



Neutral Citation Number: [2017] EWHC 2831 (Pat)

Case No: HP-2014-000005

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
PATENTS COURT

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

Date: 12/10/2017

Before:
MR. JUSTICE HENRY CARR

Between:

(1) UNWIRED PLANET INTERNATIONAL
LIMITED

**Claimant/
First Applicant**

(2) UNWIRED PLANET, LLC

**Tenth
Party/Second
Applicant**

- and -

(1) HUAWEI TECHNOLOGIES CO. LIMITED
(2) HUAWEI TECHNOLOGIES (UK) CO. LIMITED

**Defendants/Firs
t and Second
Respondents**

- and -

(3) HUAWEI DEVICE CO. LIMITED
(4) HUAWEI DEVICE (DONGGUAN) CO.
LIMITED

**Third and
Fourth
Respondents**

MR. ADRIAN SPECK QC, MR. THOMAS RAPHAEL QC and MR. THOMAS JONES
(instructed by EIP Legal and Osborne Clarke LLP) appeared for Unwired Planet.

MR. ANDREW LYKIARDOPOULOS QC, MR. ALAN MACLEAN QC, MR. JAMES
SEGAN and MR. ANDREW SCOTT (instructed by Powell Gilbert LLP) appeared for
Huawei.

Approved Judgment

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MR. JUSTICE HENRY CARR :

1. This is an application by the Claimants, (“Unwired Planet”) for two forms of relief: an anti-suit injunction in respect of litigation commenced by the Defendant (“Huawei”); and a lifting of the stay of an injunction granted by Birss J to restrain infringement of patent. The substance of the application was compromised on the morning of the hearing but, nonetheless, I am asked to determine the costs, everything else having been agreed.
2. Determination of costs where a claim has been compromised is difficult because it requires the court to consider what it would have decided had a compromise had not been reached. Two cases deal with this. In *Brawley v. Marczynski (No 1)* [2003] 1 WLR 813, the Court of Appeal considered the situation where an action had been compromised but, nonetheless, the court was asked to determine costs. It held that:

“... where litigation had been settled save as to costs there was no convention that there should be no order as to costs ... the court's overriding object was to do justice between the parties without incurring unnecessary court time and additional cost; that where it was obvious which party would have won had the substantive issues been fought to a conclusion it would be appropriate to award costs to that party; that where that was not obvious, the extent to which the court would be prepared to look into the previously unresolved substantive issues in order to determine the issue of costs would depend on the circumstances of the case, including the amount of costs at stake and the conduct of the parties; that in the absence of a good reason to make a specific order the court would make no order as to costs ...”
3. That issue was also considered in *BCT Software Solutions Ltd v. C Brewer & Sons Limited* [2004] C.P. Rep. 2 where Mummery LJ held that even where the parties asked the court to determine costs, everything else in the litigation having been agreed, a judge would be entitled to say to the parties, *“If you have not reached an agreement on costs, you have not settled your dispute, and the action must go on unless your compromise covers costs as well”*.
4. In the present application, the position is somewhat different than in those two cases. I am not concerned with the compromise of a trial where, potentially, witnesses have not been heard and cross-examined. Rather, I am concerned with an interim application, with no cross-examination, where it is somewhat easier to decide what the outcome would have been if the issues had been fought out. I intend to apply the principles set out in *Brawley v. Marczynski*. I consider that it is obvious which party would have won each of the applications had the substantive issues been fought to a conclusion; that this is a case where very substantial amounts of costs are at stake; and I have been able to form a view as to the conduct of both parties.
5. The background is as follows. In 2014, Unwired Planet issued a claim against Huawei, amongst others, alleging infringement of certain telecoms Standard Essential Patents (“SEPs”). Unwired Planet also sought resolution of the FRAND licence terms that it was required to offer to Huawei and which Huawei needed to accept to avoid

an injunction for patent infringement. Birss J handed down two judgments in December 2015 and March 2016, and found Huawei to be infringing two of Unwired Planet's valid SEPs. He gave a FRAND judgment in April 2017 where he determined the terms of the FRAND licence in respect of Unwired Planet's SEP portfolio, and found that because Huawei remained unwilling to enter that licence, an injunction against further infringement should be granted which would expire when the licence was entered into.

