



Neutral Citation Number: [2018] EWHC 808 (Pat)

Case No: HP-2017-000048

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

Royal Courts of Justice
7 Rolls Building, Fetter Lane
London,
EC4A 1NL

Date: 16/04/2018

Before :

THE HON MR JUSTICE HENRY CARR

Between :

**Conversant Wireless Licensing S.A.R.L (a company
incorporated under the laws of Luxembourg)**

Claimant

- and -

- (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

Defendant

**Mr Adrian Speck QC, Mr Colin West, Ms Isabel Jamal and Mr Thomas Jones (instructed by EIP Legal) for
the Claimant**

**Mr Alexander Layton QC and Mr Henry Forbes Smith (instructed by Allen & Overy LLP) for the
Huawei Defendants**

Mr Micheal Bloch QC (instructed by Bristows LLP) for the ZTE Defendants

Hearing dates: 27 and 28 February and 1 and 2 March 2018

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this
Judgment and that copies of this version as handed down may be treated as authentic.

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MR JUSTICE HENRY CARR

Mr Justice Henry Carr:

Introduction

1. This judgment is in respect of a challenge by the Defendants to the jurisdiction of the English court in relation to a claim for infringement of UK patents, where the relief sought is the determination of a global FRAND licence.
2. A comprehensive account of the history and purpose of FRAND and the principles which apply to it is provided in the well-known judgment of Birss J in *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2017] EWHC 2988 at [83] – [97]. He explained that standards exist in mobile phones so that different manufacturers can produce equipment which is interoperable. In this way, manufacturers can compete with each other, and the public can be sure that a 4G phone (for example) will work with any 4G network. The public want up to date technological developments, and the standards will therefore incorporate patented inventions. Inventors must be entitled to a fair return for use of their inventions. However, for the standards to permit interoperability, inventors should not be able to prevent others from using patented inventions incorporated into the standards. A balance is achieved by requiring implementers who use such patented inventions to take an appropriate licence and pay a fair royalty. The appropriate licence is one which is fair, reasonable and non-discriminatory (“FRAND”).
3. Telecommunication standards worldwide are set by standard-setting organisations (“SSOs”). The relevant SSO in this case, through which the Claimant’s FRAND obligations arise, is known as ETSI. ETSI requires that holders of standard essential patents (“SEPs”) give an undertaking to license on FRAND terms if they wish to participate in standard setting.
4. The Defendants, although commercial rivals, advanced similar submissions in support of their applications. In this judgment, the first and second Defendants are referred to individually as “Huawei China” and “Huawei UK” and collectively as the “Huawei Defendants”. The third and fourth Defendants are referred to individually as “ZTE China” and “ZTE UK”, and collectively as “the ZTE Defendants”. The Claimant (“Conversant”) is a Luxembourg company which owns a global portfolio of patents which, it claims, includes SEPs in over 40 countries. Conversant maintains that the Defendants are and have for several years been infringing its SEPs in many different jurisdictions.
5. Conversant has been in discussions, over several years, with Huawei China and ZTE China, who manufacture and sell mobile telephone devices worldwide. 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 the Huawei Defendants or the ZTE Defendants, who continue to infringe, without taking a licence.
6. The Defendants dispute that Conversant has any valid SEP. They maintain that Conversant’s patents are not essential or that they are invalid. On this basis, the Defendants have the option of not entering into a licence and either bringing their own proceedings for revocation or declarations of non-infringement or non-essentiality or defending such proceedings as are brought against them by Conversant. However, the

Defendants' position is that if they are wrong, and they are infringing one or more valid SEPs, then they will seek to rely upon Conversant's obligation to grant FRAND licences.

7. On 24 July 2017, Conversant commenced these proceedings, claiming that the Defendants were infringing the UK designations of four of its European patents. It seeks, by way of relief, a determination of FRAND terms for its global SEP portfolio. Such a global licence was held to be FRAND by Birss J in *Unwired Planet*, following technical trials which determined that certain UK patents had been infringed. His decision is the subject of a 6-day appeal, which is due to be heard in May 2018.
8. At the hearing of these applications Conversant claimed that the Defendants had declined to answer the question of whether, if the English court sets a licence which it considers to be FRAND, they will enter into that licence, or whether they reserve to themselves the right to decide whether to do so. Conversant argued that the Defendants had adopted a strategy of "hold-out" by seeking to avoid or delay payment of any royalties under a FRAND licence, whilst continuing to infringe. Conversant sought permission, which I granted, to amend its pleadings to claim FRAND injunctions against the Defendants i.e. injunctions in respect of UK patents found valid and infringed which will last unless and until the Defendants enter into the licence that the court considers to be FRAND. I did so without prejudice to the Defendants' challenges to jurisdiction, which are the subject of this judgment.

The issues on these applications

9. The Defendants contend that:
 - i) The English court has no jurisdiction to decide these claims which are, in substance and effect, claims for infringement of foreign patents, the validity of which is in dispute.
 - ii) Alternatively, the court should decline to exercise jurisdiction to decide the claims, because England is not the proper or appropriate forum (*forum non conveniens*); China is the natural forum.
 - iii) Huawei China and ZTE China have not been validly served in England.
 - iv) Applications by Conversant for permission to serve out of the jurisdiction on Huawei China and ZTE China and for substituted service should be refused.

Manufacture and sales of alleged infringements in China

10. At the forefront of the Defendants' arguments is the "China-centric" nature of their businesses. In the case of the Huawei Defendants, China accounts for 56% of the Huawei group's worldwide sales on which royalties are claimed by Conversant. Moreover, since China is the place of manufacture of the alleged infringements, Conversant relies 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 the worldwide sales on which royalties

are claimed. In the case of the ZTE Defendants, the manufacture of mobile phones takes place in China and 60% of the ZTE group's operating revenue was from China in the first six months of 2017. By contrast, the ZTE group does very little business in the UK with only 0.07% of turnover being generated in the UK.

Proceedings brought by the Defendants in China

11. In the circumstances, it is understandable that Huawei China and ZTE China have commenced proceedings in China against Conversant, seeking to establish invalidity and non-infringement of its Chinese patents. China has a bifurcated patents court system in which validity is determined in the Patent Re-examination Board, and infringement is determined in other intellectual property courts. Huawei China and ZTE China have brought proceedings against Conversant in the Patent Re-examination Board, challenging the validity of all 11 Chinese patents in Conversant's portfolio. These challenges are anticipated to be heard during 2018 with a decision expected by early to mid-2019. Huawei China and ZTE China have also brought claims against Conversant for declarations of non-infringement or determinations of FRAND royalty terms in respect of the Chinese patents in the Chinese courts in Nanjing and Shenzhen, which are also expected to be decided by early 2019.

