



Neutral Citation Number: [2023] EWCA Civ 166

Case No: CA-2022-001612

IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (ChD), PATENTS COURT

Mr Justice Mellor
[2022] EWHC 2121 (Pat)
HP-2021-000047

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 17/02/2023

Before :

LORD JUSTICE BEAN
LORD JUSTICE PETER JACKSON
and
LORD JUSTICE BIRSS

Between :

InterDigital Technology Corporation & Ors	<u>Respondent</u>
- and -	
OnePlus Technology (Shenzen) Co & Ors	<u>Appellant</u>

Nicholas Saunders KC, Michael Conway (instructed by **Bird & Bird LLP**) for the **Appellant**
Colin West KC (instructed by **Taylor Wessing LLP**) for the **Respondent**

Hearing dates: Wednesday 1 February 2023

Approved Judgment

This judgment was handed down remotely at 10.30am on 17 February 2023 by circulation to the parties or their representatives by e-mail and by release to the National Archives

.....

Lord Justice Birss:

1. This appeal relates to a term in a confidentiality regime directed by the court which is applicable to documents produced in disclosure in a patent case about the FRAND terms of a licence.
2. Confidentiality regimes or “clubs” are used in such cases to maintain the confidentiality of sensitive information and trade secrets that are shared during litigation. Under English law, the establishment of a confidentiality regime often involves the creation of a defined group of individuals who are authorized to access and use confidential information for the purposes of the litigation. Access to confidential information is restricted to members of the “club” and is subject to strict conditions. The establishment of a confidentiality regime seeks to prevent the unauthorised use or disclosure of sensitive information and to provide a secure environment for the exchange of confidential information between the parties.
3. The claimant InterDigital has a portfolio of patents declared essential to various telecommunications standards. Patents of this kind are sometimes called SEPs (Standards Essential Patents). InterDigital has undertaken to offer licences under these patents on terms which are FRAND (‘Fair, Reasonable and Non-Discriminatory’). The concept of FRAND terms and the context in which disputes of this kind arise are explained in a number of recent judgments, including that of the Supreme Court in *Unwired Planet v Huawei* ([2020] UKSC 37, see paragraphs 2-15). There is no need to repeat these explanations in this judgment. The defendants (“OnePlus”) make and sell devices which operate in accordance with these standards. InterDigital contends that OnePlus need such a licence.
4. The claim form was issued in December 2021 alleging infringement of certain InterDigital patents. It was served on two defendants within the jurisdiction at the same time. Service on the defendants outside the jurisdiction was effected in February and an application challenging jurisdiction was brought by the defendants. By March 2022 draft defences and counterclaims had been served (subject to the jurisdiction challenge) and in May 2022 Falk J gave preliminary directions. These provided for two “technical” trials to address the validity, infringement and essentiality of certain InterDigital patents. The FRAND issues will be decided separately. A case management conference relating to the FRAND issues was fixed for July 2022.
5. The judgment with which this appeal is concerned was a case management decision of Mellor J at the FRAND CMC on 19th July 2022 ([2022] EWHC 2121 (Pat)). The directions included a timetable for statements of case, with InterDigital’s FRAND statement of case to be served first, and OnePlus’s afterwards.
6. The judge settled the terms of a confidentiality regime to govern the disclosure of certain licences by InterDigital. Each licence is a contract between InterDigital and another implementer. These licences are potentially relevant to the terms to be set at the FRAND trial, as so-called comparables.
7. As is now commonly done in cases of this nature the confidentiality regime has two tiers or rings. There is an inner tier called External Eyes Only (EEO) and an outer tier called Highly Confidential (HCONF). Documents designated as being in the EEO tier can only be seen by external lawyers and experts, while for documents in the HCONF

tier, certain specified individuals from within the party itself may also see the documents, subject to suitable undertakings. The named individuals may be in-house lawyers or others within the management of the undertaking.

