



Neutral Citation Number: [2019] EWHC 3477 (Pat)

Case No: HP-2019-000014

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

Rolls Building,
Fetter Lane
London, EC4A 1NL

Date: 19 December 2019

Before:

MR NICHOLAS CADDICK Q.C.
(SITTING AS A DEPUTY HIGH COURT JUDGE)

Between:

(1) MITSUBISHI ELECTRIC CORPORATION
(2) SISVEL INTERNATIONAL SA

Claimants

and

(1) ARCHOS SA
(2) SUN CUPID TECHNOLOGY HK LTD
(3) NUU MOBILE UK LIMITED
(4) ONEPLUS TECHNOLOGY (SHENZHEN) CO., LTD
(5) OPLUS MOBILETECH UK LIMITED
(6) REFLECTION INVESTMENT B.V.
(7) GUANGDONG OPPO MOBILE TELECOMMUNICATIONS CORP, LTD
(8) OPPO MOBILE UK LTD
(9) XIAOMI COMMUNICATIONS CO LTD
(10) XIAOMI INC
(11) XIAOMI TECHNOLOGY FRANCE SAS
(12) XIAOMI TECHNOLOGY UK LIMITED

Defendants



MICHAEL TAPPIN Q.C. and **THOMAS JONES** (instructed by **Bird & Bird LLP**)
for the Claimants

ANDREW LYKIARDOPOULOS Q.C. (instructed by **Taylor Wessing LLP**)
for the Fifth, Sixth and Eighth Defendants

DANIEL ALEXANDER Q.C. and **MARK CHACKSFIELD Q.C.** (instructed by **Kirkland & Ellis International LLP**) for the Ninth, Tenth, Eleventh and Twelfth Defendants

Hearing date: 3 December 2019

JUDGMENT

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

1. This judgment deals with various case management issues arising in proceedings commenced by a Claim Form issued on 23 April 2019.
2. The Claimants (who I will refer to collectively as “Sisvel”) are the proprietors of portfolios of declared standard essential patents (“SEPs”) in the telecommunications field. The portfolios are part of a pool of patents administered by the Second Claimant and have, I am told, been the subject of a number of licences. Sisvel asserts that the Defendants, who do not have the benefit of any of these licences, have infringed two of the First Claimant’s SEPs in the UK (namely EP (UK) 1 471 657 and EP (UK) 2 254 259) and one of the Second Claimant’s (namely EP (UK) 1 925 142). I will refer to these SEPs as, respectively, “EP657”, “EP259” and “EP142”. Sisvel seeks an injunction to restrain further infringements unless the Defendants take a global licence on fair, reasonable and non-discriminatory (“FRAND”) terms to be settled by the Court.
3. The action against the First Defendant has settled. The Second and Third Defendants (who are responsible for the “Nuu” brand of mobile phone handsets) played no part in the hearing before me and have indicated that they are content for the court to determine the appropriate directions.
4. The Fourth to Sixth Defendants are responsible for the “OnePlus” brand of handsets. The Fourth Defendant, a company incorporated in the People’s Republic of China (“PRC”), is disputing service and jurisdiction and its intentions with regard to the litigation are unclear. By contrast, the Fifth and Sixth Defendants (respectively a UK company and a Netherlands company) accept that they have been validly served but nevertheless challenge jurisdiction. Pending the resolution of that challenge, they are participating in these proceedings on a *draft* basis in accordance with the practice adopted in the *Conversant v Huawei* litigation. Their status will be determined after the Supreme Court has handed down its judgment in respect of the appeals in *Conversant* and in the *Unwired Planet v Huawei* case that were heard on 21 to 24 October 2019.
5. The Seventh and Eighth Defendants are responsible for the “Oppo” brand of handsets. Like the Fourth Defendant, the Seventh Defendant is a PRC company which is disputing service and jurisdiction and its position with regard to this litigation is unclear. The



Eighth Defendant is a UK company and its position with regard to this litigation is similar to that of the Fifth and Sixth Defendants.

