



Neutral Citation Number: [2019] EWHC 1742 (Pat)

Case No: HP-2019-000006

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

Rolls Building
7 Rolls Buildings
Fetter Lane
London
EC4A 1NL

Date: Wednesday, Date: 3rd July 2019

Before:

MR JUSTICE MORGAN

Between:

(1) OPTIS CELLULAR TECHNOLOGY LLC
(2) OPTIS WIRELESS TECHNOLOGY LLC
(3) UNWIRED PLANET INTERNATIONAL LIMITED

Claimants

- and -

(1) APPLE RETAIL UK LIMITED
(2) APPLE DISTRIBUTION INTERNATIONAL
(3) APPLE INC.

Defendants

MR. TOM MOODY-STUART QC (instructed by EIP Europe Ltd) for the Claimants

MR. MICHAEL BLOCH QC (instructed by Wilmer Cutler Pickering Hale & Dorr LLP)
For the Defendants

Approved Judgment

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MR JUSTICE MORGAN :

1. This is an application for case management directions in a patent action where the claimants are two Optis companies and Unwired Planet International Ltd and the defendants are three Apple companies, one a UK company, one a company incorporated in the Republic of Ireland and the third, Apple Inc, incorporated under the laws of the State of California. Mr. Moody-Stuart QC appears for the claimants and Mr. Bloch QC appears for the defendants.
2. I have been provided with the pleadings in the action so far as they exist. That is to say there is a claim form and a particulars of claim with supporting documents referred to in the particulars of claim. The particulars of claim are relatively straightforward. They identify seven European patents which apply to the United Kingdom. It is pleaded that the patents have been declared to be essential for the ETSI rules of procedure. Particulars are given as to the position of the defendants. It is said that the claimants have offered a FRAND licence to the defendants, but the offer has not been accepted and such negotiations as there have been have not come to fruition.
3. The particulars of claim then seek relief. The relief depends on it being shown, if challenged, that the patents are valid. The relief also depends on it being shown if challenged that the patents have been infringed. The claimants will also have to show that the patents are essential for the purpose of ETSI. Then the particular relief claimed depends upon whether the parties agree or it is determined what are FRAND terms for essential patents, if that is what these are. The injunction which is sought depends upon whether the FRAND terms take effect or are not taken up by a relevant defendant.
4. The application for directions, which was issued on 20 May 2019, is an application by the claimants. I am taking the matter shortly at this stage. The directions appear relatively straightforward. They provide for pleadings. They provide for listing directions. They provide in particular for four trials. There is to be a trial of what have been called technical issues in relation to one patent, namely 818. It may be that has been chosen for the first trial because it has a short limited duration still to run.
5. Following the first trial there is to be a trial in relation to technical issues in respect of two patents followed by a third trial, this time I think dealing with three patents. That covers six altogether and it is envisaged that the seventh patent be dealt with at a trial to be stood over, effectively put into suspense.
6. Following the technical trials there is to be a trial of issues in relation to the FRAND issues between the parties. In order to prepare for these trials, there is to be a case management conference, say the draft directions, in the month of September 2019, with a time estimate of one day.
7. The time estimate for today's hearing put forward by the claimants involved a two-hour hearing preceded by one and a half hours' judicial reading. The defendants' estimated the time for the hearing at two and a half hours. If this had been a standard case management conference in a patent claim where directions were sought, those time estimates would have been appropriate. In fact, those estimates were, and were obviously, inadequate. First of all, I spent far more than one and a half hours reading

in to the material. It is not uncommon for parties to underestimate the amount of reading time which is required. I do not know quite why that is, but this was a particularly bad case.

