (*Société* [2017] EWHC 667 at [49(9)(a)] and [2018] EWCA Civ 1093 at [31]-[35]). However, delay might suffice when coupled with another factor or factors such as, for example, some form of litigation prejudice or where it is of such exceptional length as to be incompatible with the due administration of justice (*Marashen* at [57] and *Celgard* at [119]).
 - f. Some examples of the sort of factors which might help establish the existence of exceptional circumstances are set out in *M v N* at [9] and [10]. They

include, for example, the need for urgent interim injunctive relief or for relief under the Arbitration Act 1996.

13. For present purposes, I do not understand these principles to be in dispute although, should the matter proceed further, the Claimant reserves its right to argue that the law does not require a Claimant to show exceptional circumstances in order to justify an order for alternative service.

Application of these principles

The likely delay

14. The Claimant's case starts by referring to the delay which it says is likely if service has to be effected in accordance with the HSC. In this respect, it relies on an email dated 13 January 2021 from Mr Ian Ang, an administrative officer in the Foreign Process Section at the Royal Courts of Justice. In this email, Mr Ang stated that the length of time for service in China was over one year, based on cases arising before Covid-19. Given this, he envisaged that service in China may take more than a year. He also pointed to some cases where the relevant Chinese authorities had not responded to requests for service for periods of two to three years. The Claimant argues that the evidence that service could take more than a year was corroborated by what the Chief Master was informally told by Senior Master Fontaine of the Queen's Bench Division of the High Court. It was on this basis that the Chief Master concluded that there was (1) a strong likelihood that service in China on the First and Second Defendants would take over a year, (2) a real likelihood that it would take substantially more than a year due to Covid-19 and (3) a possibility that it might take more than two years.
15. Against this, in support of their Set Aside Application, the First and Second Defendants have adduced evidence of further (more recent) information from Mr Ang suggesting that service in China usually takes a year but could, in very rare cases, take between six to nine months. They also rely on information provided by the International Legal Cooperation Center (the "ILCC", the Chinese Authority tasked with dealing with requests for service in China under the HSC). This information was to the effect that requests for service were being handled within 5 - 6 months in China but that, given that the First and Second Defendants are located in large cities with efficient systems for executing service requests and given the existence of a new online submission system, the period for service could be reduced to 3 - 4 months. The First and Second Defendants also point to the fact that, in previous cases before the English courts, the evidence suggested that the time for effecting service in China was less than that being suggested by the Claimant (being a period of between 6-12 months in *Conversant*, 4-12 months in *Celgard* and 6-12 months in *Illumina*).
16. Before me, each side was critical of the other side's evidence as regards the likely time for service under the HSC. Ultimately, given that every case will turn on its own facts and will depend on issues such as the efficiency of the court requesting service, whether the request complies with the necessary formalities, the location of the

defendant as well as matters such as the past and future impact of Covid-19 and the effectiveness of the ILCC's new online submission, it seems to me that is not possible to say when such service will be effected in this case and that there are dangers in relying on evidence based on past experience. The best that can be said is that it seems likely that service could take up to 12 months but that there is some prospect that it could take less than that. Whilst it is possible that service could take longer, this seems to me to be less likely in this case.

17. For present purposes, the issue is less significant because, by a letter from their solicitors dated 7 April 2021, the First and Second Defendants have made an offer that, if service has not been effected on them under the HSC within 11 months of that letter, they will accept alternative service. On that basis, there is a cut off of 11 months and, if the First and Second Defendants are correct, there is also a possibility that such service might have taken place before that.
18. In *Marashen* at [57] and *Celgard* at [119], it was envisaged that there could be exceptional circumstances in a case where (even in the absence of some form of litigation prejudice), the delay was of such exceptional length as to be incompatible with the due administration of justice. However, given the cut off of 11 months, I am satisfied that this is not such a case. Accordingly, to justify an order for alternative service, the Claimant must be able to point to some other factor or combination of factors that are present in this case and that, taken together with a delay of up to 11 months, give rise to exceptional circumstances.

