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Case No: CA-2024-001709

**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 Leech**  
**[2024] EWHC 1733 (Pat)**

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 3 October 2024

**Before :**

**LORD JUSTICE MOYLAN**  
**LORD JUSTICE ARNOLD**  
and  
**LORD JUSTICE PHILLIPS**

**Between :**

**PANASONIC HOLDINGS CORPORATION**

**Claimant/  
Respondent**

**- and -**

- (1) XIAOMI TECHNOLOGY UK LIMITED**
- (2) XIAOMI INC**
- (3) XIAOMI COMMUNICATIONS CO. LTD.**
- (4) XIAOMI HK LIMITED**

**Defendants/  
Appellants**

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**Daniel Alexander KC and Ligia Osepciu** (instructed by **Kirkland & Ellis International LLP**) for the **Appellants**

**Andrew Scott KC and Isabel Jamal** (instructed by **Bristows LLP**) for the **Respondent**

Hearing date : 19 September 2024

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**Approved Judgment**

This judgment was handed down remotely at 10.30am on 3 October 2024 by circulation to the parties or their representatives by e-mail and by release to the National Archives.

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## **Lord Justice Arnold:**

### Introduction

1. This is an appeal by the First to Fourth Defendants (“Xiaomi”) against orders of Leech J dated 5 and 22 July 2024 dismissing an application by Xiaomi for a declaration that a willing licensor in the position of the Claimant (“Panasonic”) would agree to enter into, and would enter into, an interim licence of the portfolio of patents which Panasonic have declared to be essential (and are thus “standard-essential patents” or “SEPs”) to the European Telecommunications Standards Institute (“ETSI”) 3G and 4G standards pending the determination by the Patents Court of what terms for a final licence of Panasonic’s portfolio are fair, reasonable and non-discriminatory (“FRAND”). The judge dismissed the application for the reasons given in his judgment dated 5 July 2024 [2024] EWHC 1733 (Pat). I granted permission to appeal and expedited the appeal because the matter is of some urgency for reasons which will appear. This is the first time that the courts of England and Wales have been asked to decide whether to make such a declaration.
2. The underlying litigation also involves three Defendants (“Oppo”) from a separate group to Xiaomi. For the purposes of this appeal Oppo’s involvement in the proceedings can be ignored and so I shall say no more about them.

### The general background to disputes of this nature

3. Although I have set out the general background to disputes of this nature in a number of judgments, it is worth doing so again in order to put the issues and arguments in context. Furthermore, some recent disputes have revealed a development that I have not previously described.
4. Standards exist so that different manufacturers can produce equipment which is interoperable. This has a number of advantages, of which the following are probably the most important. First, it enables different manufacturers to produce different components of a system. This spreads the investment required and enables specialisation. Secondly, it enables additional types of device to be connected to a system, producing network effects. Thirdly, it means that manufacturers of the same type of device can compete with each other on both quality and price. Fourthly, it gives users of devices that comply with the standard the confidence that they will work anywhere. Standards are central to the development of modern technology, and their advantages are now familiar to many people worldwide through the development of telecommunications standards from 2G to 5G. As this example shows, standards have enabled major technological advances to be rapidly developed and commercialised in recent years. This has required huge investments to be made in research and development.
5. Standards are set by standards-development organisations (“SDOs”), also known as standards-setting organisations (“SSOs”), such as ETSI. SDOs such as ETSI typically have an intellectual property rights (“IPR”) policy which requires companies participating in the development of a new standard to declare when technical proposals they contribute are covered by SEPs (or, more usually at that stage, applications for SEPs). A patent is said to be standard-essential if implementation of the standard would necessarily involve infringement of the patent in the absence of a licence. Once a

proposal is declared to be covered by a SEP, the patentee is required to give an irrevocable undertaking to grant licences of the SEP on FRAND terms. If the patentee declines to give such an undertaking, the proposal is not incorporated into the standard and some other technology is used instead. In this way a balance is struck between the interests of patentees and of implementers. Patentees are ensured a fair reward for the use of their inventions, and implementers are guaranteed access to those inventions at a fair price. This balance is in the public interest, because it encourages patentees to permit their inventions to be incorporated into standards and it encourages implementers to implement those standards. Because standards are global in nature, and are implemented by businesses which trade globally, the obligation to license SEPs on FRAND terms is also a global one.

6. In order to make IPR policies involving the licensing of SEPs on FRAND terms fully succeed, there are two particular potential evils that must be avoided. Although terminology is not entirely consistent, these evils are generally known as “hold up” and “hold out” respectively. In simple terms, “hold up” occurs if a patentee is able to ensure that a SEP is incorporated into a standard and implemented by implementers in circumstances which enable the patentee to use the threat of an injunction to restrain infringement to extract licence terms, and in particular royalty rates, which exceed the reasonable market value of a licence of the patented invention (i.e. treating the SEP as akin to a “ransom strip” of land). “Hold out” occurs if an implementer is able to implement a technical solution covered by a SEP without paying the reasonable market value for a licence (or perhaps anything at all). It will be appreciated that the FRAND undertaking is designed to prevent hold up by giving the implementer a defence to a claim for infringement and hence to an injunction, while the patentee’s ability to obtain an injunction to restrain infringement of a SEP by an implementer which is an unwilling licensee should prevent hold out.
7. Avoidance of hold up and hold out depends upon the existence of a well-functioning dispute resolution system, because it is in the interests of patentees to maximise the royalty rates they can obtain for licensing their SEPs, while it is in the interests of implementers to minimise the royalty rates they pay. In the absence of a negotiated agreement between a patentee and an implementer as to the terms of a FRAND licence, which may be facilitated but cannot be guaranteed by mediation, a dispute resolution system is required to resolve disputes. The IPR policies of SDOs such as ETSI do not provide for any international tribunal to determine such disputes. It follows that, in the absence of an ad hoc agreement to arbitrate, the only dispute resolution systems available to such parties are the national courts competent to adjudicate upon patent disputes.
8. It is generally accepted, however, that patents are territorial. That is to say, they are proprietary legal rights created by the law of a nation state which confer a monopoly within the territory of that nation state, but not outside it. (The unitary EU patent now confers a monopoly within the territory of the participating EU Member States, but that does not detract from the basic principle.) Thus an inventor wishing to patent their invention must apply for a patent in every state in which they wish to obtain a monopoly: in any state where they do not obtain a patent, the invention may be freely used by other parties. It follows that patentees typically own families of corresponding patents in many countries of the world, although the costs of patenting everywhere are generally prohibitive.

9. The competence of the courts of one state to adjudicate upon a claim for infringement of a patent granted by another state is a complex and contested question, but it is generally accepted that, even if they have jurisdiction over the parties because of e.g. domicile, the courts of state A are not competent to adjudicate upon a claim for infringement of a patent granted by state B at least if the validity of that patent is in issue. This principle is enshrined, for example, in Articles 24(4) and 27 of European Parliament and Council Regulation 1215/2012/EU of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast). Since it is commonplace for a claim for patent infringement to be met with a defence and/or counterclaim that the patent is invalid, the practical reality is that, for the most part, the courts of the state where the patent was granted have exclusive jurisdiction over the enforcement of that patent. It follows that SEPs must be enforced territory by territory.
10. Until recently, this was perceived to give implementers who wish to (as the patentee would put it) hold out against taking a licence or (as the implementer would put it) resist exorbitant demands for a licence an important tactical weapon, which is to require the patentee to sue in every jurisdiction where the implementer exploits a patent family (or at least in a significant number of such jurisdictions). This placed a significant burden on patentees. Although it also placed a similar burden on implementers, the result was a war of attrition which tended to favour implementers because it led to delay in enforcement and hence the potential to starve patentees of income from licensing.
11. Patentees reacted to this problem by seeking determinations that FRAND terms are global, enabling the courts of one country to set the terms of a global FRAND licence which the implementer must either accept or face exclusion from that country's market by an injunction to restrain patent infringement. In recent years the courts of an increasing number of countries have held that they have jurisdiction to determine the terms of a global FRAND licence either with the consent of both parties or, in some cases since the precedent set in *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2017] EWHC 2988 (Pat), [2017] RPC 19 (Birss J, "UPHC") affd. [2018] EWCA Civ 2344, [2018] RPC 20 (CA, "UPCA") affd. [2020] UKSC 37, [2020] Bus LR 2422 (SC, "UPSC"), without such consent. If the courts of a single country determine the terms of a global FRAND licence, then that should (at least in theory) avoid the necessity for patent enforcement proceedings in multiple countries (whether it will actually have that result depends on whether the implementer is willing to forego exploitation of the patented inventions in that territory in order to avoid having to take a licence on those terms). This approach by patentees frequently gives rise to jurisdictional issues, but happily no such issues have been raised in the present litigation.
12. In addition to seeking determinations of FRAND terms on a global basis, it is common for patentees to seek determinations as to the FRAND terms of a licence of a portfolio of SEPs. Since it is often impracticable for the proprietor of such a portfolio to sue on all the patents in the portfolio even though the claim is limited to the patents subsisting in the country where the claim is brought, it is common for the patentee to select a handful of patents to enforce. Although the real issue between the parties is as to the FRAND terms for a licence of the portfolio, until recently implementers regarded it as in their interests where possible to challenge validity, essentiality and infringement of the selected patents. Unless and until the patentee can establish that at least one patent

is valid, essential and has been infringed by the implementer, the patentee cannot obtain an injunction to enforce the patent and thus cannot prevent hold out by the implementer.