Justiciability

Putting in issue the validity of foreign patents

12. The Defendants' case is that:
 - i) the English court has no jurisdiction to declare foreign patents invalid;
 - ii) Conversant's claims are, in substance, claims for infringement of foreign patents, the validity of which is disputed; and/or to which the invalidity of foreign patents is a defence, and which therefore depend on the validity of foreign patents, when such validity is disputed.
13. In particular, the Defendants contend that:
 - i) because of the preponderance of sales outside the UK, and in particular in China, these claims are principally concerned with foreign patents;
 - ii) the global FRAND claim is the principal subject matter of the proceedings;
 - iii) the invalidity of the foreign patents in the portfolio, such as the Chinese patents, would provide a defence to the global FRAND claim, and the Defendants intend to advance such a defence;
 - iv) it would be fair and proportionate to test the validity of each of the 11 Chinese patents in the portfolio in any global FRAND proceedings in the English court, in view of their small number and overwhelming commercial significance;
 - v) it would also be fair and proportionate to test the validity in such proceedings of a properly representative sample of the non-Chinese patents as a proxy for the validity of all the non-Chinese patents as a whole; and

- vi) the English court has no jurisdiction to perform this exercise in respect of global royalty claims for past or future infringements.

Discussion

14. Mr Speck QC, on behalf of Conversant, did not dispute the proposition that the English court could not determine the validity of foreign patents. In relation to European patents (apart from the UK designations), the English court would be required by Arts 24(4) and 27 of the Brussels I Recast Regulation to declare of its own motion that it had no jurisdiction to adjudicate upon cases in which the dispute concerned validity. In the case of non-European patents, Conversant was content to proceed on the basis of the provisional view expressed (*obiter*) by this court in *Chugai Pharmaceutical Co Ltd v UCB Pharma SA* [2017] EWHC 1216 at [73] to [74] that direct challenges to the validity of such patents are not justiciable in the English courts, based on the common law rule in *Moçambique*, as explained by the Supreme Court in *Lucasfilm v Ainsworth* [2011] UKSC 39.
15. Mr Layton QC contended that the word “direct” was inappropriate, and any case where the validity of a non-European patent was in issue was not justiciable. I do not agree, as the rule in *Moçambique*, in my view, prohibits such challenges where validity is the principal issue. However, this makes no difference to the questions which arise on this application, and I will assume, in favour of the Defendants, that the English court has no jurisdiction to adjudicate upon cases in which the dispute concerns validity of non-European patents.
16. In *Unwired Planet*, Huawei did not challenge the jurisdiction of the English court to adjudicate on a global FRAND licence. However, it relied upon jurisdictional arguments in support of its claim that a global licence was not FRAND. Birss J considered these arguments at [553] - [567]. Huawei pointed to existing infringement and validity actions in, for example, Germany. It submitted that the English court should not make a final determination that it was required to take and pay for a licence in Germany, and issue injunctive relief if it declined to do so, when that issue was currently before the German courts. Huawei contended that this would amount to circumventing the jurisdictional rules laid down by Art 22(4) (now Art 24(4)).
17. Birss J noted at [565] that Art 22(4) provides that in proceedings concerning the registration or validity of patents, the courts of the member state in which the registration has been applied for have exclusive jurisdiction. He cited the relevant case law of the Court of Justice of the European Union (“CJEU”) which established that this applied whatever the form of proceedings in which the issue of patent validity was raised, including if validity were challenged as a defence or counterclaim to a claim for infringement. However, he held that the Brussels I Regulation and the CJEU case law had nothing to do with what the terms of a FRAND licence should be. At [567] he said:
- “If a worldwide licence is FRAND then requiring Huawei to take and pay for one would not amount to determining questions of validity in relation to which courts of other member states have exclusive jurisdiction under Art 22(4). Taking Huawei’s example of the ongoing German proceedings, the German courts would remain free to determine the relevant

patents' validity. A FRAND licence should not prevent a licensee from challenging the validity or essentiality of licensed patents and should have provisions dealing with sales in non-patent countries. So if the German courts decide all the relevant patents are invalid (or not essential) that would simply result in whatever consequences the worldwide licence provided for. Since the licence is a FRAND licence those consequences are FRAND too. The binding nature and clarity of Art 22(4) are not thereby undermined and, most importantly, there is no risk of decisions in England and Germany conflicting.”

18. Birss J's analysis is simple, and in my view, compelling. Applying it to the present case, 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, either for the past or the future. If the Defendants are successful in respect of all such patents, then, on the figures provided to me, a large proportion of the royalties which would otherwise be payable will fall away. 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.
19. For reasons that both sides accept, the Defendants cannot put in issue the validity of foreign patents in proceedings before the English court. If, in their defences, the Defendants asked this court to determine that foreign patents were invalid, the plea would be strikeable as non-justiciable. However, it is not unjust to the Defendants for this claim to proceed in the English court, merely because of an assertion that the Defendants intend to plead matters which are non-justiciable. The Defendants do not need to do so, as they can bring their invalidity claims in the appropriate jurisdiction. A global licence which is FRAND can take account of the results of proceedings taken by the Defendants in the appropriate jurisdiction, by reflecting the results of those proceedings and by providing an appropriate mechanism for royalty adjustment.
20. On behalf of the Huawei Defendants, I was provided with an estimate which indicated that all of the Chinese proceedings will be determined in China by mid-2019, whereas a determination of a global FRAND licence in the UK would not start until 2020, after the technical trials had been concluded. The evidence shows that the Chinese proceedings will be concluded by early to mid-2019. Even if I accede to Mr Speck's application to fix the global FRAND hearing before the technical trials (which, subject to further submissions that Mr Speck is entitled to advance, does not seem to me to be appropriate) the Chinese proceedings would still be concluded before a global FRAND trial was heard and decided in the UK. On this basis, there is no question of the Defendants putting in issue the validity of the Chinese patents in the UK proceedings. All such questions will have been determined before the FRAND proceedings start.
21. But even in a case where challenges to validity of foreign patents were still pending, as was the position in *Unwired Planet*, this would not deprive the English court of jurisdiction, for the reasons given by Birss J. If, in the present case, the Defendants wish to challenge the validity of patents in other jurisdictions outside the UK and China, they are entitled to do so in the jurisdictions to which those patents apply.

Even if those proceedings have not been determined, a global licence which the English court considers to be FRAND will have a mechanism for reflecting the results of these proceedings.

