Neutral Citation Number: [2020] EWHC 2425 (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

The Rolls Building
7 Rolls Buildings
Fetter Lane
London EC4A 1NL

Date: 09/09/2020

Before:
MR. JUSTICE BIRSS

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Between:

(1) OPTIS CELLULAR TECHNOLOGY LLC
(A company incorporated under the laws of the State of Delaware)
(2) OPTIS WIRELESS TECHNOLOGY LLC
(A company incorporated under the laws of the State of Delaware)
(3) UNWIRED PLANET INTERNATIONAL LIMITED **Claimants**
(A company incorporated under the laws of the Republic of Ireland)
- and -
(1) APPLE RETAIL UK LIMITED
(2) APPLE DISTRIBUTION INTERNATIONAL LIMITED
(A company incorporated under the laws of the Republic of Ireland
(3) APPLE INC **Defendants**
(A company incorporated under the laws of the State of California)

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MR. ADRIAN SPECK QC, MS. SARAH FORD QC, MS. ISABEL JAMAL, MR. THOMAS JONES and MS. JENNIFER DIXON (instructed by **EIP Legal and Osborne Clarke LLP**) for the **Claimants**
MR. MICHAEL BLOCH QC, MS. MARIE DEMETRIOU QC, MR. MEREDITH PICKFORD QC and MS. LIGIA OSEPCIU (instructed by **Wilmer Cutler Pickering Hale and Dorr LLP**) for the **Defendants**
MR. GUY BURKILL QC and MS. ANNA EDWARDS-STUART (instructed by **Wilmer Cutler Pickering Hale and Dorr LLP**) for the **Defendants**

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Approved Judgment

Transcript of the Stenograph Notes of Marten Walsh Cherer Ltd.,
2nd Floor, Quality House, 6-9 Quality Court, Chancery Lane, London WC2A 1HP
Tel No: 020 7067 2900 DX: 410 LDE
Email: info@martenwalshcherer.com
Web: www.martenwalshcherer.com

MR. JUSTICE BIRSS:

1. This is an application for a reference to be made to the Court of Justice of the European Union on issues in these proceedings. The proceedings are a patent and FRAND dispute between a group called Optis (which includes Unwired Planet), and the Apple group. Optis contends that it holds a portfolio of standard-essential patents relating to various telecommunication standards and that Apple is using that technology without an appropriate licence. Apple does not accept the patents are valid and/or essential and denies a licence is needed. There are also FRAND issues to be determined, assuming Optis has some valid essential patents. Currently the dispute is arranged as a series of technical trials, A to D, and two other trials, E and F.

2. I will start with trials A to E. Trial A starts in about four weeks' time (October 2020). Trials B, C and D are spaced out over the next year and a half, and Trial E, which is to determine the terms of a FRAND licence, and rule on various allegations made by Apple of anti-competitive behaviour by Optis, is due to be heard in June 2022. That is how the proceedings had been set up.

3. A further dimension to the dispute began to crystallise in spring/early summer 2020, and in July 2020 I directed that a new trial, Trial F, be fixed. This trial is to deal with the question of whether Apple is an unwilling licensee. It arises, says Optis, because Apple is not currently prepared to commit to take a licence on FRAND terms settled by the court. Optis's point is that Apple is in effect seeking now to take the benefit of Optis's FRAND undertaking because Apple is arguing that even if, for the sake of argument, Trial A finds the relevant patent valid, essential and still in force, nevertheless no injunction should be granted at that time until Trial F is resolved, 18 months to two years later. Optis argues that this amounts to Apple taking the benefit of the FRAND undertaking given by Optis right now (or at least as soon as any technical trial goes in Optis's favour) and so, says Optis, Apple ought also to accept the burden of FRAND and be prepared to take whatever licence is found to be FRAND (since the parties cannot agree about those terms). Therefore, says Optis, since Apple will not do this, Apple is an unwilling licensee.

4. Apple does not agree with this analysis, contending it is entitled to take the stance it is taking. Apple also argues that various alleged breaches of competition law by Optis are relevant, and I will come back to that. Apple resisted the idea of having a separate Trial F, arguing that the issues overlapped with Trial E, and that the unwilling licensee question should be dealt with at Trial E.