6. Birss J held that Unwired Planet was entitled, consistently with its FRAND obligations, to insist on a worldwide portfolio licence. In a remedies judgment in June 2017 and consequent order, Birss J enjoined Huawei from infringement of the patents previously found to be valid and infringed but stayed the injunction pending appeal on certain undertakings given by Huawei. Huawei undertook to abide by the terms of the FRAND licence settled by the court as if they were in full force and effect pending the appeal of the June 2107 order and contingent cross-appeal by Unwired Planet. Those appeals are listed for six days to be heard in May 2018.
7. Unwired Planet is now part of the PanOptis Group of companies, having been bought by PanOptis in June 2016. Shortly after the remedies judgment, on 6th July 2017, Huawei commenced proceedings against Unwired Planet and certain PanOptis companies in the Shenzhen court in China. They were served on Unwired Planet in September 2017. By its application for an anti-suit injunction, Unwired Planet contends that the Chinese proceedings seek to relitigate matters that the UK court has already decided. It claims that those proceedings seek directly to interfere with and to reverse the conclusions that the court has reached. Unwired Planet points to the following aspects of the Chinese proceedings in respect of the Unwired Planet portfolio.
8. First, Huawei claims that Unwired Planet's licensing offers are in breach of FRAND and alleges various breaches of Unwired Planet's FRAND undertakings by Unwired Planet's past and continued conduct. Second, it alleges that the UK court has hijacked the determination of the FRAND licence as between Unwired Planet and Huawei. Third, it alleges that Unwired Planet is in breach of competition law and FRAND, including its obligations under the ETSI undertakings, by its past and continued conduct in respect of the FRAND licensing terms on which the UK court has already ruled in this litigation. Fourth, it contends that the UK court's decision and the licensing offers that the court validated, the injunction sought and granted by the court and Unwired Planet's conduct in seeking that relief, are themselves wrongful and in breach of competition law and FRAND. It contends that it is wrongful for Unwired Planet to require a global licence, which is one of the key questions on which Birss J has ruled and which Huawei are seeking to appeal in the UK. It seeks to enjoin Unwired Planet from pursuing the UK proceedings, and any other actions around the world, and it claims damages of over £11 million in respect of the costs of the UK proceedings, which have already been dealt with by Birss J and will no doubt be considered by the Court of Appeal.
9. Unwired Planet contends that the Chinese proceedings are vexatious and oppressive and interfere with the jurisdiction, judgments and processes of this court. I have no doubt, having looked at those proceedings, that Unwired Planet's contentions are entirely well-founded. The Chinese proceedings should never have been commenced.

10. Mr. Speck submitted, and I accept, that the commencement of the Chinese proceedings evidences a course of conduct to which Birss J referred, and which is commonly called 'hold-out'. This describes the situation where a potential licensee under SEP patents postpones for as long as possible any payment because it wants to hang on to its money and exhaust the resources and will of the opposite party. In addition, it evidences an intention on the part of Huawei to not to abide by the result of, or at the very least to interfere with, the UK proceedings. Therefore, had the matter not been compromised I would have granted the anti-suit injunction sought by Unwired Planet. That, however, is not the full story.
11. I have mentioned that Huawei gave an undertaking to abide by the terms of the settled licence as if it was in full force and effect. No such parallel or mirror undertaking was asked for or offered by Unwired Planet, no doubt because Birss J did not anticipate that Unwired Planet would behave otherwise than as if the licence was in full force and effect. However, 11 days after the form of order hearing in the United Kingdom, Unwired Planet commenced new infringement proceedings against Huawei in Mexico in relation to two of the equivalent patents to those which were litigated in the United Kingdom. Mexico appears to have been chosen because of the availability of rapid interim injunctive relief and, indeed, Unwired Planet immediately sought such relief. Unwired Planet sought preliminary injunctive relief against Huawei in Mexico, and to that end posted a bond of one million pesos (which I am told is about £40,000). This is very surprising given that Huawei has paid Unwired Planet some £25 million in royalties for a global licence, including Mexico.
12. I do not understand the justification for seeking this interim injunctive relief. It was abandoned shortly before Unwired Planet made this application in respect of the Chinese proceedings. If a licensor is accepting royalties in respect of his patents, he obviously cannot complain of infringement. Therefore, I am critical of both sides' conduct since the conclusion of the hearings before Birss J.
13. The question then arises of what I should do about costs. I have considered the undertakings that have now been offered and accepted by the parties. It can be said on behalf of Huawei that on several issues, it has achieved a narrower form of wording than was sought originally by Unwired Planet. This may be said to be a compromise. However, the clear conclusion that I reach is that in respect of the anti-suit injunction, Unwired Planet has won. It is, in substance, the winner and in principle is entitled to its costs. Such undertakings as were offered by Huawei prior to this hearing were conditional upon the offer of a cross-undertaking by Unwired Planet. Unwired Planet objected to that cross-undertaking and Huawei has now backed down. Since all the undertakings that were offered were conditional upon that cross-undertaking, the relief which is now reflected in the agreed order was not offered in advance of the hearing.
14. I take account of the fact that both sides have agreed to give notice to the other of further litigation. In particular, in paragraph 1 of the Schedule to the Agreed Order, Unwired Planet has undertaken to the court that until final determination of the English litigation or further order of the court, Unwired Planet shall not, otherwise than in England, commence any claims, actions, proceedings or applications, save for steps in pre-existing litigation in Germany, Mexico and China between Huawei and Unwired Planet, against Huawei in relation to the subject matter of the Unwired Planet portfolio, except upon giving five clear days' prior notice to Huawei of such

claims, actions, proceedings or applications. There is an equivalent undertaking at paragraph 2 given by Huawei, that until final determination of the English litigation, or further order of the court, Huawei shall not, otherwise than in England, commence any claims, actions or proceedings, save for steps in pre-existing litigation in Germany, Mexico and China between Huawei and Unwired Planet, against Unwired Planet in relation to the subject matter of the Unwired Planet portfolio except upon giving five clear days' prior notice to Unwired Planet of such claims, actions, proceedings or applications.