Claimant being kept out of remuneration

19. A factor on which the Claimant relies is that any delay in service extends the period during which the Defendants are exploiting the Claimant's SEPs without making any payments to the Claimant. In this regard, Mr Saunders pointed to comments made by Henry Carr J in *Conversant Wireless Licensing SARL v Huawei Technologies Co Ltd* [2018] EWHC 1216 at [37].

“In answer, Ms. Dagg, on behalf of the Huawei Defendants, has pointed out, correctly, that Conversant is a large and very well-resourced company. This does not, however, meet the point, in my view. If the trial date for testing Conversant's claims of infringement continues to be delayed, then it is not possible for Conversant to obtain a return on its investment in this portfolio. This jurisdictional challenge has already caused ten months of delay in these proceedings, and a stay pending resolution of the appeal would cause a further and significant delay. Delay benefits the Defendants, as they are not paying any royalty in the meantime and have not offered to do so if a stay is granted”.

Mr Saunders also commented that this was a particular issue given that patents are a time limited monopoly (although it did not appear that any of the patents in issue here are about to expire).

20. It is clearly desirable for a patentee to be able to enforce its rights promptly. However, it seems to me that the problem identified by the Claimant is fairly normal as opposed to exceptional in litigation and particularly litigation of this type where a defendant is based in a HSC state. Further, a delay in serving the First and Second Defendants does not necessarily affect the Claimant's ability to push on with its claims against the Third Defendant in the UK (although I accept that the Claimant is alleging separate acts of infringement by the First and Second Defendants in the UK). Nor does the delay affect the Claimant's position in the German proceedings which are expected to be determined well before the UK action and in which, subject to the unwilling licensee point, the Claimant is seeking determination of FRAND terms for payment in respect of its SEPs on a global basis.
21. The Claimant points out that during the delay, whilst it is receiving no payment from the First and Second Defendants, it will still have to meet the costs associated with maintaining its SEPs. However, those are costs that the Claimant would have to meet in any event and there is no evidence that a delay in receiving payments from the First and Second Defendants will cause the Claimant any particular prejudice in this regard.
22. I would also note that the Claimant had negotiated with the Defendants for some 6 years before bringing the UK (or any) proceedings. This is not a criticism of the Claimant, as it was clearly necessary for it to enter into negotiations to see if a licence could be agreed. However, the fact that those negotiations lasted for 6 years does not suggest that this form of prejudice was particularly serious or, more to the point, that the circumstances should be regarded as exceptional so as to justify an order for alternative service.

An injunction

23. Much the same can be said as regards the Claimant's point that its claim is not all about money but is also about vindicating its rights and protecting them by means of an injunction. In this respect, I was referred to the comments of the Supreme Court in the *Unwired Planet* case (see [2020] UKSC 37 at [166]-[169]). Mr Saunders also made the point that an injunction would be particularly important in the event that the Defendants are held to be unwilling licensees or if the Defendants were to refuse to take a licence on terms determined by the court to be FRAND. There is some force in this. However, it seems to me that these are relatively normal circumstances as opposed to the sort of exceptional circumstances needed to justify a departure from the form of service required under the HSC.

Holding out

24. The position might be different if (as the Claimant submitted) I could be satisfied that the Defendants were guilty of what is referred to as "holding out". As the Supreme Court explained in *Unwired Planet* at [10]:

“...the mischief of “holding out” by which implementers, in the period during which the IPR Policy requires SEP owners not to enforce their patent rights by seeking injunctive relief, in the expectation that licence terms will be negotiated and agreed, might knowingly infringe the owner’s Essential IPRs by using the inventions in products which meet the standard while failing to agree a licence for their use on FRAND terms, including fair, reasonable and non-discriminatory royalties for their use. In circumstances where it may well be difficult for the SEP owner to enforce its rights after the event, implementers might use their economic strength to avoid paying anything to the owner. They may unduly drag out the process of licence negotiation and thereby put the owner to additional cost and effectively force the owner to accept a lower royalty rate than is fair.”