8. This arrangement is a pragmatic and useful one and allows a staged approach to disclosure to take place. At the first stage the relevant licences will be disclosed to OnePlus's external lawyers and experts. They can take a view on whether particular documents need to be disclosed to individuals within OnePlus in order to advise and take instructions. At the second stage those particular documents can then be moved into the HCONF tier. Experience shows that these are likely to be fewer in number than had been put into the inner EEO tier at the first stage.
9. The debate before Mellor J was about the terms of the undertaking to be given by a OnePlus employee as part of the arrangements for the HCONF tier. The question was about one clause in the undertaking. This provided that the individual undertook not to be involved in SEP licensing while they have access to the documents and for a period of two years afterwards. The sort of SEP licensing negotiations which it is conceivable OnePlus will engage in could be discussions in which OnePlus is a putative licensee implementer – as it is in the present case, or as a putative licensor – because OnePlus also has its own SEP portfolio. The undertaking is subject to an exception relating to discussions for the purposes of settling FRAND litigation. The dispute was about the scope of the SEP licensing prohibition and the question was whether it should be in a wide or narrow form. The wide form contended for by InterDigital applied to any SEP licensing. The narrow form contended for by OnePlus was that it should be limited only to licensing discussions with the particular counterparty to the particular InterDigital licence contract in question.
10. The rival texts were:

Wide Form

“I confirm that I am not presently involved in SEP licensing (excluding as may be required for the purpose of participating in settlement discussions relating to FRAND litigation) and undertake not to become so involved whilst I have access to the Highly Confidential Materials (or any part of them) in accordance with the Order or for two years after the date that I cease to have access;”

Narrow form:

“I confirm that I am not presently involved in SEP licensing negotiations with [INSERT COUNTERPARTY] or their subsidiaries or affiliates (excluding as may be required for the purpose of participating in settlement discussions relating to FRAND litigation) and undertake to [INSERT COUNTERPARTY] not to become so involved, without the consent of [INSERT COUNTERPARTY], whilst I have access to any Highly Confidential Materials (or any part of them) relating to [INSERT COUNTERPARTY] in accordance with the Order or for two years after the date that I cease to have access;”

11. When the matter came before the judge in July the FRAND proceedings were at an early stage. OnePlus's FRAND Statement of Case had not been filed, indeed facilitating the preparation of that document was a major reason for the disclosure of the licences at that stage. The issue was one of a number of matters which the judge had to resolve at the hearing in his *ex tempore* judgment. Adopting a "cautious approach" he decided in favour of the wide form and also gave OnePlus liberty to apply. The judge's reasoning on this point starts at paragraph 22. He noted that the licenses are regarded as highly confidential, identifies the relevant authorities (particularly the recent *Mitsubishi v One Plus Shenzhen* decision discussed below) and notes the nature of OnePlus's evidence before him at paragraph 27 as follows:

27. One point that has struck me from the evidence in this case is that, as [*counsel for InterDigital*] pointed out, the evidence in relation to [*OnePlus's*] proposals for the membership of this highly confidential club is described as at a relatively high level, so only one particular individual has been identified and Mr. Marshall, in his third witness statement at 42, identifies this person as the person in [*OnePlus*] from whom he takes instructions. There is no information about the number of lawyers in the [*OnePlus*] organisation even though Mr. Vary, for [*InterDigital*], has identified that it has 40,000 employees. The amount of information I have been provided with by Mr. Marshall is strikingly light compared with the information I received in the *IP Bridge* and *Lenovo* instances.

12. Then reasons for directing the wide form of undertaking are given in the next two paragraphs, as follows:

28. The big point that [*counsel for InterDigital*] takes against [*OnePlus's*] proposal is that the more people in the highly confidential club who are involved in SEP licensing, the greater the difficulties which will arise with counterparties when they are notified that their agreements are to be disclosed to [*OnePlus*] and to people in [*OnePlus*] involved in SEP licensing. Of course, [*counsel for OnePlus*] points out that his proposal is that the undertaking should only prohibit individuals from being involved in licensing negotiations against the counterparties to the comparator licences. Against that, there were a number of names thrown about in argument, one being Apple, in other words, if there is a licence between [*InterDigital*] and Apple that is disclosed, the relevant undertakings would prevent anybody in the highly confidential club from being involved in negotiations for a licence between [*OnePlus*] and Apple for a period of two years from the conclusion of the litigation.