22. In fact, the licence which was approved by Birss J in *Unwired Planet* contains a mechanism for dealing with patents held to be invalid after the licence has been settled. This mechanism has been adopted by Conversant in its latest “FRAND” offer, which is an adaptation of the *Unwired Planet* licence to the Conversant portfolio. In summary, a distinction is drawn between a “Major Market” and “Other Markets”. A Major Market means, in respect of 2G or 3G standards, a country in which there are two or more “Licensed Patents” and in respect of 4G, a country in which there are three or more Licensed Patents. China is excluded from the definition of Major Market. Other Markets means any country which is not a Major Market, but excluding China. A higher royalty rate is required for devices that are sold in a Major Market, as compared with Other Markets or China.
23. Clause 4.3 provides that adjustments to the list of Major Markets is done on an annual basis. It states that:

“Any Licensed Patent in a country which is determined by a relevant court to be invalid or not essential would cease to count as a Licensed Patent in that country. Further, if additional Licensed Patents are added in a country, appropriate adjustments shall be made.”
24. The effect of the clause is that lower royalty rates will become payable if the number of Licensed Patents in a jurisdiction drops below specified levels, because of determinations of invalidity or non-essentiality in that jurisdiction. In respect of China, royalty rates are always at the lowest rates of Other Markets, because royalty rates in China are lower than in the rest of the world. Further, when considering the appropriate fraction for calculation of the Chinese royalty rate, Birss J said in *Unwired Planet* at [583]:

“The appropriate rate for China is not complicated to arrive at. The comparable licences show that rates are often lower for China than for the rest of the world. The relevant factor varies. I find that a FRAND licence would use a factor of 50%.”
25. The Huawei and ZTE Defendants criticised this mechanism, on the basis that it still required payment of royalties for the past and for the future, even if all the Chinese Patents were found invalid and/or not infringed. It was submitted that the July 2017 licence that has been offered by Conversant is not FRAND, as it fails to take into account the results of the Chinese proceedings. On this basis, it was submitted the claim is not justiciable. I disagree. The Defendants’ criticism only has force if they succeed in establishing that all of the 11 Chinese patents in the Conversant Portfolio are invalid or not infringed. If one or more Chinese patents are found to be valid and infringed, then the mechanism in the July 2017 licence may be FRAND. In those circumstances a licence for one or more Chinese patents will be required, and it will be at the lowest rate contemplated by the licence.

26. In any event, this is not, in my judgment, a jurisdictional objection. Rather, it is an objection to a specific term of the proposed licence, which is alleged not to be FRAND based on a hypothetical. The Defendants may make a counter-offer, which they contend is FRAND, containing the mechanism that they say is appropriate for adjusting the royalty to reflect the outcome of the Chinese proceedings. It is most unlikely that every term of the licence proposed by Conversant will be accepted without change by the court, and this dispute is a matter for the trial, which does not affect the justiciability of the claim.
27. There are other, fundamental objections to the Defendants' justiciability objection. First, the Defendants submit that *all* of Conversant's claims in the UK proceedings are not justiciable. I reject this. Claims of infringement of UK patents are properly justiciable in this jurisdiction, particularly as the Defendants will undoubtedly challenge the validity of the UK patents (see, for example, Dagg 1 [33], which confirms this intention on behalf of Huawei). Based on the Defendants' own arguments, such a claim, which puts in issue the validity of UK patents, is only justiciable in this jurisdiction.
28. Secondly, the effect of the Defendants' justiciability argument is that no patentee will be able to have a determination of what terms would be FRAND for its global portfolio, without agreement from the defendants and subject to conditions imposed by the defendants, despite being bound by the obligation to offer a FRAND licence in order to be granted relief from patent infringement. The same arguments advanced by the Defendants on these applications could be advanced in every country in the world. The Huawei and ZTE Defendants would be able to say that any claim for infringement of local standards essential patents was non-justiciable locally, insofar as such a claim sought determination of a global FRAND licence. The effect would be that Conversant would need to seek separate licences for each individual country where it held SEPs, by commencing separate litigation in each such territory. Conversant characterised this as a "hold-out charter" which would enable continued infringement without payment of royalties. I agree.
29. This consequence would fundamentally undermine the judgment of Birss J in *Unwired Planet*. Mr Layton invited me to express the view that Birss J's judgment was wrong in various respects, and suggested that this might be of assistance to the Court of Appeal (a proposition which I doubt). I decline to do so. I would only do so if I were convinced that the judgment was wrong. Based on the arguments advanced on these applications, I am not convinced that Birss J was wrong in any material respect.
30. In conclusion, I shall dismiss the Defendants' justiciability objection.

Forum conveniens – preliminary points

The Brussels I Regulation and the Owusu decision

31. Article 4(1) of the Brussels I Recast Regulation provides that: "*Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State.*" Conversant submitted that Huawei UK and ZTE UK must be sued in their country of domicile i.e. the United Kingdom and there

is no room for the doctrine of *forum non conveniens* to apply so as to displace that rule.

32. In this regard, reliance was placed on the judgment of the CJEU 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 European domiciliary on the ground that the natural forum for the claims was outside Europe. The CJEU held at [46] 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.”

That reference was not concerned with the subject matter of Art. 24. The CJEU was asked, but declined to answer, a second question as to whether this also applied in cases concerned with the subject matter of Art. 24.

33. Art. 24(4) of the Brussels I Recast Regulation provides, *inter alia*, 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. The application of *Owusu* to Art. 24 cases is considered in *Dicey, Morris and Collins on the Conflict of Laws* (Fifteenth Edn.) at [12-021]:

“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 Art.2, 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*”

The authors continue at [12-024]:

“It is submitted that the proper course for an English court is to use Arts. [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.”

34. In *Ferrexpo AG v Gilson Investments Ltd and others* [2012] EWHC 721; [2012] 1 CLC 645, Andrew Smith J considered the applicability of the *Owusu* decision to a case concerned with corporate decisions in Ukraine, which fell within the subject matter of Art. 24(2) (then Art. 22(2)). He concluded at [154] that “*it is a matter of discretion whether the court should or should not assume jurisdiction*” and added that: “*There appears to me no reason of principle or policy that the reflexive application of the article should be adopted slavishly and, as stated in Dicey Morris and Collins (loc. cit.) at para 12-022, it is inappropriate to do so.*”

35. Mr Speck did not take issue with the view expressed in *Dicey*, nor with the judgment of Andrew Smith J in *Ferrexpo*. He recognised that in a case which concerned the validity of non-European patents, the English court has a discretionary power to decline jurisdiction on the basis of *forum non conveniens*. However, he submitted that this was merely a repackaging of the Defendants' justiciability objections. He argued that if this court were to reject the justiciability objections, on the basis that these claims are not concerned with the validity of foreign patents, then Art. 24(4) has no application, and *forum conveniens* principles do not apply to the claims against Huawei UK and ZTE UK, who must be sued where they are domiciled.
36. In answer, Mr Layton submitted that, as *Dicey* makes clear, it is not necessary that the case should fall slavishly within the subject matter scope of Art. 24. He submitted that it was sufficient that the case concerns non-European patents.
37. In any global FRAND determination, the English court will not be concerned to determine the validity of any non-UK patent, for the reasons which I have explained when dismissing the Defendants' justiciability objections. A global FRAND licence will take account of validity determinations in other jurisdictions. Therefore, I accept Mr Speck's submissions that Huawei UK and ZTE UK must be sued for infringement of the UK patents in the courts where they are domiciled and there is no room for the doctrine of *forum non conveniens* to apply.
38. Since I have rejected the Defendants' case that these claims are non-justiciable; and concluded that Huawei UK and ZTE UK are precluded from obtaining a *forum non conveniens* stay, it follows that the cases will continue in this jurisdiction against the UK Defendants, whatever may be the position in respect of the Chinese Defendants.