5. In my judgment, which the neutral citation is [2020] EWHC 2033 (Pat), I rejected Apple's submissions about when the unwilling licensee issue should be decided, and rejected Apple's submission that the issues were not separable. I directed that Trial F should take place in July 2021. The hearings today (4th September) were originally fixed to be the PTR in Trial A; and also a first CMC in Trial F, to resolve any outstanding arguments about what issues were to be decided at Trial F and what were not. It is not without significance that by the time the CMC commenced, the parties had been able to agree a list of what was and was not in issue at Trial F.

6. At paragraph 11 of the July judgment, I dealt with whether scheduling Trial F was useful in terms of the need for further proceedings after that:

> "11. Prospects of those issues avoiding the need for further proceedings?
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> Generally, in my judgment, there is a real prospect that the determination of Trial F (as it is being called) may well lead to no further matters needing to trouble the court at all in this dispute. I do not say that it will happen, but it is certainly a real possibility that that will happen, by promoting settlement between the parties, which is itself a worthwhile objective."

7. In fixing Trial F I also had well in mind that Apple contended that certain alleged breaches by Optis of competition law meant that no injunction should be granted in favour of Optis even if Apple has not undertaken to accept a FRAND licence settled by the court. Those points would not be in issue in Trial F, but, as I held in paragraph 13:

> "13. If it turns out, as I think I said to Ms. Jamal earlier on, that the fact that something is not in issue, means that Optis does not get the relief it seeks even if it wins on the points it says it should win on, then so much the worse for Optis."

8. The alleged breaches of competition law which will not be in issue at Trial F are pleaded in paragraphs 70(1)-(7) and the second sentence of 70(8) of Apple's FRAND defence. Rather than set out the whole of that section of the pleading, the tenor of those points can be seen from sub-paragraphs (i) to (v) to question 3 of the draft questions to be referred. I will introduce the questions themselves below, but at this stage it is useful to see these sub-paragraphs:

> "i. The offer(s) made by the SEP owner prior to commencing litigation were so far above the FRAND rate and/or contained other unfair terms as to be unfair within the meaning of Article 102 TFEU; and/or
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> ii. The offer(s) made by the SEP owner prior to commencing litigation were so far above the FRAND rate and/or contained other unfair terms as to be liable to disrupt and/or prejudice negotiations; and/or
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> iii. The offer(s) made by the SEP owner bundled its portfolio with other portfolios not proven to contain SEPs; and/or
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> iv. The SEP owner sought during the negotiations to impose dissimilar conditions on the implementer to equivalent transactions with other trading parties within the meaning of Article 102 TFEU; and/or
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> v. The conduct of the SEP owner in commencing litigation and seeking prohibitory injunctive relief was designed to exert pressure on the implementer with a view to extracting excessive royalties; and/or

> vi. The national court has not yet determined the FRAND terms for the licence and the SEP owner is therefore seeking to compel the implementer to commit to a licence before it has received an offer on FRAND terms or knows what the FRAND terms are; and/or
>
> vii. The SEP owner has not yet established that it is entitled to a licence."

9. Sub-paragraphs (i) to (v) of this are what I referred to as alleged "bad behaviour" by Optis in the July judgment, at paragraphs 7 and 8 of the judgment, holding as follows:

> "7. All the points made by Apple on the consequences of taking this course are legitimate points, but the issue is a fundamental one. Mr. Bloch characterises what would happen as Optis trying to show it is entitled to an injunction despite Optis's behaviour being so bad, (as it were). However that formulation misses the potential significance of the point that has been put against Apple, that its refusal to abide by a finding of what is FRAND may have adverse consequences.
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> 8. I certainly am not in a position to rule on these questions now, but it does seem to me to be sufficiently properly arguable, that it is appropriate for that issue to be decided in that way and at that stage in these proceedings."

10. In other words, I was satisfied that despite those allegations summarised in (i) to (v), which mostly relate to an early stage in the dispute, it was nevertheless properly arguable that Apple's refusal to abide by a finding of what is FRAND may have adverse consequences for Apple (e.g. by putting them at risk of an injunction) even if those points were well-founded.