29. Apple, of course, is in some respects a well-known outlier in this industry and there are many other counterparties who some people might consider are similarly situated to other counterparties. The point is, as [*counsel for InterDigital*] explained, that information from these licences can be and is highly commercially valuable, and they are viewed as such, and

I think there is some force in his point about the number of counterparty objections that might arise if I accede to the suggestion. [*counsel for InterDigital*] also made clear that if [*OnePlus*] do come forward and explain in more detail the roles of the up to four individuals in their highly confidential club, then there may well be a basis for the regime, which is going to be established at this relatively early stage in this litigation, to be varied in due course. On balance, I am inclined to be cautious in this regard and therefore I am going to impose the undertakings suggested by InterDigital on the basis that if [*OnePlus*] provide more specific evidence about the roles of the four people in the highly confidential club, they can apply to vary this regime in due course.

13. As I understand it the reference there to Apple as an outlier relates to the idea that Apple's position can be thought to be unlike that of other potential counterparties in the industry, whereas for those other counterparties, they might be similarly situated to each other even if none of them are similarly situated to Apple.
14. OnePlus applied for permission to appeal. Arnold LJ gave permission on 25th October 2022. OnePlus also made a second application dated 1st November 2022 to vary the order and to name certain further individuals as the ones to give the undertaking. In July 2022 before Mellor J only one individual had been named or described in any detail in evidence. The second application has been arranged to come after the decision on this appeal. OnePlus contended that InterDigital's agreement (or, I think, even insistence) that this was the right course amounted to an admission or acknowledgement that there was a point of principle at stake on this appeal. I do not agree. Once permission to appeal the judge's July order had been given, it plainly made sense, if it was practical to do so, to resolve this appeal before dealing with the application. However nothing in that amounts to a relevant sort of admission about the issues at stake in the appeal.
15. On appeal, OnePlus's primary and overarching contention is that the wide form of undertaking is wrong in principle because the only material unfairness which could occur would be if the relevant in-house individual with knowledge of the terms of a given InterDigital licence became involved in licensing negotiations with the counterparty to that licence. To the extent that it might be unfair for the counterparty to the comparator licence to have to negotiate with the same individual who has had sight of that counterparty's licences with the SEP holder InterDigital, that situation was covered by the narrower targeted undertaking offered by OnePlus.
16. OnePlus's grounds are further broken down into three points which OnePlus itself characterised as essentially different ways of expressing the overarching ground of appeal. The points are that the judge erred in concluding:
 - i) that a good reason to require the wide undertaking was that otherwise potential counterparties might be concerned about disclosure. In fact their position was already protected by the targeted undertaking offered by OnePlus;
 - ii) that a justification for the wide undertaking was that third parties in the market might be "similarly situated" to the counterparties to the disclosed licences. In

fact whether that is so or not, the counterparty to the negotiations would not be a party to any disclosed licence the individual had seen; and the individual having seen comparable licences with other counterparties does not call into question the fairness of those negotiations.

iii) that requiring the wide undertaking was justified on grounds of caution. However such a stringent undertaking should not be required unless there are genuine, legitimate and identified concerns, none of which were identified.

17. In response InterDigital supported the judge, contending that the order was a proper exercise of the courts' powers at that stage of the proceedings, and submitting that no point of principle was at stake in this appeal.

The law

18. In *Mitsubishi v One Plus (Shenzhen)* [2020] EWCA Civ 1562, Floyd LJ, with whom Males and Lewis LJJ agreed, comprehensively reviewed the authorities and legal principles applicable in this area. As Floyd LJ said at the start of this review:

19 The problem which arises in this case is not a new one in intellectual property litigation. In *Warner-Lambert Co v Glaxo Laboratories Ltd* [1975] RPC 354 the defendants asserted that their process for the manufacture of a pharmaceutical that was alleged to infringe the claimant's patent was a valuable trade secret. They contended that disclosure should be limited to counsel, solicitors, a patent agent and an independent technical expert, but resisted disclosure to the claimant's own officers or employees. Buckley LJ, at page 356 lines 7-8, said that the court was "confronted with a balance or conflict of expedients". He asked himself at page 356 lines 12-14 "How can justice be done and at the same time effect be given to the rights of each party to the greatest possible extent?" He continued at lines 25-6 "In such a case a controlled measure of disclosure seems best calculated to serve the interests of justice."