6. Finally, the Ninth to Twelfth Defendants are responsible for the “Xiaomi” brand of handsets. The Ninth and Tenth Defendants are PRC companies and there is a dispute as to whether they have been validly served. They, together with the Eleventh and Twelfth Defendants (a French and a UK company), also challenge jurisdiction. The participation of the Xiaomi defendants (like that of the Fifth, Sixth and Eighth Defendants) is being treated as being on a *draft* basis pending the determination of their jurisdiction challenges following the decision of the Supreme Court in the appeals referred to above.
7. In the present case, the parties (or at least the parties before me) have reached a measure of agreement as to the best way forward. In particular, it has been agreed that the case should be dealt with by way of three separate trials:
 - a. Trial 1 – this trial will be a technical trial to determine issues relating to validity, essentiality and infringement of EP657. This trial has been listed to float from 2 December 2020 and many of the directions for that trial have been agreed.
 - b. Trial 2 - this trial will be a technical trial to determine issues relating to validity, essentiality and infringement of EP142 and EP259, to be heard consecutively. The parties have agreed that this trial should be listed to float from the first date convenient to the Court and parties after 1 March 2021 and before 30 April 2021 with a time estimate of 10-15 days and a technical difficulty rating of 5. However, a number of other directions in relation to this trial are in dispute.
 - c. Trial 3 – this trial is intended to resolve all remaining issues including, in particular, the FRAND terms of any licence to be granted. The parties have agreed that this trial should also have a time estimate of 10-15 days. However, they have been unable to agree a number of directions with regard to this trial including when it should be listed for hearing.
8. I will deal with (i) the directions in relation to Statements of Case and Disclosure on Infringement (see paras.3 to 6 of the draft order produced at the hearing before me); (ii) the Statements of Case and Disclosure on Validity (see paras.7 to 11 of the draft order); (iii) the dispute over costs budgeting; and (iv) the various issues concerning Trial 3 – i.e. the FRAND trial.

Trials 1 and 2 - Statements of Case and disclosure on Infringement

9. *Timetable – Trial 1:* In relation to the proposed directions regarding Statements of Case and disclosure on Essentiality in Trial 1, the only issues concern the date on which the Defendants should provide standard disclosure or a Product and Process Description (“PPD”) and Disclosure Certificates (see paras.5 and 14 of the draft order). Sisvel suggests 13 March 2020 whereas the Defendants appearing before me suggest 9 April 2020. Neither party made any oral submissions in this regard or as to any prejudice that might be suffered. Accordingly, I will simply split the difference and direct that the date for these steps be 27 March 2020.