13. This led to a problem of how to case manage the litigation in an efficient and effective manner. Trying all issues together in one trial would be very burdensome and impractical both for the parties and for the court. Accordingly, until recently, the practice in England and Wales has been to split the claim into a number of separate trials: first, a number of “technical trials” to determine issues of validity, essentiality and infringement of the selected patents, and then a “FRAND trial” to determine the FRAND terms for a licence of the portfolio after all or some of the technical trials. The problem with this approach is that it tends to lead to a massive waste of court time and parties’ costs on technical trials whose outcome has no bearing on the FRAND terms determined subsequently.
14. The courts have therefore sought to persuade parties to agree to the FRAND trial being heard first, because experience to date shows that (subject to any appeals) the court’s determination is usually accepted by both parties. Implementers have shown themselves increasingly ready to agree to this course. Furthermore, in one case, case management decisions have been made which resulted in the FRAND trial being scheduled before a technical trial. In that case, this solution was advocated by the implementer and opposed by the SEP holder.
15. This change in implementers’ attitudes may be explained by the fact that, in two recent cases, the FRAND terms determined by the Patents Court were significantly closer to those offered by the implementers than to those sought by the SEP holders. Thus implementers have realised that it may actually be in their interests for the Patents Court to determine what terms are FRAND, and to do so sooner rather than later. To that end, an implementer who accepts the need for a licence to a SEP holder’s portfolio and is willing to undertake to take a licence on terms determined by the Patents Court to be FRAND can itself commence proceedings for a declaration rather than waiting to be sued for infringement by the SEP holder.
16. Some SEP holders have reacted to this development by a more aggressive pursuit of parallel proceedings in courts of other jurisdictions seeking injunctions to restrain infringement by the implementer of one or more SEPs in those jurisdictions. The purpose of doing this is to exert pressure on the implementer to agree to the terms demanded by the SEP holder rather than await the determination of the English courts of what terms are FRAND. Xiaomi say that this is such a case.

#### Basic legal principles applicable to the determination of FRAND terms

17. The legal principles applicable to the determination of FRAND terms have been considered in a number of judgments, most recently in *InterDigital Technology Corp v Lenovo Group Ltd* [2024] EWCA Civ 743 at [21]-[41]. For present purposes the following account will suffice.

#### *The ETSI IPR Policy*

18. The context and purpose of the ETSI IPR Policy in general, and of clause 6.1 of that Policy in particular, have been authoritatively analysed by the Supreme Court in *UPSC* in a passage which it is necessary to set out in full:

- “7. The purpose of the ETSI IPR Policy is, first, to reduce the risk that technology used in a standard is not available to implementers through a patent owner’s assertion of its exclusive proprietary interest in the SEPs. It achieves this by requiring the SEP owner to give the undertaking to license the technology on FRAND terms. Secondly, its purpose is to enable SEP owners to be fairly rewarded for the use of their SEPs in the implementation of the standards. Achieving a fair balance between the interests of implementers and owners of SEPs is a central aim of the ETSI contractual arrangements.

### **The ETSI IPR Policy**

8. The ETSI IPR Policy (‘the IPR Policy’) is a contractual document, governed by French law. It binds the members of ETSI and their affiliates. It speaks (clause 15(6)) of patents which are inevitably infringed by the sale, lease, use, operation etc of components which comply with a standard as ‘Essential IPR’. By requiring an IPR holder whose invention appears to be an Essential IPR to give an irrevocable undertaking to grant a licence of the IPR on FRAND terms, it creates a ‘*stipulation pour autrui*’, in other words an obligation which a third-party implementer can enforce against the IPR holder. The IPR Policy falls to be construed, like other contracts in French law, by reference to the language used in the relevant contractual clauses of the contract and also by having regard to the context. In this case, that context is both the external context and the internal context of the IPR Policy document itself, such as the policy objectives declared in the document.
9. The external context includes (i) the Guidance (above) which ETSI has produced on the operation of the IPR Policy, (ii) ETSI’s statutes (above), (iii) the globalised market which ETSI and other SSOs were and are seeking to promote ..., and (iv) the fact that ETSI is a body comprising experts and practitioners in the telecommunications industry who would be expected to have a good knowledge of the territorial nature of national patents, the remedies available to patent owners against infringement of their patents, the need to modify by contract the application of patent law to promote the development of a globalised market in telecommunications products, and the practice of the industry in negotiating patent licensing agreements voluntarily.
10. The policy statements which provide the internal context include the objectives set out in clause 3 of the IPR Policy. They include the statement in clause 3.1 that the IPR Policy:
- ‘seeks to reduce the risk to ETSI, MEMBERS, and others applying ETSI STANDARDS and TECHNICAL SPECIFICATIONS, that investment in the preparation, adoption and application of STANDARDS could be

wasted as a result of an ESSENTIAL IPR for a STANDARD or TECHNICAL SPECIFICATION being unavailable.’

That statement clearly reveals a policy of preventing the owner of an Essential IPR from ‘holding up’ the implementation of the standard. But that policy is to be balanced by the next sentence of clause 3.1 which speaks of seeking a balance, when achieving that objective, ‘between the needs of standardization for public use in the field of telecommunications and the rights of the owners of IPRs’. The importance of protecting the rights of the owners of IPRs is declared in the second policy objective (clause 3.2) in these terms: ‘IPR holders whether members of ETSI and their AFFILIATES or third parties, should be adequately and fairly rewarded for the use of their IPRs in the implementation of STANDARDS and TECHNICAL SPECIFICATIONS.’ This objective seeks to address the mischief of ‘holding out’ by which implementers, in the period during which the IPR Policy requires SEP owners not to enforce their patent rights by seeking injunctive relief, in the expectation that licence terms will be negotiated and agreed, might knowingly infringe the owner's Essential IPRs by using the inventions in products which meet the standard while failing to agree a licence for their use on FRAND terms, including fair, reasonable and non-discriminatory royalties for their use. In circumstances where it may well be difficult for the SEP owner to enforce its rights after the event, implementers might use their economic strength to avoid paying anything to the owner. They may unduly drag out the process of licence negotiation and thereby put the owner to additional cost and effectively force the owner to accept a lower royalty rate than is fair.

11. Having looked at context, we turn to the operative clauses of the IPR Policy. A member of ETSI is obliged to use its reasonable endeavours to inform ETSI in a timely manner of Essential IPRs during the development of a standard or technical specification. If a member submits a technical proposal for a standard or technical specification it is obliged to inform ETSI of its IPRs which might be essential (clause 4.1). Clause 4.3 confirms that this obligation of disclosure applies to all existing and future members of a ‘patent family’ and deems the obligation in respect of them to be fulfilled if an ETSI member has provided details of just one member of the patent family in a timely manner, while also allowing it voluntarily to provide information to ETSI about other members of that family. A ‘patent family’ is defined as “all the documents having at least one priority in common, including the priority document(s) themselves’ and ‘documents’ in this context means ‘patents, utility models, and applications therefor’ (clause 15(13)). The patent family thus extends to patents relating to the same invention applied for and obtained

in several jurisdictions. It shows an intention for the arrangement to apply internationally. This is important because the undertaking to grant a licence under clause 6, to which we now turn, extends to all present and future Essential IPRs in that patent family.

12. The key to the IPR Policy is clause 6, which provides the legal basis on which an owner of an Essential IPR gives an irrevocable undertaking to grant a licence and thereby protects both ETSI and implementers against ‘holding up’. Clause 6.1 provides so far as relevant:

‘When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory (‘FRAND’) terms and conditions under such IPR ...’

It provides that the licences must at least cover the manufacture of equipment, the sale, lease or other disposal of equipment so manufactured, and the repair, use or operation of such equipment. FRAND licensing undertakings made pursuant to clause 6 are intended to bind all successors-in-interest in respect of a SEP, and upon transfer of a SEP the SEP owner is required to take steps to ensure that this is achieved (clause 6.1*bis*). The undertaking made in respect of a specified member of a patent family is applied to all existing and future Essential IPRs of that patent family unless specified IPRs are excluded in writing when the undertaking is made (clause 6.2). It is envisaged in the IPR Policy that this process will usually take place while ETSI is working to create a standard because clause 6.3 provides that, if the IPR owner does not grant the requested undertaking, relevant office-bearers in ETSI will decide whether to suspend work on the relevant parts of the standard or technical specification until the matter is resolved, or to submit any relevant standard or technical specification for adoption. Similarly, if, before a standard or technical specification is published, an IPR owner is not prepared to license an IPR, clause 8.1 provides for the adoption of a viable alternative technology for the standard or technical specification if such a technology exists. If such technology does not exist, clause 8.1 provides an option for work on the standard or technical specification to cease. If the refusal to grant a licence occurs after ETSI has published a standard or a technical specification, clause 8.2 provides the option of modifying the standard so that the relevant IPR is no longer essential.



13. Clause 6*bis* instructs members of ETSI to use one of the declaration forms annexed to the Policy. So far as relevant, the licensing declaration is an irrevocable declaration by the declarant and its affiliated legal entities that, to the extent that disclosed IPRs are or become and remain Essential IPRs, they (a) are prepared to grant irrevocable licences in accordance with clause 6.1, and (b) will comply with clause 6.1*bis*.
  
14. It appears from this brief review of the IPR Policy in its context that the following conclusions may be reached. First, the contractual modifications to the general law of patents are designed to achieve a fair balance between the interests of SEP owners and implementers, by giving implementers access to the technology protected by SEPs and by giving the SEP owners fair rewards through the licence for the use of their monopoly rights. Secondly, the SEP owner's undertaking, which the implementer can enforce, to grant a licence to an implementer on FRAND terms is a contractual derogation from a SEP owner's right under the general law to obtain an injunction to prevent infringement of its patent. Thirdly, the obtaining of undertakings from SEP owners will often occur at a time when the relevant standard is being devised and before anyone may know (a) whether the patent in question is in fact essential, or may become essential as the standard is developed, in the sense that it would be impossible to implement the standard without making use of the patent and (b) whether the patent itself is valid. Fourthly, the only way in which an implementer can avoid infringing a SEP when implementing a standard and thereby exposing itself to the legal remedies available to the SEP owner under the general law of the jurisdiction governing the relevant patent rights is to request a licence from the SEP owner, by enforcing that contractual obligation on the SEP owner. Fifthly, subject only to an express reservation entered pursuant to clause 6.2, the undertaking, which the SEP owner gives on its own behalf and for its affiliates, extends to patents in the same patent family as the declared SEP, giving the implementer the right to obtain a licence for the technology covering several jurisdictions. Finally, the IPR Policy envisages that the SEP owner and the implementer will negotiate a licence on FRAND terms. It gives those parties the responsibility to resolve any disputes as to the validity of particular patents by agreement or by recourse to national courts for determination."
  