19. Then from paragraph 20 Floyd LJ considered how those principles developed, including by reference to two important decisions: of the Court of Appeal in *Roussel Uclaf v ICI* [1990] RPC 45 (see paragraph 23 of *Mitsubishi*); and of the Supreme Court in *Al-Rawi and others v Security Service (JUSTICE and others intervening)* [2011] UKSC 34 (see paragraphs 24-26 of *Mitsubishi*). At paragraph 27 of *Mitsubishi*, after quoting a passage from Lord Dyson in *Al-Rawi* (paragraph 64), Floyd LJ noted:

27. That passage again recognises that what is a necessary degree of disclosure in the interests of justice may vary as a case progresses.

20. Next Floyd LJ examined a number of first instance decisions which illustrated how these regimes operate in practice (paragraphs 28 to 38 of *Mitsubishi*) and finally he summarised the applicable principles as follows:

39. Drawing all this together, I would identify the following non-exhaustive list of points of importance from the authorities:

i) In managing the disclosure of highly confidential information in intellectual property litigation, the court must balance the interests of the receiving party in having the fullest possible access to relevant documents against the interests of the disclosing party, or third parties, in the preservation of their confidential commercial and technical information: *Warner Lambert* at page 356; *Roussel* at page 49.

ii) An arrangement under which an officer or employee of the receiving party gains no access at all to documents of importance at trial will be exceptionally rare, if indeed it can happen at all: *Warner Lambert* at page 360; *Al Rawi* at [64].

iii) There is no universal form of order suitable for use in every case, or even at every stage of the same case: *Warner Lambert* at page 358; *Al-Rawi* at [64]; *IPCom 1* at [31(ii)].

iv) The court must be alert to the fact that restricting disclosure to external eyes only at any stage is exceptional: *Roussel* at [49]; *Infederation* at [42].

v) If an external eyes only tier is created for initial disclosure, the court should remember that the *onus* remains on the disclosing party throughout to justify that designation for the documents so designated: *TQ Delta* at [21] and [23];

vi) Different types of information may require different degrees of protection, according to their value and potential for misuse. The protection to be afforded to a secret process may be greater than the protection to be afforded to commercial licences where the potential for misuse is less obvious: compare *Warner Lambert* and *IPCom 1*; see *IPCom 2* at [47].

vii) Difficulties of policing misuse are also relevant: *Warner Lambert* at 360; *Roussel* at pages 51-2.

viii) The extent to which a party may be expected to contribute to the case based on a document is relevant: *Warner Lambert* at page 360.

ix) The role which the documents will play in the action is also a material consideration: *Roussel* at page 49; *IPCom 1* at [31(ii)];

x) The structure and organisation of the receiving party is a factor which feeds into the way the confidential information has to be handled: *IPCom 1* at [33].

21. While, as Floyd LJ said, this is a non-exhaustive list of points of importance, in my judgment the list, coupled with the endorsement of a staged approach in paragraph 27 (quoted above) is all one needs to decide the present case.
22. Turning to the particular issues on this appeal, I can reject immediately any suggestion that the order the judge made was, as a matter of law or in principle, outside the scope of orders which a court could make in regulating the terms of a confidentiality regime at this or any other stage of proceedings. The reason relates to the nature of the risks of unfairness involved.

The nature of the risks involved

23. The narrow version of the undertaking is intended to mitigate the risk that without such an undertaking OnePlus would obtain an unfair advantage in licensing negotiations with the same counterparty as the counterparty to the relevant InterDigital licence. In my judgment there is such a risk, and the unfairness relates not only to InterDigital, in the sense that it is concerned with InterDigital's confidential information but also to the counterparties to the licences, who are not parties to the proceedings. The narrow form of undertaking is intended to mitigate this risk for a period (the duration of the litigation plus 2 years). After that period has ended the idea is that the unfairness will diminish because the information will be much less timely and therefore useful.
24. The wide version is based on the proposition that the information about the terms of a licence between InterDigital and one counterparty (A) (which would otherwise be confidential and unavailable to OnePlus) also has value in the context of a licensing negotiation between OnePlus and a different counterparty (B) and therefore its use would involve the same sort of unfairness, since OnePlus would be taking advantage of confidential information which they would not otherwise be privy to. InterDigital submitted that this proposition was also correct and I agree. I can see that the utility of the information in that context will be less direct than in the case of a negotiation with the same counterparty, but it is by no means useless. I will give one example, mentioned in oral argument. There may well be others.
25. One of the features of debates about royalty rates in this context is a resort to so called "top down" arguments (see *Unwired Planet* paragraphs 42 and 46) in which the fairness of a rate is assessed by reference to what is thought to be the total aggregate royalty paid by the industry to all SEP owners. A given SEP owner (such as OnePlus in this context) will argue that it is entitled to a relatively larger slice of the overall cake whereas the party with whom it is negotiating will argue for a smaller slice. Similar arguments will be made about the size of the cake, with the SEP owner arguing that the cake itself is a large one, such that the slice it demands may seem relatively modest, and so on. Plainly therefore the more data one has about what other parties are paying in another licence (such as what party A is paying InterDigital) the better. And that is so even though the two parties to the licence are different from the ones in the negotiation and in particular even though the paying party A is not the party with whom one is negotiating (party B). If nothing else, data about the licence between InterDigital and Party A has a bearing on how big the overall cake is.
26. In other words both forms of undertaking are attempts to mitigate genuine concerns, and risks of similar sorts of unfairness, in subsequent licensing negotiations. I agree that the degree of risk – and the degree of unfairness – addressed by the narrow form