Amendment of the forum non conveniens application notice

39. In the application notices in respect of *forum non conveniens*, the Chinese Defendants only were identified as applicants. The UK Defendants applied to amend the application notices so that they would also be identified as applicants. Conversant submitted that the UK Defendants' amendment applications were too late. It further submitted that relief from sanctions would be required for the amendment applications to succeed, which should not be granted.
40. In the light of my conclusion that Huawei UK and ZTE UK must be sued in the courts where they are domiciled, and there is no room, in their cases, for the doctrine of *forum non conveniens* to apply, I shall refuse permission to amend. The UK Defendants are not entitled, as a matter of law, to make these applications. Therefore, the question of relief from sanctions does not arise. However, had it been necessary to determine the question then I would have granted permission to amend the application notice. I will explain my reasons for this conclusion very briefly. A discretionary stay has already been sought by Huawei China and ZTE China, and the evidence concerning it is before the court. The omission of the UK Defendants was a minor oversight which caused no prejudice to Conversant. Even if relief from sanctions had been required (which I do not accept) then I would have granted such relief. Had the UK Defendants been entitled to seek a *forum non conveniens* stay, it would have been disproportionate to decline to resolve that claim because of a minor oversight.

Forum conveniens – the principal issues

Legal principles

41. I shall apply the principles as summarised by Lord Goff in *Spiliada Maritime Corp v. Cansulex Ltd* [1987] AC 460. It is necessary to set out the principles to be applied in both “service in” and “service out” cases, as although there are differences, many considerations are common to both.
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.
44. The Defendants submitted, and I accept, that the inquiry requires the court to identify which is the natural or appropriate forum or *forum conveniens* for the dispute between the parties, not merely the claims the claimant wishes to advance or the relief it wishes to seek. In this regard, the Defendants relied heavily upon the decision of the Court of Appeal in *Re Harrods (Buenos Aires) Limited* [1992] Ch 72. In that case, an English company (Harrods) had carried on business for many years in Argentina and was regarded in Argentina (but not in England) as an Argentinian 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.
45. At first instance, 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 a petition for unfair prejudice 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.
46. This approach, which Mr Layton and Mr Bloch characterised (somewhat unflatteringly) as “the Harman fallacy”, was overturned on appeal. Bingham LJ said at 127C that “*the judge did not direct himself in accordance with [Spiliada] ... and moreover put the question in a way which pre-empted the answer*”. He said at 123F:
- “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”.

Service in or service out?

47. For the reasons set out below, I regard these proceedings as “service out” cases, where Conversant requires permission to serve out because Huawei China and ZTE China have not been properly served. The question, therefore, is whether Conversant has satisfied the court that England is clearly the most appropriate forum for these cases to be tried, having regard to the interests of all parties and to the ends of justice.

The Defendants’ submissions in outline

48. Mr Bloch QC concentrated his submissions on this aspect of the case, which was also developed by Mr Layton QC. The Defendants contend that this question should be answered in the negative. The central factor in their argument is that the Chinese patents are overwhelming in their importance for past and future royalty claims in respect of the Conversant portfolio. They contend that this is a case in which the validity, essentiality and infringement of the Chinese patents must be tested in order to determine the appropriate royalty rate for a global FRAND licence. They contend that the most appropriate forum to do this is in the Chinese courts, as the patents of other countries, and in particular the UK patents, are of marginal significance to the claim for global royalties.
49. The Defendants submit that the relief which Conversant is really seeking is a declaration as to the terms of the global FRAND licence. This is said to be the primary claim on the claim form and the commercial driver for the proceedings, and the reason why Conversant has chosen to bring the proceedings in the UK in preference to anywhere else. It is said that the UK infringement claims are relied on to connect the case with the UK, but they are no more than a convenient hook upon which to hang the enforcement of a global FRAND licence. They submit that Conversant’s approach to *forum conveniens* elevates form over substance, and suffers from the “Harman fallacy”. The Defendants also rely upon a variety of other factors which are said to connect the proceedings with China, rather than England.
50. In support of their contention that there is another available forum for determination of a global FRAND licence, the Defendants rely upon “concessions” to the effect that they would agree to have a global FRAND rate determined in China. I do not consider that these are properly characterised as concessions, and I will refer to them as “offers” by the Defendants.

Conversant’s submissions in outline

51. Conversant submits as follows: First, the UK is clearly the appropriate forum for the UK patent infringement claims. The FRAND issues are part and parcel of those infringement claims and so should remain with the UK infringement claims. The Defendants' *forum non conveniens* case treats the claim as a claim for worldwide royalties, but this is not the case. Secondly, the Defendants' arguments on *forum non conveniens* ignore the fact that on any view, the case against the UK Defendants must remain here, due to the *Owusu* doctrine. Therefore, the claim against the UK Defendants will remain here and the effect of moving the claims against the Chinese Defendants to China would result in bifurcated proceedings with a risk of duplication of issues in multiple jurisdictions. Thirdly, there is significant doubt that the Chinese courts have jurisdiction to decide the terms of a global FRAND licence and/or infringement/essentiality of non-Chinese patents. Finally, other connecting factors point to the UK as being the most appropriate forum. The fact that the bulk of sales occur in China is not relevant to the issue of what the correct licence for the portfolio should be.

Discussion

Availability of an alternative forum

52. Fundamental to the Defendants' argument is that China is an alternative forum which is available to decide on issues of essentiality and infringement of non-Chinese patents and to set the terms of a global FRAND licence. If the Chinese courts do not have jurisdiction to determine essentiality and infringement of the four UK patents and to set the terms of a global FRAND licence, then no alternative appropriate forum is available, and the Defendants' application for a stay must be rejected at the first stage of *The Spiliada* test. Conversant strongly disputes the contention that China is an alternative forum which is available to decide these issues.
53. Mr Xiaoguang Yang, a partner in the firm of Zhongzi Law Office, has given evidence on behalf of Conversant. Mr Yang has more than 30 years' experience in practising in intellectual property law in China in relation to both patent prosecution and litigation. His evidence is that there is no provision in Chinese law which would enable Chinese courts to make a FRAND ruling on a global basis. Chinese courts are required to uphold the rule of law. In China this is interpreted as meaning that the courts cannot take action unless empowered to do so by an explicit provision. As a matter of Chinese law, there is no provision enabling the Chinese courts to make a finding as to FRAND on a global basis. This is supported by the fact that no decided patent case in China indicates that the Chinese courts would consider determining a FRAND licensing rate encompassing non-Chinese patents. Further, the Chinese courts have never determined the full terms of a FRAND licence, and Mr Yang does not believe that they would do so.
54. He points out that Art. 24 of the 2016 Judicial Interpretation, which gives jurisdiction to the Chinese courts to determine FRAND licensing terms, is in respect of Chinese patents only. He also states that the Chinese courts would not be prepared to resolve a debate about the FRAND obligations in respect of a party subject to the ETSI IPR policy which is governed by French law. In the Chinese case of *Huawei v Interdigital*, despite being shown Art. 12 of the ETSI rules, and despite considering the ETSI FRAND obligation, the Guangdong High People's Court refused to apply French law and applied Chinese national standards to the Chinese patents in issue in that case.

