

Conversant v Huawei & ZTE

Court of Appeal jurisdiction judgment, 30 January 2019 – Key Points

Background

In July 2017, Conversant brought proceedings against Huawei and ZTE in the English High Court, alleging infringement of four UK claimed standard essential patents, and seeking a determination of global FRAND licence terms. Both defendants challenged the English court's jurisdiction to hear Conversant's claims, arguing that (a) its claim to a global FRAND determination was not justiciable by the English court and (b) England was not the convenient forum for determination of the claims – given the location of the defendants' business and the nature of the portfolio, the defendants argued that China was the more appropriate forum. In April 2018, Mr Justice Henry Carr (**Carr J**) rejected the defendants' arguments on jurisdiction, holding that Conversant's claims were "*claims for infringement of four UK patents*" rather than "*foreign portfolio infringement claims or worldwide royalty claims*".

The defendants appealed against Carr J's decision, adducing evidence on Chinese law to support their argument that China was the more appropriate forum for determination of Conversant's claims. The new evidence comprised: (i) the April 2018 Guidelines of the Guangdong High People's Court on adjudication of SEP disputes (**Guangdong Guidelines**); and (ii) the judgment of the Shenzhen Intermediate Court in *Huawei v Samsung*. The defendants argued that the further evidence showed that the Chinese court could determine the terms of a global FRAND licence and was therefore the more appropriate forum.

The Court of Appeal's judgment

The outcome is the same for both defendants. In summary:

- The Court of Appeal (**Court**) rejected the 'inconvenient forum' limb of the defendants' jurisdiction challenge. The Court relied on the fact that Conversant was advancing a claim of UK patent infringement. It considered the defendants' further evidence on Chinese law, but did not place any weight on it.
- The Court did not deal with the 'non-justiciability' limb of the jurisdiction challenge, because this part of the case was not pursued by the defendants in light of the Court of Appeal's judgment of October 2018 in *Unwired Planet*. However, this argument has been preserved for a possible further appeal by either Huawei or ZTE to the Supreme Court.

Characterisation of the dispute

The Court considered that the "critical initial question" for determining the appropriate forum is how the dispute is properly to be characterised [95].

- The Court agreed with Carr J that Conversant's primary claim was for infringement of UK patents, and that the English court was therefore the appropriate forum for the case [104].

- It was not correct that the case could be characterised as one for infringement of ‘local patents’ [102]. If Conversant were compelled to advance its case in China based on Chinese patents from its portfolio (which are different property rights from different patent families), the underlying dispute would be different [101]. In the Court’s view, it would be “very surprising” if a patent owner could not choose the country in which to enforce a patent selected from its portfolio [105].
- Although Conversant had sought a global FRAND determination, the Court acknowledged Conversant’s acceptance that it would not seek a global FRAND determination unless and until a UK patent was found to be valid and essential [110].
- As in *Unwired Planet*, the Court held that the content of Conversant’s FRAND undertaking is an “inseparable part” of the dispute about whether Conversant is entitled to relief for UK patent infringement [99, 110].
- The Court acknowledged that if the English court sets the terms of a global FRAND licence, it would be deciding the royalty rate for China. However, it did not consider this to be problematic. The English court would not prevent the Chinese court from determining the validity and essentiality of Chinese patents. In fixing the royalty (if any) for China, the English court could also factor in the results of the Chinese decisions [108-109].
- The Court held that if a UK patent is found valid and essential, the relief (injunction and damages) will relate only to acts of infringement within the UK [98(i), 103]. There would be no basis for staying the consideration of ‘relief’ unless proceedings were on foot elsewhere which would result in an adjudication on the offers made by the parties and on the terms of a global FRAND licence (the ongoing Chinese proceedings only seek relief for China) [111].

The position of the UK defendants

- The Court held that Carr J was right to conclude that Huawei UK and ZTE UK must be sued for UK patent infringement in the courts in which they are domiciled, and that the doctrine of *forum non conveniens* therefore does not apply. The case would therefore have to continue against Huawei UK and ZTE UK in any event [36 and 120].
- The Court found that the UK defendants have a “real and substantial” business in mobile telecommunications in the UK, even though it is a small part of Huawei’s and ZTE’s global operations. It “may not be correct” to say that the UK defendants do themselves not need a global licence, as mobile devices are capable of “roaming” [115].

Effect of the further evidence on Chinese law

The Court concluded that the defendants’ further evidence on Chinese law did not change the outcome of the jurisdiction challenge [121-126].

- England is the only possible forum for the validity of UK patents to be tried. The further evidence on Chinese law would not affect that outcome. Even “taken at its highest”, the evidence did not suggest that the Chinese court could determine the validity of UK patents [104].

- In the Court’s analysis, and despite the Guangdong Guidelines¹, the circumstances in which the Chinese court would conduct a global royalty-setting exercise without the consent of both parties remain unclear [123-125].
- The Court disagreed that the *Huawei v Samsung* judgment (Shenzhen) proved that the Chinese court would settle the terms of a global licence. In the Court’s view, it simply showed that the Chinese court is willing to conduct an analysis of SEP licence negotiations between two parties against a criterion of “obvious procedural or substantive default” [126].

Implications

The judgment is likely to cement the UK’s place as a jurisdiction of choice for SEP owners who are looking to obtain global FRAND determinations. It appears to leave little room for *forum conveniens* challenges in cases where the SEP holder brings a claim for UK patent infringement – regardless of whether the SEP holder seeks relief in the form of a global FRAND licence or of where the balance of its portfolio lies. Relying heavily on its recent judgment in *Unwired Planet*, the Court is firmly of the view that FRAND issues are closely connected to, or even inseparable from, the question of whether the SEP holder is entitled to relief for UK patent infringement.

While the judgment is undoubtedly positive overall for SEP owners, it still provides a degree of comfort for implementers. First, it suggests that it may be more difficult for a SEP holder to obtain relief in the form of a global FRAND licence unless it has obtained a prior finding of a valid and essential UK patent. Secondly, it suggests that results of decisions on the validity and essentiality of the SEP holder’s patents in non-UK countries should be factored into the English court’s determination of royalty rates for those countries. Thirdly, it re-confirms the finding in *Unwired Planet* that the formal relief for UK patent infringement remains an injunction and damages limited to acts of infringement within the UK. Finally, the Court leaves open the possibility that the relief aspect of a FRAND case may be stayed while a FRAND assessment (provided it is global or multi-national in scope) takes place in another jurisdiction. Although the Court did not accept that China would carry out such a determination in this case, future cases may involve clearer evidence that such an assessment can, and will be carried out.

The Defendants may be seeking permission to appeal; if permitted, any such appeal may be joined to the appeal of the judgment in *Unwired Planet* (for which permission is being sought from the Supreme Court). Pending any such appeal, the case will now continue in the UK.

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¹ Paragraph 16 of the Guangdong Guidelines states: “Where the claimed territory scope of the related licensed SEPs on which judicial determination is requested by the patentee or the implementer of the SEP exceeds the territory scope of the court, and the other party does not explicitly raise an objection in the judicial proceedings or the objection raised is deemed unreasonable after examination, determination can be made on the royalty for such claimed territory scope.”