19. It can be seen from the Supreme Court's analysis that clause 6.1 must be interpreted and applied in a manner which avoids both hold up by the SEP owner and hold out by an implementer. Hold up by the SEP owner will be avoided by ensuring that the SEP owner is held to its undertaking. Hold out by the implementer will be avoided by allowing the SEP owner to enforce its normal right under the general law to obtain an injunction to prevent infringement of the SEP by the implementer save to the extent that this would be inconsistent with the SEP owner's undertaking.

*A contract for the benefit of implementers*

20. It can also be seen from the Supreme Court’s explanation that clause 6.1 is a *stipulation pour autrui* under French law. Expressing this in language more familiar to English lawyers, the result of a SEP holder’s declaration to ETSI in accordance with clause 6.1 is a contract between the SEP holder and ETSI for the benefit of third parties, namely implementers who wish to practice the relevant standard and thus the SEP in question. The contract binds the SEP holder to grant a licence of the SEP to any implementer who wants a licence on FRAND terms.

*FRAND as a process*

21. Although the expression “FRAND” primarily refers to a result, it has been increasingly recognised since the decision of the Court of Justice of the European Union in Case C-170/13 *Huawei Technologies Co Ltd v ZTE Corp* [EU:C:2015:477] that the FRAND obligation extends to the process by which the parties negotiate for a licence: see *UPSC* at [64]. What this means is that a SEP holder is required to behave consistently with its obligation to grant a licence on FRAND terms, and an implementer is required to behave consistently with its need to take a licence on FRAND terms. Thus the SEP holder should not behave in a manner which promotes hold up, and the implementer should not behave in a manner which promotes hold out. On the contrary, both parties should attempt in good faith to negotiate terms which are FRAND.

*Willing licensor and willing licensee*

22. FRAND terms are those that would be agreed by a willing licensor of a portfolio of SEPs and a willing licensee of that portfolio. The concepts of a willing licensor and a willing licensee are very well established in the field of intellectual property licensing, and it is unnecessary for present purposes to elaborate upon them. In the present context, for the reasons given above, a willing licensor is one not intent on hold up and a willing licensee is one not intent on hold out. Because FRAND terms are those that would be agreed by a hypothetical willing licensor and a hypothetical willing licensee, the willingness of the actual SEP holder to grant a licence, or the actual implementer to take a licence, on those terms are irrelevant to the determination of what terms are FRAND.

*Limitation and interest*

23. This Court held in *InterDigital v Lenovo* that limitation provisions under national law had no role to play in the determination of what terms were FRAND, and thus royalties should be paid in respect of the whole period during which the implementer has been exploiting the SEP holder’s portfolio. Among the reasons I gave for reaching that conclusion were the following:

“187. ... An implementer ... requires a licence from the first day it implements the relevant standard(s). FRAND terms are the terms that would be agreed between a willing licensor not intent upon hold up and a willing licensee not intent upon hold out. The ETSI Guide and FAQs page make it clear that a willing licensee would not sit back and wait for demands from SEP owners, but would pro-actively contact SEP owners (whose

identities can readily be ascertained from ETSI), and would put money aside for the payment of royalties .... It follows that, in an ideal world, the parties should be able to agree terms not long after the implementer has started implementing the standard, or at all events before the expiry of six years from that date. Recognising that the world is not ideal, a willing licensor and a willing licensee would begin by negotiating a standstill agreement in order to ensure that the passage of time during the course of negotiations did not affect the substantive terms ultimately agreed. On that basis, the relevant date for the purpose of determining what terms were FRAND would at the latest be the date of first contact between the parties ....

188. Furthermore, as the Supreme Court held in *UPSC* at [105]-[127] ..., FRAND terms reflect the value of the SEPs in the portfolio and must be available to any market participant. It follows ... that they should not depend on the date on when the licence is entered into. There should be no discrimination in favour of implementers who are slow to take a licence and against implementers who are quick to take a licence. If anything, it should be the other way around.”
24. This Court also held in *InterDigital v Lenovo* that FRAND terms required the payment of interest by the implementer in respect of past sales in order to reflect the time value of money. In that case the Court upheld the judge’s decision that the appropriate interest rate was 4% compounded quarterly.

#### *Enforcement of FRAND determinations by the court*

25. I described the limited powers of a national court in the ordinary case to enforce its determination as to what terms are FRAND where negotiations between the parties have failed in *Optis Cellular Technology LLC v Apple Retail UK Ltd* [2022] EWCA Civ 1411, [2023] RPC 1 at [73]:

“... it is preferable that SEP owners and implementers should negotiate licences. This is reflected in the ETSI IPR Policy and in paragraph 4.4 of ETSI’s *Guide on Intellectual Property Rights* (which states that both members and non-members should engage in a negotiation process for FRAND terms). ... the importance of negotiation has been emphasised both by the CJEU in *Huawei v ZTE* and by the Supreme Court in *UPSC*. The present issue arises, however, when the parties cannot agree terms. In those circumstances the national court must resolve the dispute, as paragraph 4.3 of the ETSI Guide states and as both the CJEU and the Supreme Court recognised. As discussed above, the twin purposes of the ETSI IPR Policy are to avoid hold up and hold out. To achieve this it is necessary, in the absence of agreement between the parties, for the national court to be able to enforce its determination against both parties. The national court can only enforce its determination against the SEP owner by withholding an injunction from the SEP owner if it is

unwilling to abide by its ETSI Undertaking by granting a licence on the terms determined to be FRAND. The national court can only enforce its determination against the implementer by granting an injunction against the implementer if it is unwilling to take a licence on the terms determined to be FRAND.”

26. As explained below, this case is different because of the undertakings which both parties have given.

Legal principles applicable to the grant of declarations

27. There was no dispute before the judge or this Court as to the principles applicable to the grant of declarations by the court. These are well settled and there is no need to discuss them. The High Court has an inherent jurisdiction, which is recognised by CPR rule 40.20, to grant a declaration. The discretion is an unfettered one, meaning that its exercise is not dependent upon the claimant satisfying any threshold criteria. The key consideration is whether the declaration would serve a useful purpose: see in particular *Messier-Dowty Ltd v Sabena Ltd* [2000] 1 WLR 2040 at [41] (Lord Woolf MR).
28. Although CPR rule 25.1(1)(b) provides that a court may grant an interim declaration, Xiaomi’s application is not for an interim declaration and so it is not necessary to say anything about the applicable principles. (Similarly, Xiaomi’s application is not for an order for payment of an interim royalty under CPR rule 25.7.)
29. As the judge noted, this Court held in *Teva UK Ltd v Novartis AG* [2022] EWCA Civ 1617, [2023] Bus LR 820 that it was not appropriate for the court to make a declaration for the sole purpose of influencing a foreign court’s decision on an issue governed by law of the foreign court. As I said at [51]:

“... as a matter of principle, it is wrong for an English court to make a declaration solely for the purpose of influencing a decision by a foreign court on an issue governed by the law of the foreign court. It is not the function of the courts of England and Wales to provide advisory opinions to foreign courts seised of issues which fall to be determined in accordance with their own laws. The English courts have no special competence to determine such issues. If anything, it is likely that they have less competence than the local courts. It makes no difference that the English court and the foreign court are applying the same basic law. Furthermore, comity requires restraint on the part of the English courts, not (to adopt Floyd LJ’s graphic phrase) jurisdictional imperialism. ...”

30. Furthermore, it is not normally appropriate for an English court to offer a foreign court unsolicited advice even on an issue of English law: see *Howden North America Inc v ACE European Group Ltd* [2012] EWCA Civ 1624, [2013] ILPr 42 at [37] (Aikens LJ).

The present dispute

31. The judge set out a detailed account of the present dispute, and in particular the procedural history of these proceedings, at [6]-[28]. The salient points are as follows.

*The commercial background*

32. In 2011 Xiaomi launched a 3G-enabled smartphone in China. Over the following decade or so, their operations expanded globally and they currently have the third-largest share of worldwide smartphone sales by volume after Samsung and Apple. In 2017 Xiaomi launched their products in Western Europe and in 2018 they launched in the UK. They have had substantial success in the UK market, with their share of UK smartphone sales increasing rapidly from 0.48% in 2019 to 4.04% in 2022.
33. Panasonic has a portfolio of SEPs declared essential to the 3G and 4G standards. To date the parties have been unable to agree terms for a licence to Xiaomi under these SEPs. It is not clear from the evidence on this application how long the parties have been negotiating, but I infer that it is some years.

*The English proceedings*

34. On 31 July 2023 Panasonic commenced these proceedings seeking declarations that (i) four European Patents (UK) are essential to the 3G and/or 4G standards and have been infringed by Xiaomi and (ii) the licence terms offered by Panasonic are FRAND, alternatively that terms determined by the court are FRAND. Panasonic also claimed an injunction to restrain Xiaomi from infringing the patents in the event that Xiaomi declined to take a licence on the terms declared to be FRAND. In its Particulars of Claim Panasonic expressly accepted that it was “bound to enter into good faith negotiations with a view to concluding ... licences of its ESSENTIAL IPR on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy”.
35. It is common ground that a FRAND licence of Panasonic’s portfolio would be a global licence. Thus Panasonic has invoked the jurisdiction of the English courts to determine FRAND on a global basis. As noted above, Xiaomi have not challenged this jurisdiction.
36. There was a case management hearing before Meade J on 3 and 8 November 2023. There were two very positive results of the hearing. The first was that both parties gave unconditional undertakings to the court, which were recorded in the judge’s order dated 8 November 2023, to enter into a licence of Panasonic’s portfolio on the terms determined by the Patents Court to be FRAND, with any necessary adjustments as a result of any appeals. Since these undertakings are central to the present appeal, I should set them out:

“AND UPON the Claimant giving the following undertakings to the Court (the ‘**Panasonic Undertakings**’): 1. The Claimant, on behalf of itself and its affiliates, hereby unconditionally undertakes to the Court that: (a) it will (i) offer a licence agreement to the Xiaomi Defendants covering the Panasonic Portfolio (as defined in paragraph 2 of the Particulars of Claim) in the form that is determined to be FRAND by the High Court at the FRAND Trial (defined in paragraph 1 of this Order) in these proceedings (the ‘**Court-Determined Licence**’) (including for the avoidance of doubt such terms the Court considers it appropriate to make conditional pending any appeal), and (ii) upon acceptance by Xiaomi, enter into the

Court-Determined Licence by expiry of the time period specified by the High Court within which the Xiaomi Defendants and Claimant must enter into the Court-Determined Licence; and (b) to the extent that there are any appeals of the judgment (including any consequential judgments) affecting the form of the Court-Determined Licence, it will perform such steps as are required to (i) amend the form of the executed Court-Determined Licence to incorporate any amendments to the Court-Determined Licence that are finally determined to be FRAND on appeal in these proceedings, and (ii) incorporate any such amendments into the Court-Determined Licence by expiry of the time period specified by the relevant appeal court within which the Xiaomi Defendants and Claimant must incorporate such amendments.