55. The Huawei Defendants rely on the evidence of Jianzhong Shen who is a partner at Allen & Overy based in Hong Kong China, who leads the firm's intellectual property and life science practices in China. He has held this position since January 2017, having joined the firm from AstraZeneca China where he was employed as China General Counsel.
56. At paragraph [6] of his first statement, Mr Shen states that:
- “There may be some doubt whether the Chinese court would determine FRAND rates for a global SEP portfolio which had little to do with China. In this case, however, I understand that the Chinese patents are central to the FRAND rate for any global portfolio licence. I expect that the Chinese courts would hear the case, at least to the extent of the Chinese SEPs. The Chinese courts will also rule on patent essentiality issues. Validity of disputed Chinese patents including SEPs is routinely dealt with in parallel proceedings before the Patent Review Board (PRB) of the State Intellectual Property Office.”
57. There is no doubt that the Chinese courts can determine infringement, essentiality and validity of the Chinese patents, and can set a FRAND royalty rate for Chinese patents. Mr Shen does not say that Chinese courts will determine any of these issues in respect of non-Chinese patents.
58. At paragraphs [9] – [10] of his second statement Mr Shen notes the Huawei Defendants' offer that if Conversant proceeds to China for a global FRAND determination, then the Huawei Defendants will not challenge the validity of Conversant's non-Chinese patents in those Chinese proceedings and will agree to the Chinese court determining essentiality, infringement and the FRAND rate for Conversant's global portfolio. On that basis, he states that:
- “If Conversant proceeds in China for a determination of essentiality, infringement and FRAND for its global portfolio, I expect that the Chinese court may accept jurisdiction and resolve the case. Since Huawei would have agreed to this, the determination would be made with the consent of both parties, and since Huawei would have agreed not to dispute the validity of non-Chinese patents in those Chinese proceedings, there would be no jurisdictional difficulty.”
59. In summary, Mr Shen's view is that the Chinese courts *may* determine issues of a global FRAND licence and infringement/essentiality of foreign patents, including the UK patents in issue *if* both parties agree.
60. The ZTE Defendants rely upon the evidence of Mu Ying. Ms. Mu has been counsel at Global Law Office in China since November 2017. Before then she was a judge in the Beijing Intellectual Property Court since 2015 and prior to that was a judge in the Intellectual Property Law Division of the Beijing First Intermediate People's Court for six years. Ms. Mu expresses the view at paragraphs [45] – [46] that, although the Chinese courts have not previously ruled on the FRAND terms of a global licence it would be prepared to do so “*at least if both parties asked it to do so*”.

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.
62. In any event, Conversant has made it clear that it does not accept the Defendants' offers, for a number of reasons, which, in my judgment, are reasonable. In particular:
- i) it is common ground between the experts that Chinese courts would apply Chinese law to the question of the ETSI FRAND obligation; Mu 1 [36]; Yang 2 [16] – [17]. This would result in a lower rate for the entire portfolio than would be granted in other parts of the world. As Birss J stated at [583] of *Unwired Planet*: “*the comparable licences show that rates are often lower for China than for the rest of the world. The relevant factor varies. I find that a FRAND licence would use a factor of 50%*”.
 - ii) the Huawei offer requires Conversant to accept that the Chinese patents are representative of the whole portfolio, which it is not prepared to do;
 - iii) the Huawei and ZTE Defendants' offers require that FRAND determinations proceed by agreement in different Chinese fora. Instead of the English court determining FRAND for the portfolio, there would be two parallel determinations in different courts in China about the same portfolio. Conversant does not agree.
63. During his oral submissions, Mr Speck did not suggest that Conversant would not obtain justice if these cases were heard in China, other than as a result of it applying Chinese law and he repeated this submission in a case summary which I asked the parties to prepare subsequent to the hearing. I would reject any submission that Conversant would not obtain justice in China, in accordance with Chinese law. Intellectual property judges in China are making tremendous efforts in developing a system for deciding and enforcing intellectual property claims. FRAND royalty rates for Chinese patents have been lower than in other parts of the world, no doubt because China considers this to be in accordance with the current needs of its population. This is not a question of an inability to obtain justice in accordance with the laws of a different jurisdiction. However, the significantly lower royalty rates explain why Conversant will not agree to the Defendants' “concessions”. No owner of a global portfolio would voluntarily submit to determination of a FRAND licence for the entirety of its portfolio where the rates applied would be lower than in the rest of the world.
64. In conclusion, in my judgment, China is not an alternative available forum in which infringement of the UK patents can be determined, nor in which the terms of a global

FRAND licence can be set. However, in case I am wrong, I will consider the other arguments advanced by the parties.

The Defendants' central argument

65. In my judgment, the characterisation of these claims as foreign portfolio infringement claims, or worldwide royalty claims, is inaccurate. They are claims for infringement of four United Kingdom patents, and the English court is clearly the appropriate forum in which these cases should be tried. The Defendants are entitled to pursue their actions in respect of the Chinese patents, and the result of those Chinese proceedings will be taken into account in any global FRAND licence. As in *Unwired Planet*, the global FRAND licence sought by Conversant sets different royalty rates for different territories, and it makes no difference where the bulk of the sales occur.
66. The fact that these are claims for infringement of UK patents is a matter of substance, not form. Of course, the object of the proceedings is to obtain the relief sought in the claim form, in these cases either a global FRAND licence or a FRAND injunction, but this does not differentiate these proceedings from other cases before the English court; the relief sought is generally the object of the proceedings.
67. Birss J rejected a similar argument at [554] – [555] of *Unwired Planet*. Huawei relied on a series of arguments in support of its submission that Unwired Planet's insistence on a global licence was not FRAND. Birss J said:

“554. First Huawei submitted that any consideration must start with the proposition that at least in English law, there is no such thing as a portfolio right. Citing [Lucasfilm Ltd v Ainsworth \[2011\] UKSC 39, \[2011\] F.S.R. 41, \[2012\] 1 AC 208](#) Huawei submitted that the English Courts have no jurisdiction to entertain an action in respect of the validity of a foreign patent, and are reluctant to entertain an action for infringement of a foreign patent even where validity is not in issue. Therefore, insofar as Unwired Planet wishes to complain that Huawei is infringing SEPs in other jurisdictions, Huawei contend that such complaints are in principle for the Courts of those other jurisdictions.”

555. I accept that there is no such thing in law as a portfolio right. At least from the perspective of English law, Unwired Planet should sue on SEPs in the countries in which they exist. However this does not preclude a finding that worldwide licences are FRAND. The first submission is relevant but not determinative.”

68. I agree with Birss J that there is no such thing as a portfolio right. That mischaracterises the claim, as it is not the cause of action sued upon. 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.