10. *Timetable – Trial 2:* There are more issues concerning the proposed directions for Statements of Case and disclosure on Essentiality in Trial 2. On Sisvel’s proposed timetable, Sisvel would serve its Statement of Case on 16 January 2020, the Defendants would respond by 27 February 2020, matters to do with disclosure would be completed by 9 April 2020 and there would then be a relatively lengthy gap until the exchange of evidence of fact and expert evidence on 26 October 2020 (see paras.21 and 26 of the draft order). The Defendants appearing before me argue that Sisvel’s timetable is unnecessarily front-loaded (particularly given that the parties have agreed a trial window starting on 1 March 2021), that it would interfere with the parties’ preparations for Trial 1 and that it would involve incurring costs that may be wasted depending on the Supreme Court’s decision in the *Conversant* and *Unwired Planet* cases. They propose a timetable whereby Sisvel’s Statement of Case on Essentiality would be served 40 weeks before the earliest agreed trial date of 1 March 2021 (i.e. by 25 May 2020), the Defendants would respond 34 weeks before the trial date (6 July 2020) and the disclosure exercise would be completed 28 weeks before the trial date (17 August 2020).
11. I can see no particularly good reason why, on Sisvel’s proposals, there should be a gap after the disclosure exercise of well over 6 months until the exchange of factual and expert evidence. On the other hand, I do not think that requiring the parties to take steps in relation to Trial 2 earlier than the Defendants are suggesting would seriously interfere with the Defendants’ preparations for Trial 1. Further, as Mr Tappin says, on the law as it stands, Sisvel is entitled to bring their claim and if the law changes as a result of the Supreme Court’s rulings in the *Conversant* and *Unwired Planet* appeals, that is more likely to affect Sisvel.
12. On this basis, I can see no reason why the timetable for Trial 2 should not be similar to that agreed by the parties for Trial 1. Accordingly, I will make the following directions with regard to Trial 2:
 - a. Sisvel is to file and serve its Statement of Case on Essentiality by 2 April 2020;
 - b. The Defendants file and serve their responsive Statements of Case on Essentiality by 14 May 2020; and
 - c. The Defendants provide disclosure or a PPD by 27 June 2020. The same date (27 June 2020) will also apply to the provision of Disclosure Certificates in Trial 2 (see para.14 of the draft order).
13. *Non admissions:* A further issue is the extent to which the Defendants, in responding to Sisvel’s Statement of Case on Essentiality, can simply “not admit” matters pleaded against it. In this regard, Mr Tappin argued that the Defendants ought to explain the basis of any non-admissions as the case had reached a stage where they could be expected to have obtained the information needed to put forward a positive case. I do not agree. A defendant which does not admit a matter pleaded by the claimant is putting the claimant to proof of that fact. It is not asserting any positive case of its own. On this basis, there is no justification for ordering the defendant to give reasons for its non-admission. It is the claimant’s case and a defendant is entitled to require the claimant to prove that case. In this regard, it is notable that (in contrast to the position as regards denials in a statement of case) CPR r.16.5 does not say that a party should state its reasons for a non-admission. On this basis, references in the draft order to “admit or



deny” (see, for example, paras.4 and 10) should, in my judgment, read “admit, not-admit or deny”.

14. Mr Tappin’s concern is that the Defendants may, despite making a non-admission in their pleadings, seek to assert a positive case. However, if the Defendants do so, they would be departing from their pleaded case and would, it seems to me, be expected to seek permission to amend. In any event, if this is Sisvel’s concern, it is a matter that would best be pursued by means of a Part 18 Request after the Defendants’ Statements of Case have been served. In my judgment, at the present stage of the action, it is not appropriate to make an order as to how the Defendants should plead their case.

Trials 1 and 2 - Statements of Case and disclosure on Validity

15. With regard to the issue of validity, Sisvel’s proposal (see paras.9 and 10 of the draft order) is that, for Trial 1, the Defendants provide a Statement of Case on Validity by 31 January 2020 and Sisvel responds by 13 March 2020 and that, for Trial 2, the Defendants provide a Statement of Case on Validity by 27 February 2020 and Sisvel responds by 9 April 2020. The Defendants resist an order that they should provide a Statement of Case on Validity on the basis that it would be an “overengineering” of the pleadings (particularly in relation to the obviousness case) and would involve unnecessary time and expense.
16. In my judgment, it is appropriate for the Defendants to provide a Statement of Case on Validity and for Sisvel to respond to that. In a case of this type, it seems to me that it is better that the issues between the parties are clearly defined even if those issues appear simple. I will, therefore, direct that:
 - a. The Defendants should file and serve their Statements of Case on validity on 14 February 2020 in respect of Trial 1 and on 14 May 2020 in respect of Trial 2 (in other words, at the same time that they file their Statements of Case in response on Essentiality), and
 - b. Sisvel’s Statements of Case in response on validity should be filed and served on 14 March 2020 in Trial 1 and on 11 June 2020 in Trial 2.
17. Subject to these changes with respect to dates, I approve paragraphs 9 and 10 of the draft order.

Trials 1 and 2 - Costs budgeting

18. The next issue is as regards costs budgeting for Trials 1 and 2. It appears to be common ground that given the value of this case, costs budgeting is not a requirement. Nevertheless, the parties before me agree that some measure of costs budgeting is sensible. The dispute is as to the form of such budgeting. Sisvel proposes that the parties complete a single sheet template in the form that appears at Tab 5 to the CMC bundle. This would give a global anticipated figure for costs but would also break that figure down into the sums attributed to anticipated disbursements and the usual litigation phases (e.g. Issue/Statements of Case, CMC, disclosure etc.). Sisvel suggests dispensing with the underlying materials that are usually filed in support of a party’s Precedent H.