8. The estimate for the hearing was no better. If every point which has been taken in the evidence and in the skeleton arguments had been fully explored the case would have been difficult to finish in one day and may have resulted in a reserved judgment on one, at least, major point or principle. Again, I do not know how it came about that counsel were so seriously adrift and so seriously unhelpful with their time estimate. If they had estimated a day they may not have had a hearing this term. Furthermore, the judge allocated to this case was available this morning and is not available after this morning, so I am not able to do what I typically do and that is ignore the time estimate and give the case the hearing it deserves; so I have confined the hearing to this morning. That means that there are issues which are fairly raised which I am not in a position to deal with because the parties between them did not provide for an adequate time for those matters to be considered. However, I will do what I am able to do to deal with the issues in the time that has been provided.
9. I am asked to give case management directions at a time when there is no clarity at all as to what the issues will be. As regards the claims to patent infringement I do not know whether the validity of the patents will be challenged. It seems possible to speculate that validity will be challenged, but if so, it is not possible to say what the grounds of challenge will be, similarly in relation to infringement, and similarly in relation to whether the patents are essential for the purposes of ETSI.
10. I hesitate before giving trial directions and estimating the length of the trial and the category of trial and matters of that kind at this very preliminary stage when one is wholly in the dark as to what the trial will have to deal with. However, as far as the issues in the case are concerned, it would seem to be appropriate for there to be pleadings so that the defendants will put forward their challenges to the patents if they wish to do so and the claimants can reply, thereby identifying for the first time what the issues are which can then be the subject of trial directions.
11. Those technical matters leave on one side issues as to FRAND. There has been some court activity in recent years as to FRAND and I have been asked to read the decisions of the Court of Appeal in *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2018] EWCA (Civ) 2344 and *Huawei Technologies v Conversant Wireless Licensing SARL* [2019] EWCA (Civ) 38.
12. In very broad general terms, those decisions of the Court of Appeal favour the stance taken by the claimants in the present action and are adverse to the position of the defendants in the present action. Now that the law has been declared by the Court of Appeal, ordinarily it would be my task to bear that in mind when I give directions case-managing this case. There is however a development that needs to be referred to. The Supreme Court has given permission to appeal in both of these cases. The parties know something about when the case will be heard in the Supreme Court but they cannot of course know when the Supreme Court will give its decision, and even less can they say what the decision of the Supreme Court will be and what the implications will be for this case. The implications almost certainly will not impact on the technical issues to which I have referred but may have a major impact on the way in which the parties will position their cases in relation to FRAND.

13. Of course, the fact that a decision of the Court of Appeal is under appeal to the Supreme Court would not, in an ordinary case, justify a stay of the present action. The claimants are entitled to proceed basing themselves on the decisions of the Court of Appeal and expect the court to progress their case, rather than to put a complete block on it while the Supreme Court in another case considers some relevant matters.
14. If I had been asked to grant a stay of this action so that nothing was done until the decision of the Supreme Court was available I would, without hesitation, have refused to grant the stay and, indeed, I am not today asked to grant a stay on the basis that the law as to FRAND will be reviewed by the Supreme Court. Instead what has happened is that the defendants, all three of them, have issued application notices asking for the action to be stayed for multiple reasons. The material put forward in support of the applications for stays would suggest that the challenge being put forward is to the jurisdiction of the court.
15. As to the third defendant, the US defendant, permission to serve out of the jurisdiction was given and it is therefore open to the third defendant to apply to set aside the permission to serve out and indeed to have the claim dismissed as against the third defendant. The grounds put forward by the third defendant, as I understand them, do not challenge the availability of a gateway as to jurisdiction but do appear to challenge whether the claimants can show a serious issue to be tried against the third defendant and also raise forum questions against the third defendant. It is right to say that the third defendant also raises a lot of points that are not gateway serious issue or forum points but they are also points which are made by the other two defendants.
16. At the beginning of the day I was asked to make case management orders or directions against the third defendant. Mr. Bloch has however put in a detailed skeleton argument raising what I see as being a point of general principle as to whether in the case of a foreign defendant, where the court has not made any decision as to whether it will take jurisdiction in the case, it should or could nonetheless make case management orders as to the case. That is a general point. It is an interesting point. There are arguments on either side. Because the claimants brought this matter to the court with an inadequate time estimate it has become clear that I cannot deal with that matter today. The consequence has to be, and perhaps it is an unfortunate consequence, that I will not make any orders against the third defendant. However I am, I think, able to consider making orders against the first and second defendants.
17. Although the challenges put forward by the first and the second defendants allegedly challenge the jurisdiction of the court, they do not involve a challenge as to whether the court currently has jurisdiction over these defendants. They are more a challenge, as with any defendant served within the jurisdiction, to try to persuade the court that the court should, nonetheless, not proceed with the matter, and stay the matter on forum grounds. It seems to me that with a defendant of that kind there is no want of jurisdiction on the part of the court to make case management orders. I have jurisdiction today over these defendants. It may be that at a future date it will be demonstrated that the court should not go further in exercise of its jurisdiction over them, but that does not mean there is any question mark over the existence of the jurisdiction at the present time. Of course, the possibility of declining to exercise jurisdiction in the future might have an impact on what orders one makes at the