69. In *Unwired Planet*, Birss J held that a global licence was FRAND, on the basis of evidence as to industry practice, and comparables agreed between willing licensors and willing licensees of SEP portfolios. Whether such relief should be granted in the present case will be a matter for the FRAND trial, if liability is established. If these claims were stayed on the basis of *forum non conveniens*, then the consequence would be that the English court could not decide upon infringement of UK patents, and could not decide what relief it would be appropriate to grant where such patents are infringed. That, in my judgment, would not be in the interests of all the parties and the ends of justice.
70. I do not consider that this reasoning suffers from the “Harman fallacy”. In *Harrods*, Harman J framed the question to be answered simply by reference to the relief claimed. 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. In the present case, the Defendants focus solely on the relief claimed, and thereby ignore the substance of the claim for infringement of UK patents.

The claims against the UK Defendants

71. I have accepted Conversant’s argument that the case will continue in any event against Huawei UK and ZTE UK. The Defendants’ offers contemplate that the Chinese courts will decide on infringement of the UK patents when setting a global FRAND licence. This would mean that two courts would be deciding the question of infringement of the same UK patents. The risk of inconsistent decisions is clear and is plainly undesirable. In *Iiyama (UK) Ltd and others v Samsung Electronics Co Ltd and others* [2018] EWCA Civ 220 the Court of Appeal, in a combined judgment, said at [130]:

“... It would not be satisfactory if the claimants were forced to sue some of the defendants in England and Wales (because they were served here as of right) and others in the Far East. They would then have to try to prove their case at two different trials, would be at risk of inconsistent findings of fact, and the courts of Taiwan or Japan would have to apply EU law as a foreign law.”

Other connections with China relied on by the Defendants

72. The Defendants relied upon several other factors, which they submitted were objective connections with the case to China. It was contended that:
- i) Huawei China and ZTE China are Chinese companies and Conversant is a Luxembourg company with no connection with the UK. Huawei UK and ZTE UK are amongst many local subsidiaries whose involvement is said to be wholly peripheral;

- ii) the Defendants wish to call witnesses of fact and expert witnesses whose language is Chinese;
 - iii) in relation to validity, the commercial importance of the Chinese patents to the royalty claim means that China is the more appropriate forum than England. China has specialist patentability courts that can better and more accurately decide whether the key Chinese patents are valid than the English court. Furthermore, it is more democratic and legitimate that disputes concerning patent validity, and thus the existence of monopolies affecting a given territorial population and the price that it pays, should be made in the country whose patents are centrally in issue;
 - iv) in relation to patent essentiality and infringement, the Chinese infringement court can liaise with and respond to the Chinese validity court in a better more responsive manner than the English court could do, and any conflicts arising between validity and infringement determinations can ultimately be resolved on appeal in a common Supreme Court;
 - v) China is more appropriate than England by reference to the place of the tort as the place of manufacture and the place where most of the allegedly infringing sales were made;
 - vi) in relation to language, the Chinese courts are more appropriate than the English courts because the Chinese patents are in the Chinese language, and there is a Chinese version of the standards to which reference can be made. There may also be Chinese language transactions or material which are said to be comparable or have a bearing on essentiality;
 - vii) if the global FRAND determination takes place in China, the costs are expected to be about £200,000 per side rather than several million pounds which will be required for litigation in the United Kingdom;
 - viii) Chinese law is more central than English law to this dispute and that is so in a developing and controversial area of law. Chinese law governs the validity of the patents and their infringement, as well as the party's negotiations and any good faith and FRAND obligations towards each other, in relation to the Chinese patents. The parties' negotiations took place in China;
 - ix) insofar as ETSI obligations are relevant, they are governed by French law which is not a factor which points in favour of England;
 - x) the case is already underway in China and the argument for the first validity challenge will be heard in March 2018;
 - xi) when Conversant first tried to enforce its patent portfolio against other market participants it did so in France and the United States, and not in the UK.
73. There is no dispute that, in relation to the Chinese patents, validity and infringement will be determined in China. Many of the factors relied upon by the Defendants are addressed to that proposition, which is common ground. This does not mean that China is the natural forum for a case which concerns allegations of infringement of

UK patents, and for relief in terms of a global FRAND licence. In my judgment, it plainly is not the natural forum.

74. As to the Defendants' suggestion that they wish to call Chinese witnesses of fact, they are entitled to do so, but there will be little scope for evidence of fact in the technical trials (where product and process descriptions will be expected) or in a FRAND hearing. As to expert evidence, the Huawei Defendants relied upon English-speaking experts in the *Unwired Planet* FRAND trial. If the Defendants wish to rely upon Chinese experts, they are entitled to do so, but it does not follow that the UK is other than the natural forum for this dispute. As to legal costs, I do not accept that the comparison relied on by the Defendants is a connecting factor to China. In any event the comparison is flawed as it assumes that this FRAND trial will require the same time and costs as the *Unwired Planet* trial. *Unwired Planet* established the relevant principles and if they are upheld on appeal then subsequent cases will be very significantly shorter. In addition, the Defendants' alleged concerns about legal costs sit uneasily with suggestions that they wish to pursue patent by patent challenges in numerous different jurisdictions.

Conclusion

75. Conversant has satisfied me that England is clearly the natural and appropriate forum in which these claims should be tried. Therefore, I reject the Defendants' application for a stay on grounds of *forum non conveniens*.

Have Huawei China and ZTE China been validly served in England?

76. The basic rule, which applies under the CPR as it did under RSC Order 11, is that unless a foreign company is carrying on business at a place within the jurisdiction, it cannot be served with proceedings within the jurisdiction. This is a minimum requirement: *Adams v Cape Industries Plc* [1990] 1 Ch 433 at 524F; *SSL International plc v TTK LIG Ltd and others* [2012] 1 WLR 1842 at [49].

Purported service on Huawei China

77. Huawei China is a Chinese company with its registered offices in Shenzhen, China. Conversant sent the claim documents by letter dated the 25 July 2017 to “[*Huawei China*] c/o *Huawei Global Finance (UK) Ltd*, 99 Bishopsgate, London EC2M 3XD *FAO Adam Page*”. The covering letter stated that service was being effected “*on the basis that this is a place where [Huawei China] carries on activities in the United Kingdom and/or is one of [Huawei China]’s places of business in the United Kingdom.*”
78. Huawei Global Finance UK Ltd (“HGF”) is a UK company in the Huawei group which is under common ownership with Huawei China but is not a subsidiary of Huawei China. It is not sued as a defendant and is not alleged to have any involvement in the subject matter of these proceedings. Mr Page, to whose attention the documents were directed, is Legal Counsel and Company Secretary of HGF. HGF was established to provide platform advisory services and treasury management services for the Huawei group.