AND UPON the Xiaomi Defendants giving the following undertaking to the Court (the '**Xiaomi Undertakings**'): The Xiaomi Defendants, on behalf of themselves and their affiliates, hereby unconditionally undertake to the Court that: 1. they will accept and enter into the licence agreement offered by the Claimant pursuant to the Claimant's undertaking 1(a) above by expiry of the time period specified by the High Court within which the Xiaomi Defendants and Claimant must enter into the Court-Determined Licence; and 2. to the extent that there are any appeals of the judgment (including any consequential judgments) affecting the form of the Court-Determined Licence, they will perform such steps as are required to (i) amend the form of the executed Court-Determined Licence to incorporate any amendments to the Court-Determined Licence that are finally determined to be FRAND on appeal in these proceedings, and (ii) incorporate any such amendments into the Court-Determined Licence by expiry of the time period specified by the relevant appeal court within which the Xiaomi Defendants and Claimant must incorporate such amendments."

37. For readers who are unfamiliar with undertakings to the court in English proceedings, I should explain that they are enforceable in the same way as injunctions ordered by the court. Breach of such an undertaking is a contempt of court, and severe sanctions can be imposed: the assets of a company can be sequestrated, an unlimited fine can be imposed and the company's directors can be imprisoned for up to two years. It is common ground that this means that it is certain that the parties will enter into a global licence on the terms determined by the English courts to be FRAND unless there is an earlier negotiated settlement.
38. The second positive result was that it was agreed that these parties could proceed directly to a FRAND trial without the need for any technical trials.
39. Rather less positively, on 3 November 2023 Panasonic appeared to be willing in principle to give an undertaking not to enforce any injunctions obtained by it in parallel proceedings in Germany or the Unified Patents Court ("UPC") (as to which, see below) pending the FRAND trial in this jurisdiction, but on 8 November 2023 Panasonic

changed its position and stated that it was not willing to give any such undertaking. For this reason, Meade J acceded to a request by Xiaomi to expedite the FRAND trial, which has been fixed to commence in late October 2024: [2023] EWHC 2872 (Pat). Otherwise, expedition would have been unnecessary. Meade J accepted at [21] that Xiaomi had “done what it is that the UK court has expressed that an implementer in its position ought to do, which is to commit to FRAND terms and move efficiently towards their determination”. By contrast, he said at [30] that Panasonic’s position was “extremely regrettable”.

40. The FRAND trial will be heard by Meade J. He has indicated that he intends, if possible, to give judgment before Christmas 2024. Given that trying FRAND determinations and writing reasoned judgments on the question is a laborious task, it will not be surprising if he fails to meet that self-imposed target and only delivers the judgment in (say) January 2025. Even so, one can be confident that the decision will be available relatively soon.
41. On 7 December 2023 Xiaomi made the present application. On 21 December 2023 Meade J gave directions to enable the application to be heard in April 2024, including directions for the service of amended statements of case. (In the event, due to Leech J’s decision, the amendments never took effect, but nothing turns on that.) On 19 January 2024 Panasonic made an application to the effect that the English courts should decline jurisdiction to determine Xiaomi’s application. Both applications were heard by Leech J on 23-25 April 2024, but in the end Panasonic did not pursue its application and instead advanced its arguments by way of substantive opposition to Xiaomi’s application. As noted above, the judge handed down his judgment on 5 July 2024.
42. It is important to note that, although both sides filed written evidence, including expert evidence as to both French law and German law, no direction was sought or made for either disclosure or cross-examination. Nor was any application made for the trial of a preliminary issue. Nor did Xiaomi in the end apply for summary judgment on any issue, although that possibility was embraced by its application notice. It was nevertheless common ground at the hearing before the judge that Xiaomi’s application was properly to be analysed as one for final relief even though the nature of that relief was concerned with the interim position prior to the FRAND determination by the Patents Court. As will appear, this point underpins one of Xiaomi’s grounds of appeal.

#### *German and UPC proceedings*

43. On the same date that Panasonic commenced these proceedings, 31 July 2023, it also commenced three SEP infringement claims against Xiaomi in the Mannheim Local Division of the UPC, three SEP infringement claims against Xiaomi in the Landgericht Mannheim (Mannheim Regional Court) and four SEP infringement claims against Xiaomi in the Landgericht München I (Munich Regional Court I). Shortly afterward it commenced three further SEP infringement claims against Xiaomi in the Munich Local Division of the UPC. Thus Panasonic is seeking to enforce seven SEPs which are European Patents (DE) in German national courts and six more SEPs which are European Patents designated in respect of participating EU Member States in German local divisions of the UPC. Xiaomi have responded to the German national claims by bringing invalidation claims before the Bundespatentgericht (“BPG”, Federal Patent Court) in respect of some or all of the relevant SEPs (in Germany, infringement claims and invalidity claims must, for constitutional reasons, be brought before separate courts,

a system known as “bifurcation”). I presume that Xiaomi have counterclaimed attacking the validity of the relevant SEPs in the UPC proceedings. Although the Mannheim and Munich Local Divisions of the UPC are not German courts, since the UPC has jurisdiction in respect of all the participating EU Member States and can grant relief in respect of all such States if the relevant European patent is designated in those States, it is convenient to refer to all of these proceedings collectively as “the German Proceedings”.

44. The state of play in the German Proceedings according to the information provided to this Court at the time of hearing before us was as follows. On 25 July 2024 and 2 September 2024 respectively the BPG issued preliminary non-binding opinions that two SEPs referred to as EP 466 and EP 193 were invalid. On 11 September 2023 there was a hearing before the Landgericht Mannheim in respect of EP 466 at which the parties agreed to a stay of the infringement proceedings until the BPG’s decision on validity. On 27 September 2024 there was scheduled a hearing before the Landgericht Mannheim in respect of EP 193. Although that Court had suggested a stay pending the BPG’s decision, Panasonic had not consented. It was therefore expected that the hearing would proceed. Further hearings were scheduled as follows: 7-10 October 2024 in the Mannheim Local Division of the UPC in respect of EP 724; 11 October 2024 in the Landgericht München I in respect of EP 386; 18 October 2024 in the Landgericht Mannheim in respect of EP 590; and November 2024 to February 2025 in the two Local Divisions and Landgericht München I in respect of the remaining SEPs. We were also informed that Xiaomi have applied to stay the various German Proceedings pending the decision of the Patents Court, but no decision on any such application had been taken by the time of the hearing before us.
45. It can be seen from this that a prodigious amount of time, effort and money is being expended by the parties, and a substantial amount of time and effort is being expended by the respective courts, in the German Proceedings. A key question on this appeal is what the point of this is when it is certain that, in the relatively near future, the parties will enter into a global licence on the terms determined by the English Patents Court to be FRAND, with the effect that all Xiaomi’s acts complained of in the German Proceedings will become retrospectively licensed and thus non-infringing.

#### French law

46. As noted above, both parties served expert evidence as to French law. The judge discussed this in his judgment at [36]-[45]. As he noted, although there was considerable agreement between the experts, there were certain differences between them. It was agreed between the parties that it was unnecessary for the experts to be cross-examined in order to resolve those differences. The differences do not matter, because the essential points are not in dispute.
47. Many of the relevant principles of French contract law were stated by Meade J in *Nokia Technologies OY v OnePlus Technology (Shenzhen) Co Ltd* [2023] EWHC 1912 (Pat), [2024] RPC 1 at [168]-[201], which the judge cited at [37].
48. For present purposes, the key points are those which the judge quoted from Panasonic’s skeleton argument before him, which was accepted as accurate by Xiaomi, at [38] (evidence references omitted):



- “134. It is common ground between the parties that, as a matter of French law, a contract must be negotiated, formed, and performed in good faith pursuant to Article 1104 of the Civil Code ..., and that therefore a SEP holder is required under French law to perform the ETSI obligation in good faith.
135. It is also common ground that there is no definition of good faith for the purpose of Article 1104 of the Civil Code; and that applying that concept is a highly fact sensitive question, which would be assessed by a French Court ‘*in concreto*’ (i.e. in light of all the facts and circumstances) ....
136. Both experts agree however that, in broad terms, good faith requires a party to perform its obligation in such a way that is consistent with the ‘spirit’ or ‘purpose’ of the obligation, not just the black letter of the obligation. ...”
49. In addition, the judge found at [44] that “in principle good faith in the performance of a contract can lead to the creation or modification of a party’s rights as opposed to giving rise to a claim for damages or, perhaps, preventing a party from enforcing their own express obligations under the relevant contract”.