25. The difficulty is that, in the present case, each side has put forward offers of licence terms that they say are FRAND and the issue of who is right in this regard is something that will have to be resolved in the German and/or the English proceedings. Until that issue is resolved, I am not in a position to say whether or not the Defendants are holding out.
26. It is true that, as the Claimant submits, Huawei was found to have engaged in “holding out” in the *Unwired Planet* litigation (see [2017] EWHC 2831 per Henry Carr J at [10]). However, that finding was made after Huawei started proceedings in China evidencing an intention not to abide by a determination that the English High Court had already made between the same parties regarding the terms of a FRAND licence. I do not see that the finding of holding out in those circumstances helps the Claimant in the present case where there has been no such determination and where the most that can be said is that the Defendants *might* be holding out.

Huawei’s proceedings in China

27. As I understand it, in the present case, the Claimant does not suggest that there is anything inherently wrong in the Defendants asking the Chinese court to rule on the validity of the Claimant’s Chinese SEPs or to determine FRAND terms in relation to those patents. Indeed, it would be difficult to make such a suggestion given that the Claimant has itself brought proceedings in both Germany and the UK seeking, *inter alia*, to determine FRAND terms on a global basis. Moreover, a ruling in the Chinese proceedings could well be of assistance to the English court in determining FRAND issues. For example, in *Conversant v Huawei* [2018] EWHC 1216, when setting the trial timetable to resolve FRAND issues in English proceedings, Henry Carr J commented at [42] that:

“... I also wish to give sufficient time after the results of the second trial has been heard for the results of proceedings in China to be factored in.”

Similarly, in an earlier judgment in the same action ([2018] EWHC 808), the same judge stated (at [18]) that:

“... there is nothing to prevent Huawei China and ZTE China from continuing in China with challenges to validity in respect of the Chinese patents. If all the Chinese patents are invalid or not infringed, then any FRAND licence will need to provide that no royalties should be payable in respect of them ... Furthermore, if the Chinese courts determine a FRAND royalty rate for the Chinese patents which are valid and infringed, the English court may well decide to include this rate for China in any global FRAND licence that it determines.”

28. The Claimant’s concern is that the Chinese action will proceed more quickly than the English action and that, having obtained the Chinese court’s ruling on the FRAND issues before it, the Defendants will obtain a Behaviour Preservation Order (“BPO”) or some other form of Order from the Chinese court that would operate to fetter the discretion of the English court.
29. It seems to me that there are a number of difficulties facing the Claimant in this regard. First, as I understand it, a BPO is a form of interim relief. However, I have been provided with no expert evidence as to its nature and effect or the basis on which it is granted. As a result, I am not in a position to tell how real a possibility it is that the Chinese court will make a BPO or what the effect of such Order might be. Secondly, although the Claimant points to an occasion when, in other proceedings, Huawei obtained a BPO, that does not mean that this is a common practice. Thirdly, on the occasion identified by the Claimant where Huawei obtained a BPO, it appears that it did so *after* a German court had given its judgment. Accordingly, if there is a risk of a Chinese court making a BPO that could interfere with proceedings in another country, that risk would seem to exist regardless of the issue of the timing of service of those other proceedings. Fourthly, even assuming that the effect of a BPO is to interfere with or in some way to restrict a party’s conduct of other proceedings, I cannot assume that that is necessarily improper. Indeed, Mr Saunders stated that he was not inviting me to make any adverse finding as to the nature of the Chinese litigation or judicial system. Moreover, it appears that the Claimant has itself obtained an anti-anti-suit order from the German court seeking to restrict the Defendant’s rights in China. Such jurisdictional issues often arise in cases (particularly intellectual property cases) where there are related proceedings in more than one country. It does not seem to me that it is appropriate to address those issues by departing from the normal rules that apply as regards service under a convention entered into by the relevant countries.