79. The principal activities of HGF are explained by Mr Page at paragraph [8] of his first statement. As to advisory services, HGF supports and provides technical and specialist expertise into various financial, accounting, tax, treasury and compliance activities of members of the Huawei group; and as regards treasury management services, HGF operate a treasury business that executes financial trades and transactions in accordance with delegated authority and the applicable treasury management policies and procedures of members of the Huawei group.
80. Mr Page explains that:
- i) Neither HGF nor its staff have entered into any contracts on behalf of Huawei China nor acted on any delegation of authority from Huawei China to conduct any business with third parties on behalf of Huawei China.
 - ii) HGF is not an agent of Huawei China and does not carry out the business of Huawei China. HGF is not permitted, nor has the authority, to act in a manner so as to bind Huawei China. HGF simply carries on its own business which provide services to Huawei China and other Huawei group companies.
 - iii) HGF's premises are not connected to Huawei China. The building in which HGF's premises is located is not owned, leased or licensed by Huawei China.
 - iv) HGF does not receive any financial contributions from Huawei China to assist with the running of its business. The only financial payment HGF receives from Huawei China is the fee charged for the provision of services by HGF to Huawei China.
 - v) Huawei China does not control HGF, which is managed by its own board of directors in England and Wales.
 - vi) HGF's premises are devoted to the business of HGF. No part of HGF's premises is reserved for the business of Huawei China. From time to time HGF makes available parts of this office space for short-term business visitors from Huawei China and other Huawei group companies.
81. On behalf of Conversant, Mr Speck criticised the evidence of Mr Page. He pointed out that at [8] of his first statement Mr Page states that HGF executes financial trades and transactions in accordance with delegated authority. But Mr Page nonetheless denies that HGF entered into contracts on behalf of Huawei China. Mr Speck submitted that if it were simply trading on its own account, HGF would not need delegated authority. Mr Page has explained that HGF does not have any delegation of authority from Huawei China to execute financial trades or transactions, but it is submitted that this is inconsistent with the wording of the financial statements, repeated by Mr Page, which refers to delegated authority.
82. Similarly, Mr Speck disputes Mr Page's evidence that whilst HGF displays in its reception the name of Huawei Technologies, that refers to the business of the group rather than the company name of Huawei China. The company name of Huawei China is Huawei Technologies Co. Limited and Mr Page's LinkedIn profile states that he is Legal Counsel and Company Secretary at Huawei Technologies.

83. Mr Speck also relied on the fact that some 35% of employees of HGF are in fact employees of Huawei China on secondment to HGF. HGF makes available desks at its offices in London for employees of (amongst others) Huawei China. This, he submits, is sufficient to show that Huawei China shares HGF's offices, which have therefore become a place of business for Huawei China in the United Kingdom.
84. He also pointed out that HGF is, as described in its own reports and accounts, an internally financed entity. It appears to depend entirely upon income from other group companies derived from entering into and executing transactions for them. It is inferred that Huawei China must be supporting HGF.
85. Furthermore, HGF operates as the global finance centre for the Huawei group. There is a finance committee within Huawei China which is described in the Annual Reports of Huawei China as "*the decision maker for risk management*". There is therefore a substantial overlap between the activities of HGF and those of the finance committee within Huawei China. Two members of the board of directors of HGF are also members of the board of Huawei China. They also sat upon Huawei China's finance committee until shortly after the date of service of the proceedings on Huawei China.
86. Finally, Conversant submitted that HGF does not appear to have any business with third parties. It only carries out transactions with or for other Huawei group companies.
87. In my judgment, Mr Speck has raised legitimate questions concerning the evidence of Mr Page, which may well be relevant at trial to Conversant's claims of common design. However, these questions do not render Mr Page's evidence implausible in the absence of cross-examination. For the purposes of this application, I accept Mr Page's evidence. Any other conclusion would mean that his evidence is highly misleading, which is a view that I am not prepared to reach without cross-examination.
88. For these reasons, I conclude that service on HGF does not constitute valid service on Huawei China.

Purported service on ZTE China

89. The issues in respect of purported service on ZTE China are similar to those in relation to Huawei China. Conversant claimed that it effected service of the proceedings on ZTE China by sending them to Landmark Place, Windsor Road, High Street, Slough SL1 1LJ ("the Slough address"), which at the relevant time was ZTE UK's registered office. Conversant submitted that the Slough address is a place at which ZTE China does business or carries on activities.
90. Conversant's case is based on the evidence of Mr Moss that numerous ZTE employees state on their LinkedIn profiles that they work for ZTE China and that they work in the UK. This must be a reference to the address of ZTE UK. Where the address of the local subsidiary within the relevant jurisdiction is the place of employment of numerous employees of the parent company, who may be assumed to be carrying out the business of the parent company at that address, it was submitted that this is direct evidence of the parent company carrying on business at the subsidiary's business address, as if the subsidiary were entering into contracts on behalf the parent.

91. Ms Xu, an account manager at ZTE UK, has served evidence in answer to Mr Moss's statement. In general terms, she denies that the relevant employees are based in the UK, or states that they are employed by ZTE UK. She also states that some of the LinkedIn profiles contain mistakes.
92. Conversant also relied upon ZTE UK's accounts, which show that it is not a self-supporting company, that its liabilities exceeded its assets, and that it is dependent upon continuing financial support from ZTE China to remain in operation. It was submitted that ZTE China is providing ZTE UK with substantial injections of cash to keep it afloat and thereby shouldering a proportion of all of ZTE UK's costs, including its accommodation and staff costs.
93. Ms Xu accepts that ZTE China offers some financial support to ZTE UK through intragroup loans and guarantees, as is common between parent and subsidiaries. However, her evidence is that ZTE China does not directly fund any premises of ZTE UK and does not require ZTE UK to spend loan money in any way. Furthermore, intragroup loans from ZTE China carry interest and in that respect are similar to any commercial loan that ZTE UK might obtain from a bank or other lender. Guarantees are provided because they are a standard arrangement between parent and subsidiaries and because ZTE China does not have a bank account in the UK.
94. Ms Xu, and Ms Wang, who is Senior IP Counsel at ZTE China, give evidence that ZTE China does not control the activities of ZTE UK. Miss Wang also confirms that ZTE UK does not act as an agent of ZTE China. ZTE UK carries out a business as principal on its own account in selling ZTE mobile devices in the UK.
95. This evidence was criticised by Mr Speck, who pointed out that ZTE China is repeatedly described as being the ultimate controlling party of ZTE UK in ZTE UK's accounts. Furthermore, the statement in ZTE China's regulatory announcement described ZTE UK as facilitating ZTE China's overseas development.
96. In my judgment, Mr Speck has raised legitimate questions concerning the evidence of Ms Xu and Ms Wang which may be relevant at trial in respect of Conversant's claims of common design. However, they are not such as to render their evidence implausible, in the absence of cross-examination. Any other view would mean that their evidence is highly misleading, which is a conclusion that I am not prepared to reach without cross-examination.
97. For these reasons, I conclude that service on ZTE UK does not constitute valid service on ZTE China.

Service out in relation to Huawei China and ZTE China

Are the claims within any of the Gateways in 6B PD 3.1?

98. Conversant contended that the claims fell within five of the Gateways in 6B PD 3.1. It is only necessary for me to refer to two of these Gateways, which are sufficient to decide this issue.