#### German law

50. Both parties also served expert evidence as to German law. The judge discussed this in his judgment at [46]-[60]. For present purposes it suffices to set out a passage from the first report of Xiaomi’s expert which Panasonic’s expert accepted as accurate that the judge quoted at [47]:
- “27. The FRAND Defence in German law has its basis in Article 102 of the Treaty on the Functioning of the European Union (‘TFEU’). As a rule, a SEP holder will be in a position of economic dominance not only with respect to the technical teaching of SEP(s) but also with the market served by SEP(s). SEP(s) by their very nature must be practised by every implementer seeking to deal in products that are compliant with the technical standard for which the SEP(s) are (alleged to be) essential. As a result, if the concerned SEP(s) provide a dominant market position, the SEP holder is able to prevent effective competition in the relevant market by acting independently of its competitors and customers (i.e., normal market forces that would otherwise serve to reduce the effect of any attempt by the SEP holder to prevent effective market competition are not applicable).
28. It is well established in Germany that an implementer of a SEP has a claim against the SEP holder under Article 102 TFEU where the SEP holder engages in behaviour that is abusive of its dominant market position. Such behaviour might include the SEP holder refusing to offer a licence to its SEPs or refusing to offer a licence other than on unFRAND terms. In Germany, an implementer’s claim under Article 102 TFEU is usually raised as a defence in patent infringement proceedings, but in principle, it could also be asserted independently of any patent infringement proceedings (i.e., positively asserting a claim for a FRAND licence). I refer to an implementer’s claim under Article 102 TFEU, when it is raised as a defence in patent infringement proceedings, as a ‘**FRAND Defence**’.

29. The German Courts will only issue a binding decision on the subject matter of the dispute before it ('Streitgegenstand'). Pursuant to Section 253 (2) of the ZPO ... the 'subject matter of the dispute; is generally understood to mean the claim brought by the plaintiff based on the specific facts of the claim and the specific provisions of substantive law under which the claim is made, as set out in the plaintiff's Statement of Claim.
30. Where a claim is brought as a defence, as in the case of the FRAND Defence, the defence does not form part of the subject matter of the dispute and therefore the German Courts will not issue a binding decision in respect of a defence. The defence is only relevant insofar as the defence has a bearing on the Court's decision in respect of the subject matter of the dispute - i.e., the plaintiff's claim."
51. It is not necessary to describe the German courts' approach to the FRAND defence in any further detail, save to note that it does not involve determining what terms are in fact FRAND. (Under German law, there is an alternative procedure whereby an implementer can accept a patentee's offer of a licence, but then ask the court to review the royalty rate on the ground that it is not equitable pursuant to section 315 of the Bürgerliches Gesetzbuch (German Civil Code); but there is no known instance to date of this procedure being used to determine a FRAND rate.) It is common ground that it is a different approach to that adopted by the English courts described above.
52. Some of the arguments advanced by Xiaomi both before the judge and before this Court were implicitly critical of the German courts' approach although purporting to disavow any such criticism. This is not appropriate. The German legal system is different to the English legal system, but it is an equally developed and sophisticated one whose decisions are entitled to respect. Nothing I say in this judgment should be taken to imply any criticism whatsoever of the German courts' approach.
53. I should also make the obvious point that neither the English courts' approach nor the German courts' approach is set in stone. On the contrary, this is a rapidly developing field of English law, and I am confident that the same is true of German law. In these circumstances both systems can learn from each other's experience.

#### The UPC

54. The UPC only commenced operation on 1 June 2023. It is a new court common to the participating Member States. It is steadily building up its own jurisprudence, but inevitably this is at an early stage. Some of Xiaomi's arguments appeared to assume that the approach of the German Local Divisions of the UPC to the FRAND defence will be the same as that of the German national courts. There is no warrant for this assumption. It remains to be seen what the approach of the UPC will be. On the other hand, it cannot be excluded that the UPC may adopt a similar approach to that of the German national courts.

#### Xiaomi's position in outline

55. Xiaomi's position in a nutshell is that, given that both parties have undertaken to enter into a global licence on the terms determined to be FRAND by the Patents Court, with the result that it is certain they will do so in the relatively near future, there can be no

justification for Panasonic pursuing claims for injunctions against Xiaomi in other jurisdictions. The purpose of doing so can only be to place pressure on Xiaomi to agree to terms which are more favourable to Panasonic than those determined to be FRAND by the Patents Court. Furthermore, any rational SEP holder would accept Xiaomi's offer to take an interim licence now under which royalties are paid by Xiaomi to Panasonic at an appropriate rate, with subsequent adjustment if required as a result of the Patents Court's determination, because any business would rather have the use of the money now rather than have to rely upon the inadequate compensation provided by an award of interest later. Panasonic's conduct is, Xiaomi contend, indisputably a breach of Panasonic's obligations under clause 6.1, and specifically its obligation to negotiate a licence on FRAND terms with Xiaomi in good faith.

56. In those circumstances Xiaomi seek a declaration that a willing licensor in the position of Panasonic would agree to enter into, and would enter into, an interim licence of its SEP portfolio pending the determination by the Patents Court of the FRAND terms of the final licence and would do so upon the terms proposed by Xiaomi. Xiaomi also seek a declaration that, if Panasonic does not do so, it will to that extent be an unwilling licensor. As the judge mentioned at [16]-[17], the terms of the declarations sought by Xiaomi were modified in the run-up to the hearing, and he set out the final form of the declarations sought at [92]. Nothing turns upon the precise wording of the declarations, however.
57. More importantly, as the judge discussed at [15], [22]-[24] and [27], the terms proposed by Xiaomi for the interim licence also evolved. In essence, Xiaomi's final proposal was that the terms of the interim licence should be the terms proposed by Panasonic for the final licence save that Xiaomi would pay Panasonic an interim royalty for the period from Xiaomi's first sale in 2011 until the parties enter into the final licence pursuant to the Patents Court's determination at the rate which Xiaomi contend to be FRAND, together with 5% interest compounded quarterly in respect of past sales. This royalty (and the accompanying licence terms) would be subject to any necessary adjustment (most likely, up) in the light of the Patents Court's decision.

#### Panasonic's position in outline

58. Panasonic's position in a nutshell is that it is entitled to enforce its SEPs in any court of competent jurisdiction unless and until Xiaomi actually takes a licence. It is clear from the Supreme Court's analysis of the ETSI IPR Policy in *UPSC* that SEP holders are entitled to obtain injunctions restraining infringement in order to force implementers to choose between taking a licence and abandoning the relevant market. Panasonic says that the fact that both parties have undertaken to enter into a licence on the terms determined by the Patents Court to be FRAND makes no difference to this. It is clear from the ETSI IPR Policy and the ETSI Guidelines that the parties should negotiate the terms of the licence, and that court determination is a last resort. Panasonic disputes that its intention is to obtain supra-FRAND terms from Xiaomi. Thus Panasonic denies any breach of clause 6.1.
59. Without prejudice to that position, Panasonic made what it called a "Non-Enforcement Proposal". As the judge described at [20] and [25], this was also revised in the run-up to the hearing. In essence, Panasonic's revised Non-Enforcement Proposal is that Xiaomi should now enter into a final licence on terms sought by Panasonic at the FRAND trial for the full term, namely 2011-2029, and should now pay the full lump

sum royalty sought by Panasonic in respect of that period. This would be subject to any necessary adjustment down in the light of the Patents Court's decision. In return, Panasonic would agree not to enforce its portfolio in other jurisdictions.

### A recent development

60. On 13 September 2024 there was a significant development in the underlying proceedings, which is that Panasonic filed a revised offer of FRAND terms. The details are confidential. The overall effect of the revised offer is to seek a lump sum payment from Xiaomi which is 62% of the lump sum previously demanded by Panasonic. While Panasonic contends that its previous offer was FRAND, and would no doubt say that the revised offer is merely intended to promote resolution of the dispute, it is at least arguable in these circumstances that the sum previously demanded by Panasonic was not FRAND. Furthermore, this development demonstrates that, if Xiaomi had accepted Panasonic's revised Non-Enforcement Proposal shortly after it was made on 10 April 2024, Xiaomi would have significantly over-paid for the licence.

### The judge's judgment in outline

61. The three principal issues at the hearing before Leech J were as follows (see his judgment at [91]):
- i) Did performance of its FRAND commitment in good faith require Panasonic to agree to enter into an interim licence on appropriate terms?
  - ii) Were the terms of the interim licence proposed by Xiaomi appropriate or was Panasonic's Non-Enforcement Proposal appropriate and sufficient to discharge its FRAND commitment?
  - iii) Would declaratory relief serve a legitimate useful purpose?
62. On the first issue, as explained in more detail below, Xiaomi put their case in two alternative ways, referred to by the judge as Submission A and Submission B. Submission A was, in short, that Panasonic's continued pursuit of the German Proceedings was in breach of its obligation of good faith. Submission B was, in short, that Panasonic was subject to an implied obligation to grant Xiaomi an interim licence. The judge rejected both submissions:
- i) He rejected Submission A because he was not satisfied to a "high degree of assurance" that "viewed objectively" "the effect of Panasonic continuing to pursue its infringement claims in the German Courts" "is to frustrate its FRAND Commitment" ([101]). He might have been prepared to take a different view if he had been persuaded that "Panasonic had been holding out for terms which were obviously un-FRAND or supra-FRAND", but that was not the case ([102]).
  - ii) As for Submission B, the judge accepted that it would "in theory be possible to imply an obligation to grant an Interim Licence" based on the obligation to act in good faith ([103(1)]). He did not find it possible to imply such obligation from the words of clause 6.1, however ([103(3)-(5)]). He accepted that the French law doctrine of good faith in the performance of a contract imposed a duty on

Panasonic “not to frustrate its FRAND Commitment”, but he did not accept that the exercise by Panasonic of its legal rights in a court of competent jurisdiction could be characterised as “an attempt to frustrate its FRAND Commitment” ([103(6)]).

63. The second issue did not arise given the judge’s conclusion on the first issue ([105]). He nevertheless observed that the making of the declarations sought would require the court to assess both (i) whether Xiaomi’s proposed interim licence terms were both FRAND and reasonable, and (ii) whether Panasonic’s proposed terms were unFRAND and unreasonable ([105(3)]). The judge considered that he was not in a position to decide question (i) because that was an issue for the FRAND trial ([105(4)]). The judge did not express any view on question (ii) either.
64. On the third issue, the judge held that, even if he had concluded that Panasonic has a French law obligation to grant Xiaomi an interim licence, he would have declined to make the declarations sought by Xiaomi because “not only would it serve no useful purpose to do so, it would also be an exercise in jurisdictional imperialism” ([111]). His reasoning can be summarised as follows:
- i) As regards the absence of a useful purpose, the learned Judge concluded that there is “no need to clarify the parties’ respective rights and obligations in this jurisdiction or take steps to preserve the integrity of these proceedings ahead of the FRAND Trial” because Panasonic has undertaken to accept the Patents Court’s determination and is not seeking injunctive relief here ([111(1)]). Accordingly, the “only real purpose” of the declarations would be “to influence the outcome of the German Proceedings”, which would not be a legitimate purpose in the light of *Teva v Novartis* ([111(2)]).
  - ii) Further, the “obvious place” to raise arguments about an interim licence was in the German Proceedings where Xiaomi seek to rely on such a licence as a defence. Comity, therefore, “requires an English Court to leave it to the German Courts to assess the validity of that defence” ([111(6)]).