Application for a reference

11. Now Apple has applied for an order that the court should refer questions to the CJEU. Apple contends that the reference should be made now, not least because even though the UK is not a member of the EU, we are currently in the transitional period, and while in that situation a UK court can make a reference to the CJEU. That ability to refer will end at the end of transitional period, which today is the end of this year, 2020. So there will be no possibility of referring a question as part of the outcome of Trial F, nor for a court hearing an appeal from Trial F in making a reference.

12. The questions are:

> 1. If a SEP owner does not present to an implementer a specific written offer on FRAND terms for a licence but instead expresses its willingness to conclude a licence on whatever terms (including royalty terms) a Member State court or tribunal determines to be FRAND, does the SEP owner without more discharge its obligations to the implementer as set out in [63] of CJEU's judgment in *Huawei v ZTE*?

> 2. If question (1) is answered in the negative, would this failure by the SEP owner to discharge its obligations to the implementer put the SEP owner in breach of Article 102 TFEU if it brought an action for a prohibitory injunction against the implementer?
> 3. As to question (2) above, does an expression of willingness by the SEP owner to conclude a licence on whatever terms the court determines to be FRAND render an action for a prohibitory injunction against the implementer compatible with Article 102 TFEU irrespective of whether:
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> [***and here the sub-paragraphs above set out the alleged breaches of Art 102 which Apple contends Optis has committed beforehand and also makes the points in (vi) and (vii)***]
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> 4. If a SEP owner brings an action against an implementer for a prohibitory injunction when it has failed to discharge its obligations to the implementer as set out in [63] of CJEU's judgment in *Huawei v ZTE* and/or in circumstances in which one or more of the facts set out in question (3) above are established, is it consistent with Directive 2004/48/EC and, in particular, Article 3(2) thereof, for the Member State court or tribunal nevertheless to grant such injunctive relief?
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> 5. Are any of the answers to questions (1) to (5) above different if, in the absence of a specific written offer on FRAND terms from the SEP owner, the implementer refuses to commit to taking a licence until the FRAND terms of the licence have been determined by the Court?

13. It is notable that questions 1 and 2 do not really arise at Trial F. Question 2 in particular is really asking whether the Supreme Court's recent judgment in *Unwired Planet v Huawei* [2020] UKSC 37 is right or wrong. The Trial F questions are questions 3-5. Ms. Demetriou QC for Apple explained that questions 1 and 2 had been added in on the basis that if questions 3-5 were being asked then it made sense to ask questions 1 and 2 as well. I will decide this application by focusing on questions 3-5 first. In my judgment, the only possible basis for even contemplating asking questions 1 and 2 would be if questions 3-5 were being asked. In fact Ms. Demetriou accepted that I should consider questions 3-5 first, but I should make clear that I am doing that not because Ms. Demetriou accepted it, but because, in my judgment, it is the right thing to do in the circumstances. An application to refer questions 1 and/or 2 on their own is hopeless. The Supreme Court in *Unwired Planet* was asked to refer questions and declined to do so.

14. In fact, the key issue I need to consider, in terms of the reference, is the issue raised by question 3. That is the key point. Question 4 is a new argument about the Enforcement Directive, and I will say now that I am not satisfied that I should refer that if I am not referring question 3. Indeed, I think in some ways question 4 is more

closely related to questions 1 and 2 than it is to question 3, but it does not really matter. Also, there is no need to consider question 5 separately either.

15. Apple contends that the issue is an important one, not previously determined, and is not *acte clair*; arguing that the court will be assisted by a definitive ruling from the CJEU on the questions, and that given the international nature of FRAND, this will assist industry in general. Apple describes it as a crisp point of law, eminently suitable for the CJEU. Apple also contends that there will be no delay to the trial, pointing out that Apple is not suggesting that the case be stayed in the meantime. Apple does contend that judgment following Trial F should await the result of the reference, but argues that given the average time which the CJEU takes to deal with references from start to finish is 15½ months (based on the court's 2019 annual report), on that basis it will not seriously delay the proceedings.