Gateway 2

99. 6B PD 3.1(2) provides that:

“The claimant may serve a claim form out of the jurisdiction with the permission of the court under [rule 6.36](#) where— (2) A claim is made for an injunction ordering the defendant to do or refrain from doing an act within the jurisdiction. ”

100. In an unreserved judgment given during the hearing of these applications ([2018] EWHC 482 (Pat)) I granted permission to Conversant to amend its pleadings (“the Amendment judgment”). I held that there was at least an arguable case for a FRAND injunction against Huawei China and ZTE China. I did so without prejudice to the Defendants’ jurisdiction challenges. The Defendants accept that if that judgment is correct, then the claim for an injunction will fall within 6B PD 3.1(2) with the result that the other claims would accordingly fall within 6B PD 3.1(4)(a) as being closely related thereto.
101. However, the Defendants contend that the court was wrong to hold that there was an arguable case for an injunction and should hold on the jurisdictional challenges that there is no such arguable case. It is said that the basis for the court’s decision was that the Defendants are not willing to submit to the English court’s determination of whether or what licence terms are FRAND. That is said to be inconsistent with the Defendants’ challenge to the English jurisdiction and wrongly to presume that England is the natural forum for FRAND determination to which a willing licensee should submit. The Defendants contend that they are willing to submit to judicial determination of FRAND as is clear from the Chinese proceedings that they have brought, and their offers that they will agree to a global FRAND determination, provided that this takes place in China. It is submitted that the Defendants are willing licensees who are merely disputing the proper forum.
102. I will not repeat the basis for FRAND injunctions, which I have set out in the Amendment judgment. I have carefully considered the Defendants’ arguments but I do not accept them. It is necessary to take account of all relevant facts, which are as follows:
103. First, Mr Moss has given evidence that Conversant has been in lengthy discussions with Huawei China and ZTE China in respect of their groups’ unlicensed global activities which are said to implement the inventions claimed in the handset SEPs in the Conversant portfolio. These discussions have continued over several years, but Conversant are of the view that no meaningful progress has been made. During this period, it was not suggested that any licence fees have actually been paid by the Huawei Defendants or the ZTE Defendants to Conversant.
104. Secondly, the position of the Huawei Defendants, as explained in the first Statement of Ms Dagg at [32] – [33] is that “*Huawei does not agree that a global portfolio licence is necessary in this case.*”; and that “*Huawei intends to challenge the validity, essentiality and infringement of the Chinese patents in particular and of the other Asian Pacific and other European patents as well, and also of the UK patents*”. The ZTE Defendants have been less overt about their position in evidence; see Wang (2) at [35] - [43].

105. Thirdly, and significantly, despite repeated requests in correspondence the Huawei and ZTE Defendants have not confirmed the following: (a) that they are willing to take a licence on FRAND terms determined by the English court; (b) that in so far as there is any dispute as to whether a licence structure or other terms are FRAND, it is not for the Defendants to reserve to themselves the right to resolve that dispute; (c) that their willingness to take a licence on FRAND terms is unconditional, both as to the circumstances in which and timing at which they will enter into a licence.
106. Fourthly, I have considered the “concession statements” served by the Defendants shortly before the hearing. I do not regard them as concessions, for the reasons set out above. They suggest that the Defendants will only accept a global FRAND determination if it takes place in China, subject to a number of conditions to which Conversant would be required to agree.
107. Of course, there will be another side to this story. The Defendants contend that they have not been made a FRAND offer by Conversant, and that they have entered into negotiations in good faith. This cannot be determined on a summary application, and on the available evidence I have reached the conclusion that Conversant has a good arguable case for a FRAND injunction. In the circumstances, I conclude that the claims for injunctive relief fall within 6B PD 3.1(2), with the result that the other claims fall within 6B PD 3.1(4)(a) as being closely related thereto.

Gateway 11

108. 6B PD 3.1(11) provides that:

“The claimant may serve a claim form out of the jurisdiction with the permission of the court under [rule 6.36](#) where— (11) The subject matter of the claim relates wholly or principally to property within the jurisdiction.”

109. The four patents sued upon in these proceedings, as EP patents designating the UK, constitute property within the UK within the meaning of Gateway 11, since they are UK intellectual property. I do not accept the Defendants’ argument that the claims do not relate principally to the UK patents, but rather to foreign patents. It does not matter whether the property is tangible or intangible: see *In re Banco Nacional de Cuba* [2001] 1 WLR 2039 where it was held that shares in a UK company were property in the UK for the purposes of this Gateway. As to interpretation of Gateway 11 the court stated at [33] that:

“on its proper construction the rule cannot be construed as confined to claims relating to the ownership or possession of property. It extends to any claim for relief, whether for damages or otherwise, so long as it is related to property located within the jurisdiction”.

110. I conclude that the subject matter of the claims relates wholly or principally to property within the jurisdiction and that the requirements of Gateway 11 are satisfied.

Serious issue to be tried

111. The Defendants submit that there is no serious issue to be tried, and permission to serve out should be refused for that reason. This argument was advanced by Mr Layton, who submitted that infringement could not be inferred from the fact that the patents had been declared essential, as such declarations meant no more than that patents *might* be standards essential, and over-declarations were common.
112. However, Mr Moss explains at [22] – [27] of his second statement that the claims of infringement are not only based upon the fact that each patent relied on has been declared essential, and that each of the alleged infringements are said by their manufacturers to operate in accordance with the relevant standards. In addition, prior to commencing this litigation, Conversant, with the assistance of its solicitors, reviewed Conversant's portfolio of patents to re-assess the essentiality of its patents for the purposes of determining the FRAND rate in accordance with the methodology set out in *Unwired Planet*. Each of the patents relied on in the UK litigation, in addition to being declared essential, was also confirmed to be essential in that analysis.
113. Furthermore, after the start of these proceedings, Conversant has joined a licensing scheme in relation to the LTE (4G) standard. Conversant submitted details regarding 10 of its patents for independent review as to their essentiality to the LTE standard, including families relating to three of the four patents sued on in these proceedings. That review found that all 10 patents submitted were essential to the LTE standard.
114. Mr Moss also sets out detailed evidence to support acts of direct infringement and joint tortfeasance by the Chinese defendants.
115. In my judgment, there is clearly a serious question to be tried and I reject the Defendants' arguments to the contrary.

Conclusion

116. I shall grant Conversant permission to serve out on Huawei China and ZTE China, and I understand that a mechanism for substituted service has been agreed.

Overall conclusions

117. I conclude that:
 - i) the Defendants' application to dismiss these claims on the basis that they are non-justiciable is rejected;
 - ii) England is clearly and distinctly the most appropriate forum in which to bring these claims. Accordingly, the Defendants' application to stay the claims on the basis of *forum non conveniens* is rejected;
 - iii) Huawei China and ZTE China have not been served in England;
 - iv) the claims are within at least Gateways 2 and 11 of PD6B 3.1;
 - v) there is a serious question to be tried on the merits;

- vi) I give permission for service out of these proceedings and a mechanism for substituted service has been agreed;
- vii) accordingly, these claims shall continue in this jurisdiction.