#### Xiaomi’s grounds of appeal

65. Xiaomi have five grounds of appeal. Ground 1 is that the judge was wrong to apply the standard of a “high degree of assurance” to the assessment of the evidence before him, and should have applied the ordinary standard of proof on the balance of probabilities. Ground 2 is that the judge was wrong to conclude that Panasonic’s obligation of good faith did not require it to enter into an interim licence on any terms. Ground 3 is that the judge was wrong to conclude that the declaration sought by Xiaomi would serve no legitimate purpose. Ground 4 is that the judge was wrong to conclude that making of the declaration would be contrary to the principle of comity. Ground 5 is that, to the extent that the judge found that Panasonic’s Revised Non-Enforcement Proposal was arguably sufficient to discharge its obligation, he was wrong to do so.

#### Anti-suit relief

66. It is convenient before turning to address Xiaomi’s grounds of appeal to consider a question which was debated both before the judge and this Court even though it is not in issue, which is the possibility of Xiaomi obtaining an anti-suit injunction (“an ASI”)

to restrain Panasonic from pursuing the German Proceedings. It could be argued that, by pursuing the German Proceedings after having undertaken to grant Xiaomi a licence on the terms determined by the Patents Court to be FRAND, Panasonic is acting vexatiously and/or oppressively. Vexatious and/or oppressive pursuit of parallel foreign proceedings is a recognised class of case in which an ASI may be granted: see *Deutsche Bank AG v Highland Crusader Offshore Partnership LP* [2009] EWCA Civ 725, [2010] 1 WLR 1023. It is neither necessary nor appropriate to consider whether such an application could succeed, because Xiaomi have not applied for an ASI.

67. The relief that Xiaomi are seeking does not amount to anti-suit relief by the back door (contrast *Motorola Mobility LLC v Ericsson Ltd* [2024] EWCA Civ 1100). If the declarations sought by Xiaomi are granted, they will not prevent Panasonic from pursuing the German Proceedings. Panasonic argues, however, that an ASI is the usual way in which a party can be expected to enforce a contractual obligation which is said to prevent the counter-party from commencing or pursuing proceedings in a foreign court; and that, where no ASI is sought, the court should be cautious before granting any relief which might give rise to the perception that the English courts were trying to interfere with the German courts or the UPC. The judge accepted that argument, and I shall address it when I come to consider Xiaomi's ground 4.
68. It is convenient at this stage, however, to note that the declarations sought by Xiaomi do not differ from an ASI merely in the negative sense that they would not prevent Panasonic from pursuing the German Proceedings, but also in the positive sense that they are intended to help to regulate the commercial position of the parties pending the determination by the Patents Court. No ASI would ever result in the restrained party receiving substantial royalties from the applicant party. Thus, as counsel for Xiaomi submitted, the relief sought by Xiaomi is not merely much less intrusive than an ASI, but also designed to promote the overall resolution of the dispute.

#### Ground 1: a high degree of assurance

69. The judge referred numerous times in his judgment to the need for him to have a "high degree of assurance" in order to grant Xiaomi the relief they sought: see in particular [60], [87], [98], [101], [102(1)], [103], [103(8)], [111(3)] and [114]. Xiaomi contend that this was an error of law, and that he should have applied the ordinary standard of proof on the balance of probabilities.
70. Panasonic's first answer to this contention is that it is not open to Xiaomi because it was common ground before the judge that a high degree of assurance was required. Xiaomi dispute that this was common ground. The transcript shows that, in fact, Xiaomi's position was equivocal. What counsel then appearing for Xiaomi said was: "We have been comfortable accepting the phrase 'high degree of assurance' on the basis that we do not see that as intended to vary the ordinary civil standard of the balance of probabilities". The judge can be forgiven for interpreting this as an acceptance that a high degree of assurance was required, but nevertheless Xiaomi did maintain that the correct standard was the balance of probabilities. In those circumstances I consider that the argument is open to Xiaomi in this Court.
71. Panasonic's second answer is that the judge was, in any event, correct. The expression "a high degree of assurance" comes from cases in which a party applies for interim relief which is likely to cause irremediable prejudice to the defendant if wrongly granted

(see *National Commercial Bank Jamaica Ltd v Olint Corp Ltd* [2009] UKPC 16, [2009] 1 WLR at [18] (Lord Hoffmann)) or whose effect will for one reason or another be determinative (see, for example, *Koza Ltd v Kaza Altin Isletmeleri AS* [2020] EWCA Civ 1018, [2021] 1 WLR 170 at [77] (Popplewell LJ) (interim injunctions) and *National Crime Agency v N* [2017] EWCA Civ 253, [2017] 1 WLR 3938 at [89] (Hamblen LJ, as he then was) (interim declarations)).

72. Panasonic argues that Xiaomi's application is for relief which is intended to be determinative of what a willing licensor in the position of Panasonic would do in the period between now and the Patents Court's determination. Furthermore, this is not an issue which will arise at trial. Given that the application has been made by way of an application notice during the course of proceedings under CPR Part 23, and which has not been determined by way of trial, the court is required to have a high degree of assurance that Xiaomi are entitled to the relief they seek, albeit that Xiaomi do not have to establish their case to the summary judgment standard.
73. In my judgment Xiaomi's argument conflates two different things, which explains why their counsel's submission to the judge was equivocal. Xiaomi is correct that the standard of proof in civil proceedings such as these is the balance of probabilities. The "high degree of assurance" test is not concerned with the standard of proof, however. It is concerned with the extent to which a court dealing with an interim application should take the merits of the parties' substantive cases into account as opposed to considerations such as the balance of the risk of injustice. In the present case it is appropriate for a high degree of assurance to be required for the reasons given by Panasonic. For the reasons given below, however, this test is satisfied.

#### Ground 2: good faith

74. As noted above, Xiaomi put their case on the first issue before the judge in two alternative ways, which the judge referred to as "Submission A" and "Submission B". The judge set these out at [94]:
- “[A] ... in circumstances where the parties have given the Reciprocal Undertakings such that they will enter into the English Court-Determined Licence, turning down cash on the table now ... under the Interim Licence proposed by Xiaomi simply in order to keep alive the threat of injunctive relief can only be part of a strategy to pursue supra-FRAND rates. That is not consistent with the spirit of the FRAND Commitment. It is not performing the FRAND Commitment in good faith. The consequence is that good faith performance requires Panasonic to agree to take the money now and grant the Licence.
- [B] ... there is no qualification of the temporal scope of Panasonic's obligation to grant FRAND licences. So Panasonic has an obligation under the FRAND Commitment, to grant Xiaomi a FRAND licence now. There are only two potential licences before the Court at this hearing: Xiaomi's proposed Interim Licence, which is fair and reasonable. And Panasonic's [revised Non-Enforcement Proposal] ... which is not ....”
75. Although Xiaomi did not abandon Submission B on the appeal, their arguments focussed on Submission A. Moreover, their arguments in relation to Submission A were somewhat more refined than they were before the judge.

76. In relation to Submission A, it was common ground before the judge that the test of whether Panasonic was acting in breach of its duty of good faith under clause 6.1 of the ETSI IPR Policy was an objective one. Panasonic nevertheless contended that Panasonic's subjective belief that it was not in breach of that duty was relevant. In that regard, Panasonic relied upon the evidence of its solicitor Myles Jelf on instructions from Andrew Yen, Panasonic's Chief IP Counsel, which the judge quoted verbatim at [97]. In the absence of cross-examination, the judge accepted this evidence:
- “99. ... In particular, I accept [Mr Jelf's] evidence that he and his clients believed that Panasonic has complied with its FRAND Commitment by entering into the Reciprocal Undertakings, that it will only be bound to offer a licence to Xiaomi once the Court has fixed the terms of the Court-Determined Licence and that the parties are entitled to negotiate a consensual solution in the meantime. I also accept his evidence that he and his clients believe that it is legitimate for Panasonic to exercise its legal rights in the German courts in the meantime and that by doing so it is not putting undue pressure on the Xiaomi Defendants.
100. Finally, and perhaps most importantly, I accept Mr Jelf's evidence that he and his clients believe that if Panasonic and Xiaomi choose to agree a licence on terms which the German Courts have held are consistent with Panasonic's FRAND Commitment, this would not lead to any 'supra-FRAND' outcome even if Xiaomi might be subject to an injunction if [they] did not accept those terms ...”
77. There is no challenge by Xiaomi to these findings. As the judge recognised at [101], however, that is not the end of the enquiry. The court could reach the conclusion that Panasonic was acting in bad faith if viewed objectively the effect of its actions was to frustrate its FRAND commitment (whatever Panasonic might subjectively believe). The judge was not satisfied to a high degree of assurance that this would be the effect of Panasonic continuing to pursue the German Proceedings.
78. Xiaomi contend that the judge reached the wrong conclusion on this issue. I agree with this, although I think that this may be attributable at least in part to the way the case was argued before him.
79. Xiaomi's argument begins with two important preliminary points, neither of which Panasonic attempted to refute. The first is that SEPs differ in a key respect from other patents. Normal patents are monopoly rights, and the primary remedy for infringement is an exclusionary injunction so as to preserve the monopoly. This is not true of SEPs, because they are subject to the SEP holder's obligation to grant licences to any implementer who desires a licence on FRAND terms. An implementer is entitled to such a licence as of right. Thus SEPs are not property rights of the same status as other patents. In effect, the SEP regime is a liability regime in which the SEP holder's remedy is a financial one. The only role for an injunction in this regime is to enforce the SEP holder's entitlement to that financial remedy.
80. The second point is that the implementer is entitled to a licence from the first day it implements the standard provided that it is willing to take a licence on FRAND terms. This is the corollary of the points I made in *InterDigital v Lenovo* at [187]-[188] (see paragraph 23 above). Furthermore, the implementer is entitled to a licence which is continuous and not subject to interruption by injunctions obtained by the SEP holder.