present time, but I do not see the case as turning on the same point of principle as applied in the case of the third defendant.

18. Mr. Bloch says that because the first and second defendants have applied for stays of the action, the court should simply take as a fait accompli the fact that nothing can be done until those applications are disposed of. I do not think that follows. There is the further consideration that on any perusal of the grounds put forward seeking a stay at a future hearing it is fairly clear that the grounds and their success are heavily dependent upon the Supreme Court reversing the decisions of the Court of Appeal, in particular the decision in the Conversant case. I am not going as far as saying that if Conversant is upheld by the Supreme Court, it will be inevitable that there is nothing left in the applications for stays on the part of the first and second defendants, but the applications will be very seriously undermined, if not in whole, certainly in large part.
19. The other matter I want to mention about these applications for stays is that they are not applications for stays on what one might recognise as being usual grounds. Instead they raise issues which one would expect to be put forward by way of defence to the claims, either a defence to liability or as a matter relevant to remedy. So the idea that because these points have been raised in this way that the court should now find itself impotent to give case management directions is not an idea that I accept.
20. It is being said by Mr. Bloch that if I do give case management directions I am wholly undermining the applications which the first and second defendants have made. It is being said that I am going against an agreement between the parties that these applications be heard at a future date and, by implication, nothing is done by the court until that happens. It may be that in December at the hearing of these applications the court will take the view that they are not suitable to be dealt with on interlocutory applications for stays but required to be dealt with in some other way, and I do not rule out that possibility. It may be, too, that case management of these applications would have been desirable and if there had been case management the court might not have allowed the first and second defendants a two-day hearing on some or all of these points. I am not asked to case-manage these applications and I will not do so, but what I do conclude is I am not powerless to give case management directions in the action because of the existence of those applications.
21. It seems to me, looking at the action and what should happen, that it is undesirable for nothing to happen until, at the earliest, December of this year. There is much debate about who is deliberately delaying or who is culpably delaying and what they are delaying. I do not propose to go into those matters because they are not matters I can take any firm stance on on the material before me. Instead my attitude is that the court has before it a properly constituted action and case management is an appropriate course whatever the history as regards deliberate or culpable delay.
22. In that way I reach the view that I should be prepared in principle to give directions as to pleadings. That raises a number of points that have been urged upon me by Mr. Bloch. The first is if I do not make a direction as regards the third defendant in relation to pleadings is there any point in making a direction as regards the first and second defendants? I think that there is. Whatever the position as regards the third defendant, it seems sensible to have the first and second defendants set out their case as to validity, infringement and whether the patents are essential. I will discuss the question of FRAND separately later.