Position of the Defendants in the English proceedings

30. Another factor raised by the Claimant relates to the nature of the claims in the English proceedings and, in particular, the fact that they involve claims of direct infringement by the First and Second Defendants as well as acts of infringement by the Third Defendant, a subsidiary. Given this, the Claimant argues that it is unsatisfactory that the case against the First and Second Defendants should be delayed whilst the case against the Third Defendant (which does not challenge jurisdiction and is not seeking

a stay) continues, giving rise to what Mr Saunders referred to as “duplicative proceedings”.

31. This is clearly a relevant factor and I accept that it would be more convenient if all parties were before the English court now so that the claims against them could be progressed together. Having said that, the fact that one defendant can easily be served as it is in the jurisdiction, whilst service of others is delayed because they are based in HSC countries is a fairly normal situation in commercial and patent litigation. Further, I am not convinced that the action against the Third Defendant would have proceeded particularly far during the period of delay in serving the First and Second Defendants. As Mr Purvis points out, the claim against the Third Defendant is likely to be complex and to require 4 separate trials (three as to liability and a fourth to deal with FRAND issues). Moreover, as appears from the Claimant’s own evidence, the progress of the claim is likely to be dictated to some extent by what happens in the German proceedings. Further, it seems unlikely that the Third Defendant would have taken any step that would be inconsistent with the interests of the First and Second Defendants. On this basis, it seems likely that once the First and Second Defendants have been served, the proceedings should be capable of case management so as to minimise further unnecessary delay. On balance, and even taken with the other factors, I do not see that this factor takes the present circumstances from the normal to the exceptional so as to justify a departure from normal service under the HSC.

Other points

32. I will deal briefly with a few other points raised.
33. First, in the Claimant’s evidence a point was raised about the decision of a German court in Munich suggesting that China has abandoned the HSC protocol for service in China. This was not a line that Mr Saunders pursued in his submissions. Indeed, his submission was that the question was not whether China was generally some sort of “outlier” as regards delays in service but was, rather, whether delay affected justice in this case. He made clear that he was not seeking to criticise China’s time scale for service per se. I think that Mr Saunders was correct not to pursue this line. On the evidence as it stands, I am not in any position to rule on whether China has abandoned the HSC protocol or even whether the length of time to serve in China is noticeably longer than in other HSC countries. I do note, however, that on the Defendant’s evidence, HSC service on the Claimant in Japan is also likely to take about a year.
34. Second, as pointed out by the Claimant, it is hard to see any particular prejudice to the First and Second Defendants in making an order for alternative service and Mr Purvis in his submissions did not suggest otherwise.
35. Third, in view of this lack of prejudice, the Claimant accused the Defendants of “tactical gamesmanship” in not agreeing to accept alternative service now – particularly given that they have undertaken to accept it in 11 months from the April letter. I agree that, viewed from the position of the parties, it is hard to see why if service will be accepted after the 11 months, it cannot be accepted now. However, as

appears from decisions such as *Marashen*, abiding by the process for service which was agreed under the HSC is a matter of international comity and exceptional circumstances are required to justify alternative forms of service. It may be gamesmanship but (in the absence of exceptional circumstances) it is a game that the First and Second Defendants are entitled to play. In this regard, it is worth noting that the Claimant itself has refused to accept alternative service in Japan of the Chinese proceedings which the Defendants have brought against it.

Conclusion

36. For the reasons set out above, I have concluded that the factors identified by the Claimant in this case do not, whether taken in isolation or collectively, amount to the sort of exceptional circumstances that are required in order to justify a departure from service in accordance with the HSC. On this basis, I will set aside the Order of the Chief Master insofar as he permitted alternative service on the First and Second Defendants.