81. Against the background provided by those preliminary points, the key factor in the present case is that, as explained above, it is certain that the parties will enter into a global licence of Panasonic's SEP portfolio on the terms determined to be FRAND by the Patents Court in the relatively near future. If the ETSI IPR Policy were subject to English law, Xiaomi might be able to rely upon the equitable maxim that "equity looks upon things agreed to be done as actually performed". Xiaomi have not demonstrated that any such principle is known to French law. Accordingly, we must proceed on the basis that, technically, Xiaomi are not yet licensed. That does not detract, however, from the fact that it is certain that Xiaomi will soon be licensed on terms that the Patents Court has determined are FRAND. Since there is no suggestion that Xiaomi will be unable to pay whatever sum the Patents Court may order, including any interest, it follows that it is certain that Panasonic will soon receive full FRAND remuneration for Xiaomi's exploitation of its global portfolio of SEPs.
82. In those circumstances, I return to the question I posed in paragraph 45 above. What is the point of Panasonic pursuing the German Proceedings with all their attendant effort and expense in these circumstances? As the judge noted at [95], Panasonic is candid that its objective is to obtain injunctions in order to achieve a negotiated settlement with Xiaomi rather than await the determination of the Patents Court. What purpose is served by this given that (i) Panasonic is assured of getting FRAND terms anyway as a result of the Patents Court's decision and (ii) nothing in the English proceedings prevents the parties from negotiating an earlier settlement of their dispute? As counsel for Panasonic had to accept during the course of argument in this Court, Panasonic seeks to achieve better terms than those determined by the Patents Court. Put bluntly, Panasonic wishes to use the exclusionary power of injunctions granted by the German courts and/or the UPC to try to force Xiaomi to pay more than the English courts would order. Panasonic must think that there is some prospect of the German Proceedings achieving this, otherwise it would not be wasting a large amount of time and money on them. Contrary to Panasonic's submission, it is no answer to this that a range of terms may be FRAND, because that will be taken into account by the Patents Court in its determination.
83. The judge did not confront this question. He appears to have been diverted by Xiaomi's criticisms of the German courts' approach into addressing a different question, which is whether the German courts' approach to the FRAND defence (or that of the UPC) would force Xiaomi to accept a supra-FRAND offer from Panasonic. I am sure that the German courts do not consider that their approach forces implementers to accept supra-FRAND offers from SEP holders. But in this case Panasonic has itself invoked the jurisdiction of the English courts to determine what is FRAND on a global basis, and has undertaken to accept the determination of the Patents Court on that question. It is wholly inconsistent with that for Panasonic to try to force Xiaomi to agree to terms more favourable to Panasonic than the English courts would order by pursuing proceedings elsewhere with all the attendant cost and expense for both parties. This would be true whether the foreign proceedings were in Germany or the UPC or anywhere else in the world. In other words, the correct focus is upon Panasonic's conduct, and not upon the foreign courts' potential decisions as a result of that conduct.
84. Furthermore, Xiaomi have offered to take an interim licence with the payment of royalties to Panasonic pending the determination of the Patents Court. Any rational SEP holder in the position of Panasonic would want to be paid sooner rather than later. Thus any rational SEP holder in the position of Panasonic would positively want the

implementer to enter into an interim licence. Why is Panasonic unwilling to agree to this when Xiaomi are offering to do so? Again, the judge did not ask himself this question. Panasonic's reluctance is only explicable on the basis that it is seeking to compel Xiaomi to accept terms more favourable to Panasonic than the Patents Court would order.

85. Panasonic has attempted to defuse this point with its revised Non-Enforcement Proposal, but that is not an answer to it. What this shows is that, in reality, Panasonic appreciates that there should be an interim licence rather than continued litigation in multiple jurisdictions, and that the real dispute is over the terms. Panasonic wants terms that would require Xiaomi to pay the full amount demanded by Panasonic for a licence until 2029. Not only is that manifestly unreasonable when the interim licence will only last for a few months from now, but also it would, if accepted prior to 13 September 2024, have resulted in a substantial overpayment by Xiaomi.
86. The next question is whether in these circumstances, Panasonic is acting in good faith in negotiating a licence with Xiaomi on FRAND terms as required by clause 6.1 of the ETSI IPR Policy. As the judge recognised, the fact that Panasonic may believe that it is entitled to adopt this course does not compel the conclusion that, upon an objective assessment, Panasonic is acting in good faith. In my judgment Panasonic's conduct is indefensible. As discussed above, FRAND is a process and not merely an end-point. Panasonic is not complying with its obligation to negotiate a licence with Xiaomi in good faith, and thereby avoid hold-up, but aiming to coerce Xiaomi into accepting terms more favourable to Panasonic than the Patents Court would determine to be FRAND.
87. Finally, I should address the reasons the judge gave for his contrary conclusion (at [101]). The first was that Xiaomi do not contend that Panasonic is in breach of its undertakings to the Patents Court. This is beside the point: Panasonic is acting inconsistently with those undertakings and with those given by Xiaomi. The second reason was that Panasonic had made it clear to Meade J that it intended to pursue the German Proceedings. This is also irrelevant: the question is what legitimate purpose Panasonic can have for taking that stance. The third reason was that, in the absence of an implied contractual undertaking to take an interim licence, the judge could see no reason why it would be illegitimate for Panasonic to enforce its legal rights to prevent infringements of its SEPs in the territories covered by the German courts and the UPC with the aim of a negotiated settlement. I have explained above why, in the circumstances of this case, it is illegitimate. The fourth reason was that, although the judge accepted that Panasonic intended to put commercial pressure on Xiaomi to accept its offer, the judge did not consider that this would necessarily result in supra-FRAND rates or even that there was a significant risk that it would do so. I have explained above that the key point is that it is plain that Panasonic is attempting to coerce Xiaomi into paying more than the Patents Court determines to be FRAND, despite Panasonic having both invoked that jurisdiction and both parties having undertaken to enter into a licence on those terms. In fairness to the judge, the effect of Panasonic's conduct may be a little clearer now as a result of its 13 September 2024 revised offer. The fifth reason is that the judge was not satisfied that the German courts' approach led to implementers being forced to accept supra-FRAND offers. As I have explained, this is not the right question. The sixth reason was essentially the same as the fifth reason. The last reason was that there was nothing to prevent Xiaomi from relying upon their undertakings to the Patents Court in the German Proceedings to demonstrate that Xiaomi was a willing licensee

and therefore no injunction should be granted, and it was for the German courts and the UPC to decide that question. I agree with this, but for the reasons I have explained this is no answer to Xiaomi's case on the present application.

Ground 3: useful purpose

88. Xiaomi argue that the judge was wrong to conclude that the only real purpose of the declarations they seek would be to influence the outcome of the German Proceedings, because the principal purpose of the declarations is to induce Panasonic to do the right thing and to comply with its obligation of good faith.
89. Panasonic's response to this argument is stark. It says that, even if this Court declares that a willing licensor in its position would grant an interim licence, it will simply ignore the declaration. Accordingly, it says, making the declaration cannot serve any useful purpose vis-à-vis Panasonic.
90. In my judgment, making the declarations sought by Xiaomi would serve a useful purpose in forcing Panasonic to reconsider its position. It would not force Panasonic to change its mind, but in my judgment there is a realistic prospect that it will do so. Panasonic may not presently intend to change its position, but as counsel for Panasonic had to accept, parties' intentions can change. Panasonic's intentions have already changed in this very dispute, as demonstrated by its revised offer of 13 September 2024. Faced with a decision by this Court that Panasonic is in breach of its obligation of good faith and a formal declaration that a willing licensor would enter into an interim licence, would Panasonic really persist in conduct that this Court has unequivocally and publicly condemned? I not only hope that Panasonic will see the error of its ways, but consider that there is a real prospect of it doing so.
91. Again, this is not a question which the judge confronted, no doubt because of the way the case was argued before him. The judge gave seven reasons (at [111]) for concluding that making the declarations sought would serve no useful purpose, but rather would be an exercise in jurisdictional imperialism. The second, third, fifth, sixth and seventh reasons are all concerned with the effect of making the declarations on the German Proceedings, which I will consider in the context of Xiaomi's ground 4. That leaves the first and fourth reasons.
92. The first reason is that, because Panasonic has agreed to be bound by the licence determined by the Patents Court and is neither seeking the payment of royalties now nor an injunction, there is no need to clarify the parties' respective rights and obligations in this jurisdiction or to take steps to preserve the integrity of the proceedings ahead of the FRAND trial. The fourth reason is that the licence determined by the Patents Court would be retrospective. Both reasons ignore the fact that, on Panasonic's own admission, its objective is to ensure that no FRAND trial takes place here and no Patents Court-determined licence ever takes effect. To that extent, the declarations are intended to safeguard the integrity of the English proceedings. But in any event these reasons do not address the question of what the effect of granting the declarations would be on Panasonic's behaviour.
93. I would add that the shortness of the period now remaining until the Patents Court's decision and an improvement in the interim licence terms (as to which, see below) may also contribute to a re-assessment by Panasonic of where its best interests lie.