16. Optis argues to the contrary. It argues that this is a transparent delaying tactic by Apple and part of a long series of Apple delaying tactics. The timing of Trial F is important and it would be derailed by such a reference. Separately, says Optis, a reference is not necessary in its own terms because the UK courts have shown in the *Unwired Planet* case that they can interpret Article 102 and the CJEU's judgment in *Huawei v ZTE* without the need for a reference.

17. Also, Optis contends that a reference would be inappropriate because the issues under consideration are highly fact-sensitive, and therefore are matters for the national court. Optis contends that the Supreme Court's judgment in *Unwired Planet* (and the CJEU's judgment in *Huawei v ZTE*) both made clear the fact-sensitive nature of the examination. In answer to this point, Apple argues that while that may be true in a general sense, the way Trial F is set up means that this is not a difficulty. That is because Apple's point on question 3 is that there is an issue of principle which arises irrespective of what the actual facts turn out to be (these being the allegations of breaches of Article 102 by Optis which are summarised in the sub-paragraphs to question 3 I have set out above).

18. Optis maintains that the issues are fact-sensitive, and therefore not suitable, and also points to the fact that the issues to be decided in Trial F include the true construction of the ETSI FRAND obligations as a matter of French law. This is something which will inform the answer to the unwilling licensee issue. Apple contends that that is the wrong way round, in that it is Article 102 which will inform the true construction of the ETSI obligation.

Principles

19. It is common ground that whether I should refer questions at this stage of this case is a matter of discretion. Nevertheless Apple contend that an important factor is that in practice this is the last opportunity to refer questions because of the impending end of the transition period. Apple argues that this is akin to, but not the same as, the principle that a court of final appeal is obliged to refer questions in certain circumstances, because that is the last chance.

Decision

20. The question in question 3 is an issue at Trial F. It is conceivable that the circumstances might play out in such a way that the issue never has to be decided, e.g. because Optis loses on the interpretation of the ETSI obligation itself or for some other reason, but subject to that the point is in issue. Leaving to one side the Article 102 points and the subparagraphs, I am nevertheless sceptical that it is right to say that the question ought sensibly to be divorced from a detailed assessment of the rest of the circumstances which will be considered at Trial F, and I refer to the list of issues for Trial F which I will not set out in this judgment. In other words, were it not for the point about leaving the EU, then I would be quite sure that whether questions should be referred in this case would be best decided after the trial, when the rest of the circumstances had been gone into properly. However, I recognise that that option is not available in the current circumstances.

21. Another point is that Optis argues that the Supreme Court's judgment in *Unwired Planet* already decides these issues against Apple. That is a matter for Trial F, and for present purposes I will assume that that is not the case.

22. I turn to consider the impact a reference would have on the timing of these proceedings. Fifteen and a half months for the CJEU is an average. If I assume that the reference is resolved in fifteen and a half months, that means that while the trial would still take place in July 2021, the answers would not come back until about December 2021. There will then be a need for a further hearing to deal with the consequences. Ms. Demetriou contended that the ruling will be definitive and will resolve any further argument. That might happen, but in any case the judgment arising from Trial F would still then have to be written. Moreover, in my experience of these issues, and of the way this litigation has gone so far, things are unlikely to be so simple. Overall, in my judgment, there is a very real likelihood that dealing with the consequences of a ruling will push the conclusion of Trial F well into 2022. Trial E is scheduled for June 2022. The advantages of scheduling Trial F in the manner I have done, well before Trial E, will be lost.

23. For this reason of timing alone, I have decided that I should not refer these questions.

24. I appreciate that if I do not refer questions now, then the opportunity to do so will be lost. However, on that I return to the point that the Supreme Court felt able to decide questions relating to Article 102 and the interpretation of *Huawei v ZTE* without a reference, despite being asked for one. Even if I assume question 3 is not answered by *Unwired Planet* and/or the application of *Huawei v ZTE*, it arises in the very same territory. *Unwired Planet* shows that issues of this kind can be dealt with fully and properly without a reference, and in my judgment the national courts will be able to deal with this case without a reference.

25. I therefore dismiss this application. That is my judgment.

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