23. The second matter is that the application before me is that the first and second defendants serve what are called draft defences. That is not defences in accordance with the Civil Procedure Rules, but something that will look like a defence and will have the word “draft” in it but will not have the status of a defence. If I had been asked I would have been minded to make an order that the first and second defendants serve defences. I would have been minded to take the view that Part 11 of the Civil Procedure Rules does not prevent me taking that course having regard to the nature of the stay applications made by the first and second defendants. I think that a defence in accordance with the Civil Procedure Rules would be a much more valuable and worthwhile thing than a draft defence, but I am urged by Mr. Bloch not to order a full defence, not least because I have not been asked to do so. I think in the circumstances I will be cautious and I will only order a draft defence and not a full defence.
24. There was discussion in argument as to what a draft defence might be and what the consequences might be. I do not think I need discuss them in this judgment. Suffice to say I think a draft defence will be a useful step in the action even if it falls short of being a defence in accordance with the rules.
25. The next matter I have considered is whether I should require the defendants to serve a defence in relation to the FRAND issues. I have included in my earlier statements a reference to whether the patents are essential, so I am now dealing with other issues which are material to FRAND. I have decided, on balance, not to require the defendants to serve draft defences in relation to the FRAND issues. I will not stop them doing so, but I do not require them to do so. I think the principal reason that weighs with me is that the whole question of FRAND is uncertain and in a state of flux.
26. Of course, the defendants could plead their case on FRAND assuming that the two decisions of the Court of Appeal prevail but they would no doubt wish to made an alternative case on FRAND hoping for a different result from the Supreme Court, so the pleadings would have at least two versions of the case on FRAND. Perhaps the alternatives will be greater than two. What one cannot do is predict precisely what the Supreme Court will say. It is not unknown for a decision of the Supreme Court to describe the law in a way that was not altogether predicted by the litigating parties. I think therefore that a pleading in relation to FRAND may not be very helpful and would almost certainly have to be reconsidered, probably in a major way, following the decision of the Supreme Court, so I do not require that to be done.
27. I will make orders, and I will give times in a moment, requiring the first and second defendants to serve draft defences of the kind I have indicated. I cannot require them to make a counterclaim. They will be free to serve a draft counterclaim if they wish, but I do not require it. The directions will then deal with the time for a reply from the claimants. Again, the pleading will be a draft pleading. It will be a reply but if there is a counterclaim it will also be a defence to counterclaim.
28. The next question I ought to consider is whether I should fix a CMC before the decision of the Supreme Court and before the determination of the applications for stays. If I do not do that I think a case management conference in January 2020 would be appropriate. Should I order one earlier? I am asked to order one in September 2019. I think that is early on any view, having regard to the pleading that has to be done. If one pushes the matter back past September 2019 one is getting

closer to the date when the Supreme Court might possibly give its judgment and the date when the court might decide the applications for stays. Once one reaches that point it seems to me that one may as well await the further developments of the Supreme Court decision and the outcome of the stay applications, and I will therefore direct a case management conference in January 2020 on a date to be fixed.

29. Of course the claimants want more. They want me to fix four trials in particular and that I say what the trials are to be about. They are to be about validity, if raised, infringement and essentiality, all of this at a time when there is no material on which the court can act as to what those issues might be. The same applies for the time estimate. There is simply no basis on which one can estimate a time at present. Of course, one could pick a figure out of the air and put it in an order knowing that it would probably be wrong. That is not a course that appeals to me, so I will not do it. I will not fix trials. There will be a case management conference in January 2020 and trials can be fixed then. That may have unfortunate consequences in relation to patent 818, but I am not able to avoid those unfortunate consequences by doing something which I regard as inappropriate on procedural grounds, so I will not do it.
30. Now as to the time for the pleadings, given that a lot will happen out with the pleadings later in the year, and there will be a case management conference in January 2020, I do not see this as a case where there is undue pressure of time to produce pleadings at the earliest opportunity. I will direct that the draft defence comes by 30 September and the draft reply by 31 October. If those are not weekdays I will adjust those dates in a moment. That will mean that the pleadings will be available to the judge who hears the applications for stays. For myself I expect that the way in which the matter is pleaded will give clarity to some of the points that are being made in the applications for stays of the kind which I have described. Beyond that I will not go. I will hear brief submissions on any points arising.

(Proceedings continued, please see separate transcript)