The Defendants, by contrast, propose that all that is required is a single global figure – a sort of costs cap figure without any form of breakdown.

19. In my judgment, Sisvel’s proposal is to be preferred. In order to produce a meaningful overall figure, the Defendants would have to have carried out an assessment of the likely costs of each phase and it seems to me that, for the court to play any meaningful role in costs management, it would be far better that it should be able to look at the costs in relation to each phase rather than leaving each party to operate within a single global figure. This level of scrutiny does not seem to me to be overly heavy handed.

Trial 3 (FRAND) – the issues

20. I turn now to the position with regard to Trial 3 which, as set out above, is intended to deal, inter alia, with the determination of the terms of a global FRAND licence in respect of Sisvel’s portfolio of SEPs. The following issues were raised:
 - a. The trial date for Trial 3;
 - b. The directions with regard to the service of Statements of Case and disclosure for Trial 3; and
 - c. The directions with regard to costs budgeting for Trial 3.
21. In considering these issues, there are three complicating factors.
22. First, is the fact that, as mentioned above, judgment is still awaited in the appeals in the *Conversant* and *Unwired Planet* litigation that were heard in late October 2019. As those appeals were concerned with the jurisdiction of the English courts to determine the terms of a global FRAND licence in respect of SEPs, the decision of the Supreme Court could, particularly if the appeals are allowed, have a significant impact on the present litigation.
23. The second complication is that the Ninth and Tenth Defendants have started 2 actions in the Beijing Intellectual Property Court (“the BIPC”). I have little information about these actions but it appears that one of them seeks to determine FRAND terms in respect of Sisvel’s Chinese patents and that the other is an antitrust action. These actions were, apparently, commenced on 30 August 2019 and were accepted by the BIPC on 2 September 2019. They have not yet been served on Sisvel and it is suggested that this may take as long as 12 months under the Hague Convention process. I am told that there are further proceedings in China which the Seventh Defendant (which is not represented before me) has started against Sisvel in the Guangzhou Intellectual Property Court. I have even less information as regards these proceedings although I am told that they too seek to determine FRAND terms in respect of Sisvel’s Chinese patents.
24. The third complication is that there are a number of disputes between the parties as to the extent to which Sisvel or the various Defendants may be to blame for delays in initiating or notifying or responding to claims in this country and in China.

Trial 3 - trial date

25. Dealing first with the trial date for Trial 3. It is common ground that this trial should take place after Trials 1 and 2 (the “Technical” trials). However, the parties disagree as



to how long thereafter that should be. As mentioned above, Trial 1 has a trial date floating from 2 December 2020 and Trial 2 has a trial window from 1 March 2021 to 30 April 2021. On this basis, Sisvel argues for a trial window for Trial 3 which starts on 1 July 2021. By contrast, the Ninth to Twelfth Defendants argue for a trial window from 1 January 2022 and the Fifth, Sixth and Eighth Defendants argue for the same or alternatively that Trial 3 should not be heard before October 2021.

26. In my judgment, the fact that the Supreme Court’s decision in the *Unwired Planet* and *Conversant* litigation is still awaited does not affect the issue of the trial date for Trial 3. As Mr Tappin says, the present hearing is not concerned with matters of jurisdiction and, given the current state of the law, it has to be assumed that the present proceedings are properly before the court. The issue before me, therefore, is simply a case management issue as to when Trial 3 should be listed for hearing. In any event, the Supreme Court’s judgment is likely to be handed down well before any of the proposed trial dates (the earliest of which is July 2021).
27. The main focus of the Defendants’ submissions was that the trial date for Trial 3 should be set so that the English court could properly take account of the result of the Chinese proceedings, and in particular the actions in the BIPC. This, Mr Alexander and Mr Lykiardopoulos submitted, would be consistent with the approach adopted in *Conversant v Huawei* [2018] EWHC 1216. In that case, which like the present case involved two technical trials to be followed by a FRAND trial, Henry Carr J commented at [42] that:

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

I was also referred to an earlier judgment in the same action ([2018] EWHC 808) at [18] where Henry Carr J stated that:

“...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”

Mr Alexander argued that, if the English court was being asked to determine global terms, it could not ignore the global picture. He also argued that a decision of a Chinese court as regards the position in China was particularly important given that China was a far larger market for the products in issue than the UK. He also pointed to what he said were serious weaknesses in Sisvel’s evidence as regards its licensing scheme and to instances in which, he said, Sisvel had not acted in a “FRAND manner”. He also submitted that the Chinese intellectual property courts are capable of resolving cases quite quickly and have been critical of intellectual property owners who bring proceedings elsewhere in an effort to avoid scrutiny in the Chinese courts.

28. It appears from this (and from para.1(d) of the draft order) that, although the Defendants who appear before me are currently proposing trial windows for Trial 3 starting in October 2021 or January 2022, they may seek to postpone that date if, by that time, the Chinese FRAND proceedings have not been concluded.



29. I can see that there will be cases where proceedings are pending in a foreign court on an issue that may assist the English court in relation to an issue in English proceedings and where it would be sensible to take this into account when fixing a trial date for the English proceedings. However, I do not see that there is any requirement on the English courts to postpone properly constituted English proceedings to await the result of such foreign proceedings. Every case will turn on its own facts. On the facts of the present case and given the current state of both actions, it seems to me that the proper course is to set a trial date. Further, I do not think that it would be right to include a provision such as that in para.1(d) of the draft Order which might suggest that that trial date is in some way dependent on the state of the Chinese proceedings.
30. In this regard, I do not read the comments of Henry Carr J in *Conversant* as requiring the English Court to await the result of the Chinese proceedings. The evidence in *Conversant* was that a decision was expected in the Chinese proceedings in early to mid-2019 (see [2018] EWHC 808 at [11]). On that basis, a FRAND trial in England fixed for November 2019 would allow the English Court to factor in that decision and it seems to me that Henry Carr J regarded this as a sensible and convenient result rather than as a necessary result. This also appears to be how the Court of Appeal viewed the position (see [2019] EWCA Civ 38 at [108]). Certainly, Henry Carr J did not suggest that the November 2019 date for the FRAND trial would have to be moved if the Chinese proceedings had not in fact been concluded by then. In any event, in the present case, I know very little about the Chinese proceedings, save that they are at a very early stage. Nor is it clear when they will be determined not least because of issues with service. It seems to me that a trial date needs to be set for the English FRAND trial and that, if future developments in China (or elsewhere) are such as to justify an application to move that trial date, an application with supporting evidence would be required.
31. I note Mr Alexander's criticisms of Sisvel's evidence and conduct. I have also considered the extensive evidence filed by the parties blaming each other for the perceived delays in bringing and/or notifying and/or responding to claims. However, for present purposes it seems to me that these are not matters where it is necessary or, indeed, possible for me to make any findings of fact. Nor do I see that they really affect the issue of the date for the FRAND trial. I was referred to the decision of Birss J in *IPCom GmbH & Co KG v Vodafone Group Plc* [2019] EWHC 1255 where there was considerable discussion as regards a claimant's delays. However, that was in the context of that claimant's application for an expedited trial and, for that reason, was rather different to the present case. Nor can I see the relevance of the argument that a Chinese court might be critical of Sisvel's conduct in pursuing an action in England. This appears to me to be more a matter for a jurisdiction challenge. For present purposes I must proceed on the basis that there is a properly constituted action in this jurisdiction. The issue is when it should be tried.
32. Ultimately, this issue came down to how long the gap should be between the end of the Technical Trial 2 and the start of the FRAND trial (Trial 3). In this regard, I note that, in *Conversant*, Henry Carr J provided for a gap of 5 months between such events (i.e. June 2019 to November 2019) (see [2018] EWHC 1216 at [43]).
33. In the present case, Trial 2 has an agreed trial window of 1 March 2021 to 30 April 2021 and is a 10 to 15-day trial with a technical difficulty level of 5. Given this, it is quite