Ground 4: comity

94. Xiaomi contend that the judge was wrong to conclude that the declarations should be refused in the interests of comity. Comity in this context means that the courts of this jurisdiction should respect the ability of courts such as the German national courts and the UPC to decide issues falling within their respective competencies, and should be cautious about granting any relief which might interfere with such courts' exercise of their own jurisdictions or which might be perceived as an attempt to do so (unless there are proper grounds for the grant of an ASI).
95. The judge reasoned that the only useful purpose of making the declarations sought would be to influence the outcome of the German Proceedings and that was not a legitimate purpose because it would be contrary to comity. If the premise were correct, I would agree with the judge's conclusion for the reasons given in *Teva v Novartis*. For the reasons given above, however, I disagree with the premise.
96. Furthermore, if the declarations do induce Panasonic to reconsider its position and to grant Xiaomi an interim licence, that would, as Xiaomi submit, promote comity because it would relieve the German courts and the UPC of a great deal of burdensome and wasteful litigation.
97. If, on the other hand, Panasonic decides to ignore the declarations and to pursue the German Proceedings, it will be entirely for the German national courts and the UPC to make their own assessment of the parties' conduct, including their conduct in the English proceedings, and to decide what, if any, relief to grant Panasonic for any infringements they may find established in the absence of a licence. The same would be true of any other courts before whom Panasonic might choose to bring proceedings. Accordingly, I do not consider that comity is a reason not to grant the declarations sought by Xiaomi.

Ground 5: Panasonic's revised Non-Enforcement Proposal

98. Xiaomi contend that, to the extent that the judge found that Panasonic's revised Non-Enforcement Proposal was arguably sufficient to discharge its obligation, he was wrong to do so. As I read the judgment, however, the judge made no such finding. The judge did not engage with the merits of Xiaomi's proposed interim licence terms or Panasonic's revised Non-Enforcement Proposal because he regarded it as inappropriate to do so, the terms of the licence being matters for determination at the FRAND trial.
99. This is nevertheless a convenient juncture at which to consider the question which arises from my previous conclusions, which is this: on what terms would a willing licensor in the position of Panasonic grant Xiaomi an interim licence? Prior to the hearing before this Court, both parties seem to have proceeded upon the basis that the only choice for the court, if it got this far, was between the terms they respectively proposed. I disagree with this. The question is what a willing licensor in the position of Panasonic would do in accordance with its FRAND commitment. The court is just as capable of determining what terms of an interim licence are FRAND as it is of determining what terms of a final licence are FRAND. As counsel for Xiaomi accepted during the course of argument, it is therefore open to this Court to decide that neither side's proposal for an interim licence is FRAND. Contrary to the view taken by the judge, this does not involve determining what terms for a final licence would be FRAND.

100. It is probable, although not certain, that the terms determined by the Patents Court to be FRAND for the final licence will be somewhere between the terms offered by Xiaomi and those demanded by Panasonic. Accordingly, in my judgment the terms on which a willing licensor in the position of Panasonic would grant an interim licence to Xiaomi are those proposed by Panasonic for the final licence with two modifications. First, the period of the interim licence should be from 2011 until the licence determined by the Patents Court takes effect (rather than until 2029). For the convenience of calculating the royalty payable, it may be assumed that the latter date will be 31 December 2024. Secondly, the sum payable by way of royalty in respect of that period should be midway between (i) the sum offered by Xiaomi for that period and (ii) the proportion of the sum demanded by Panasonic on 13 September 2024 that is referable, on a pro rata basis, to the period of the interim licence. This sum (and the accompanying licence terms) will be subject to adjustment up or down when the Patents Court determines the terms of the final licence.

### Conclusion

101. For the reasons given above, I conclude that: (1) Panasonic is in breach of its obligation of good faith under clause 6.1 of the ETSI IPR Policy by pursuing claims for injunctions in foreign courts despite having invoked the jurisdiction of the English courts to determine FRAND terms for a global licence and despite both parties having undertaken to enter into a licence on the terms determined by the Patents Court to be FRAND; (2) a willing licensor in the position of Panasonic would enter into an interim licence with Xiaomi, and FRAND terms of that licence would be those set out in the preceding paragraph; (3) making the declarations sought by Xiaomi would serve a useful purpose; and (4) the declarations should not be refused on the grounds of comity.
102. I would therefore allow the appeal, and grant the declarations sought subject to the modification to the terms of the interim licence that I have indicated.

### Postscript

103. After the hearing before this Court, Panasonic made a further proposal by a letter dated 24 September 2024. In essence, this was that Panasonic would enter into an interim licence on terms that Xiaomi paid around 25% of the sum demanded by Panasonic on 13 September 2024 within 30 days of execution, with the balance payable in tranches after (and subject to) the Patents Court's FRAND determination. I should record that this proposal came to the Court's attention after I had drafted the foregoing judgment. I consider that it represents a constructive step on the part of Panasonic. It also confirms my view that Panasonic's previously-expressed intentions were, and remain, susceptible to change. Xiaomi had not accepted this proposal by the time our judgments were circulated in draft. I have not attempted to work out whether it would be more or less favourable to Xiaomi than the terms which I have decided are appropriate for the interim licence.

### **Lord Justice Phillips:**

104. I agree with Arnold LJ that Panasonic's conduct is indefensible and I join him in unequivocally condemning its approach. I do not, however, consider that the appropriate response to that conduct is to grant a final declaration (prior to the trial of any issue) that Panasonic is obliged to enter an interim licence on terms which have not

been determined on the evidence to be FRAND, but which are chosen by this Court “splitting the difference” between the rates the respective parties argue to be FRAND. My reasons are as follows:

- i) Whilst Panasonic has irrevocably undertaken to grant a licence on FRAND terms pursuant to the ETSI IPR Policy (and is honouring that undertaking by its claim in these proceedings and the further undertaking it has given to the court), it has not undertaken to grant an interim licence pending the determination of what is FRAND, necessarily on terms which will differ, possibly significantly, from those which are ultimately determined to be FRAND on the basis of the evidence. Whilst Panasonic’s ETSI undertaking no doubt gives rise to obligations to act in good faith in relation to the negotiation and/or determination of the terms of a FRAND licence, I do not see how that translates to an obligation to enter into an interim licence during that process. It follows that the proposed declaration is, in my view, incorrect as a matter of proper analysis.
  - ii) Arnold LJ suggests that the terms of the interim licence he proposes would themselves be FRAND, but neither party suggested or supported the concept of an “interim FRAND” and I have seen no basis for it in the authorities. The Supreme Court in *UPSC* confirmed that the English courts have jurisdiction to determine the rates and terms of a global FRAND licence due to the contractual arrangements that ETSI had created in its IPR policy, but there was no consideration of, let alone support for, the English courts setting a global “interim FRAND” prior to trying the issue.
  - iii) The purpose of granting the declaration is unclear to me. Panasonic, perhaps not surprisingly, states that it will not grant the proposed interim licence, and it cannot be compelled to do so. Even if it does grant the licence, its effect will be transitory given that Meade J proposes to give judgment determining FRAND on the evidence by the end of the year, which will apply to the period of the interim licence and supersede its terms, requiring recalculation and adjustment of any amounts payable (and amendment to the accompanying licence terms). The real purpose and effect can only be to influence the approach of foreign courts in relation to Panasonic’s infringement proceedings. I have doubts as to the propriety of that aim, which smacks of jurisdictional imperialism.
  - iv) Whilst I accept that there is jurisdiction to grant a final declaration, irrevocably determining the rights of the parties at an interlocutory stage, it is an exceptional power which must be exercised with great care and, I would suggest, where there is no way to preserve those rights pending a final determination after a trial. In my judgment there is no warrant for making a final declaration in the present situation. Indeed, that is all the more the case as the remedy appears weak and of dubious efficacy, and its purpose unclear at best.
105. On the face of the matter, in my judgment, there is a more conventional interim remedy potentially available, which would directly address and prevent Panasonic’s indefensible conduct. Given that, at Panasonic’s instigation, the English courts will shortly determine the terms of a global FRAND licence, including with retrospective effect, which the parties will enter pursuant to their reciprocal undertakings to the court, the parallel proceedings Panasonic has brought in other jurisdictions for infringement would appear to be unconscionable, vexatious and designed to be oppressive. That is a

well-established basis on which the English courts would consider granting an ASI, as identified by Arnold LJ at [66], subject to issues of comity and discretion.

106. As well recognised (see the *Deutsche Bank* case at [56]), such an order would be addressed solely to Panasonic, not to the foreign courts, and Panasonic would have to obey it or face contempt proceedings in this jurisdiction, where the FRAND licence is to be determined at Panasonic's instigation.
107. It was suggested that Xiaomi was concerned about applying for such an injunction because the foreign courts might consider that Xiaomi was an "unwilling licensee" and would grant injunctive relief to prevent infringement. But the whole point of an ASI would be that Panasonic would be restrained from seeking (or enforcing, if granted) any such relief, and might be required to withdraw any claims. It is bordering on inconceivable that Panasonic would flout such an order of the English courts.
108. It was also suggested that anti-suit relief would be less desirable than an interim licence because Panasonic would not receive royalty payments during the duration of that licence. I see no force in that. Apart from the fact that Panasonic states that it will not grant the interim licence, the royalties for that period will be determined by the end of the year in any event. An interim licence would simply involve an eventual recalculation and adjustment.
109. The apparent availability and efficacy of anti-suit relief reinforces my view that a final declaration of an obligation to enter an interim licence is not the appropriate remedy as a matter of principle or discretion. But even if, for some unidentified reason, an ASI would not be granted, I would still consider that the Judge was right to refuse to make the declaration sought.
110. I would dismiss the appeal.

**Lord Justice Moylan:**

111. I agree that the appeal should be allowed for the reasons given by Arnold LJ. It seems clear to me, as explained by him, that a willing licensor in the position of Panasonic *would* enter into an interim licence with Xiaomi. It also seems clear that this obligation would encompass an interim licence on the terms explained in Arnold LJ's judgment. I consider that to grant a declaration to this effect is an appropriate use of the court's power because it is the best way of reflecting and giving effect to the court's determination and even though Panasonic currently contend that they will not enter into such a licence. Whilst Panasonic might be able to take that course, as explored by Arnold LJ they may well not. In any event, I do not see why their currently stated stance should dissuade the court from making such a declaration. I also do not see why, in respectful disagreement with Phillips LJ, the potential availability of other relief (an ASI) should prevent the court from making the declaration sought by Xiaomi. Again for the reasons given by Arnold LJ, in the circumstances of this case, I consider the latter a much more appropriate use of the court's powers than an ASI.