15. That is a sensible compromise. Should Unwired Planet seek any further interim relief pending the appeal, whilst continuing to accept royalties for a global licence, I have no doubt that this will be brought to the attention of the UK court by Huawei. However, I do not think that this degree of compromise is sufficient to avoid an order for costs in respect of the anti-suit injunction against Huawei the extraordinary nature of the relief that was sought and the way that that case was pleaded. This should never have been done.
16. On the other hand, the application for lifting the stay by Unwired Planet is in a different category. Although Mr. Speck very ably sought to explain to me that the two applications by Unwired Planet were inextricably linked and one was dependent on the other, I do not accept that. They were clearly cumulative relief. The most that could be said in favour of the linkage point is that at paragraphs 119 and 120 of its skeleton argument, Unwired Planet indicated that unless satisfactory and binding comfort was given that would prevent Huawei acting by other means to achieve the same object that was envisaged in the Chinese proceedings, the stay ought to be lifted. That suggests a link.
17. However, the "comfort" sought by Unwired Planet was specified in paragraphs 3 and 4(e) of Unwired Planet's proposed undertakings. As to paragraph 3, that undertaking had already been offered by Huawei. As to paragraph 4(e), that undertaking has not been obtained by Unwired Planet.
18. The difficulties with lifting the stay are very clear. The stay was granted in order to achieve a balance of justice pending appeal. Unwired Planet does not make or sell any products, and it exists to obtain a royalty stream from its portfolio. At present it is being paid by Huawei, not just under its UK patent portfolio but globally. Any encroachment on its UK monopoly is being compensated pending appeal by the receipt of royalties on Huawei's global manufacture and sale. The continued sale of Huawei's handsets and the infrastructure in the UK pending appeal causes no damage to Unwired Planet's business in the UK, and it provides Unwired Planet with the royalty stream that it wishes to obtain. If the stay remains in place and Unwired Planet wins the appeal, then that will change. On the other hand, if the stay were lifted unquantifiable and irreparable harm would be caused to Huawei's business which is set out in the confidential statement of Mr. Hunter.
19. I do not need to refer to any matters of confidence. An injunction would shut down Huawei's business in selling the consumer devices and its 4G RAN infrastructure business in the United Kingdom. The damage is not just loss of sales but important infrastructure contracts. This is exacerbated by the fact that Unwired Planet has refused to give any cross-undertaking in damages. It appears that it will not be able to

afford to do so. In those circumstances, the application to lift the stay was, in my view, bound to fail.

20. However, I accept the submission made by Mr. Speck and Mr. Raphael for Unwired Planet that, but for the commencement and pursuit of the Chinese proceedings by Huawei, there never would have been an application to lift the stay. The reason why there are many lawyers in court today is because of the Chinese proceedings.
21. In those circumstances, I have decided that Unwired Planet should not recover its costs of the application to lift the stay but, equally, should not pay Huawei's costs of that application. The best estimate that I can make, which is based on what seemed to me to be a reasonable estimate, provided in court by Unwired Planet's solicitor, is that 70% of Unwired Planet's costs were attributable to the application for an anti-suit injunction, and 30% attributable to the application to lift the stay. In those circumstances, I intend to award Unwired Planet 70% of its costs of this application.
22. I am now concerned with the amount to order by way of payment on account. The grand total of the summary assessment of costs which has been served by Unwired Planet is somewhat over £472,000. It is easy to say that this is an exorbitant sum for a one-day application with limited evidence, and it is probably right to say that. However, it is important to bear in mind the importance of the application. It required, as well as a team of patent lawyers, a team of specialist jurisdiction lawyers. Whilst I am not concluding that this would be a reasonable sum, the bill on the opposite side of the court was £365,000, which at least gives a feel as to the amounts that the parties have deemed it worthwhile to spend.
23. I have no detail in relation to this bill, any significant detail, as to what the costs were spent on. I note that this includes a bill from Osborne Clark for some £75,900, but I am not clear what it is that they have done. Overall, I consider that the fair result is to take the figure of £360,000 and to award an interim payment of 60% of 70% of that figure.
24. Huawei would be well advised to pay whatever it considers would be likely to be awarded on a detailed assessment because, otherwise, the interest in the interim may raise the bill very considerably.