of undertaking is more direct than the one addressed by the wider form, but those are differences of degree, not important differences in kind. Either, in a proper case, may justify a restriction of the relevant sort and one cannot say *a priori* that the judge's order ought never to have been made. Therefore OnePlus's primary and overarching contention on which its grounds of appeal are based, that the *only* material unfairness which can arise is in a negotiation with the same counterparty as the one in the disclosed licence, is wrong.

The particular circumstances

27. The question is then whether in the particular circumstances of this case, the order was open to the judge to be made. In my judgment when one considers the stage of the proceedings, and the available evidence about the structure and organisation of the receiving party, this was an order which was open to the judge.
28. There are two key factors about the circumstances which support the order in the wide form. The first is the stage in the proceedings. The authorities make clear that a staged approach is appropriate (see *Mitsubishi* paragraph 27). Imposing a wider form of order at an early stage is plainly sensible as a more cautious approach, as the judge recognised. In general it is more straightforward to relax confidentiality restrictions over the course of proceedings, as and when appropriate, than it would be to try to impose tighter restrictions after starting with a more liberal regime.
29. The second factor is the structure and organisation of the receiving party and the evidence about it. As the judge explained in paragraph 27, at that time there was very little evidence available. InterDigital's evidence about why the particular restriction was justified was quite thin, but OnePlus's evidence in reply was even thinner. OnePlus had only identified one individual it wanted to put forward in the regime but there was no convincing evidence about what difficulties might be caused by the wide restriction and no information about the number of lawyers or other staff in the relevant parts of the overall organisation, even though it was clear from InterDigital's evidence that as a whole the defendants' organisation is a substantial one. As *Mitsubishi* paragraph 28(x) notes, this matters. For example in *IPCom v HTC* [2013] EWHC 52 (Pat) one of the factors taken into account in striking the balance in that case and permitting disclosure to a particular named individual was the very small size of the IPCom organisation (see paragraphs 31-32). There was in effect no-one else who could usefully see it. Whereas in the present case, a wide restriction applied to certain individuals within OnePlus might well, as a result of the size of the organisation, be of no real inconvenience at all. OnePlus may well have staff who could give instructions in the action without a prohibition on their being involved in future licensing negotiations amounting to a significant or any difficulty. Such licensing may be handled by others anyway or at least could be handled by others for the relevant period. Another option particularly for a large organisation could be to put in place what is now called an information barrier or ethical wall, between the litigation and licensing teams.
30. Given the state of the evidence, the judge's order was a sensible and appropriate approach.
31. The order which was actually made in the *Mitsubishi* case was based on the narrow form contended for by OnePlus in the present case (see paragraph 65). However in that case, as the judgment makes clear (paragraph 84) the order was being made by consent

and the court was not ruling whether the respondents were entitled to insist on it. The fact the order was made in that case does demonstrate, if it were needed, that the narrow form is an order within the ambit of the court's powers, but that was not disputed. The fact that Mitsubishi's legal team in *Mitsubishi* was the same or similar to InterDigital's legal team in this case is irrelevant.

32. I would dismiss this appeal.

Lord Justice Peter Jackson:

33. I agree.

Lord Justice Bean:

34. I also agree.