likely that judgment on that trial will not be handed down until the end of, say, July 2021. For this reason, in my judgment, Sisvel's suggested trial date of 1 July 2021 for Trial 3 does not leave a sufficient gap. On the other hand, I cannot see any reason why the gap should be as long as January 2022. On the facts of this case, it seems to me that Trial 3 should be fixed for a trial window that starts in early October 2021. In my judgment this will give Sisvel the opportunity to obtain a meaningful remedy (notwithstanding that one of the patents in issue is, I am told, due to expire in August 2022) and yet will allow the parties (using the resources of large specialist support teams) sufficient time after the Technical Trial 2 to prepare for the FRAND trial.

Trial 3 - Statements of Case and disclosure

34. The next issue is the timetable for filing of Statements of Case in the FRAND trial.
35. Sisvel proposes that it should file its Statement of Case on FRAND by 13 March 2020. It accepts that, if the *Conversant* and *Unwired Planet* appeals succeed, it would probably need to amend that pleading. It suggests a date of 24 April 2020 for the Defendants' response on the basis that, by that time, the Supreme Court is likely to have given its judgment in the *Conversant* and *Unwired Planet* appeals.
36. By contrast, the Defendants appearing before me submit that the timetable for Statements of Case on FRAND should be set by reference to when the Supreme Court hands down its decision in the *Conversant* and *Unwired Planet* appeals. They further submit that, given that the FRAND trial is not to be heard until (on my direction above) October 2021, there is no reason to truncate the time allowed for any of the steps in the trial timetable leading up to Trial 3.
37. On the facts of the present case, I agree with Sisvel that the timetable for Statements of Case should not be linked to the date when the Supreme Court hands down its decision. In my judgment, given Sisvel's commitments as regards Trials 1 and 2, the appropriate direction is that Sisvel should file and serve its FRAND Statement of Case by 13 March 2020 and I will direct that the Defendants' response be provided by 8 weeks thereafter, i.e. by 8 May 2020.
38. Turning to disclosure, very little was said as regards the rival proposed directions set out in paras. 43, 44 and 45 of the draft order. As I understood it, the only real issue was whether the timetable applied by PD 51U should be truncated (as Sisvel contends) or not (as the Xiaomi Defendants contend). On the facts of this case, I can see no particular reason why the timetable should be truncated and, on this basis, I prefer Xiaomi's proposed direction on this issue.

Trial 3 – costs budgeting

39. Turning, finally, to costs budgeting for the FRAND trial, the first issue is the same as that for Trials 1 and 2, namely whether (as Sisvel submits) the parties should provide a costs figure together with a breakdown as envisaged in the single sheet template at Tab 5 to the CMC bundle or whether (as the Defendants appearing before me submit) a single lump sum figure would suffice. In my judgment, for the reasons set out in relation to Trial 1 and 2, Sisvel's proposal is to be preferred.



40. The second issue in relation to costs budgeting is whether the costs budgeting process should be broken into 2 parts (as Sisvel contend), with the first part taking place in early 2020 and dealing with the costs associated with the early stages of the action and the second part being in mid-2020 and dealing with the costs of the later stages of the litigation. The Defendants appearing before me oppose this and argue instead for an order that reflects the normal position whereby costs budgeting takes place after the close of pleadings at which point the issues between the parties have been clearly identified by the pleadings and the parties would be in a position to provide a more accurate assessment of their likely costs. In my judgment the Defendants' position on this is to be preferred. In particular, notwithstanding Sisvel's submissions, I do not think that it would be right to require the parties to provide costs budgeting before the issues have been clearly identified by the pleadings. Moreover, whilst (as Sisvel points out) this means that there would be no costs management in respect of the early stages of the action, that is the normal position and I see no good reason in this case to depart from that position.

Conclusion

41. Hopefully the parties will be able to agree the terms of an Order to reflect this judgment. If not, each party should submit its draft order for my consideration.