



Neutral Citation Number: [2021] EWHC 1124 (Pat)

Case No: HP-2020-000037

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (ChD)
PATENTS COURT

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

Date: Monday, 26th April 2021

Before:

MR. JUSTICE MELLOR
Remotely via Microsoft Teams

Between:

KONINKLIJKE PHILIPS N.V.

**Claimant/
Applicant**

- and -

(1) XIAOMI INC
**(2) XIAOMI TECHNOLOGY (UNITED
KINGDOM) LIMITED**
(3) XIAOMI COMMUNICATIONS CO. LTD
(4) XIAOMI CORPORATION
(5) XIAOMI HK LIMITED

**Defendant
Defendant/
Respondent**

Defendants

MR. ANDREW SCOTT (instructed by **Bristows LLP**) for the **Claimant**
MR. TIMOTHY LAU (instructed by **Simmons & Simmons LLP**) for the **2nd Defendant**

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

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THE HON MR JUSTICE MELLOR

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

MR. JUSTICE MELLOR:

1. I have before me two applications which are an unfortunate piece of satellite litigation pending a two-day jurisdiction application which is due to be heard on 24th-25th May. These applications arise in the following circumstances. The Claimants ('Philips') issued the claim form on 21st October 2020, under Part 7, effectively for patent infringement of four EP(UK) patents, against five Xiaomi companies, including, in particular, the second defendant, which is Xiaomi Technology (United Kingdom) Limited ('Xiaomi UK'). The case against Xiaomi UK includes allegations of infringement of EP(UK) patents by acts done in the United Kingdom, but the FRAND aspects make the case more complicated than that. The other four Xiaomi companies are various companies incorporated in either China, the Cayman Islands or the Hong Kong Special Administrative Region.
2. In the usual way that is familiar in the patents court, effectively, it is a FRAND case, so the claimants are claiming that Xiaomi have infringed the four patents, that they are essential to the operation of 3G and 4G mobile phone networks and they ask for a declaration that the licence terms which have been on offer from Philips are FRAND.
3. On 26th October 2020, three applications were dealt with by Mann J. First, he gave leave to serve out on the four non-UK defendants; second, he granted an anti-suit injunction, and third, he declared that the claim form was deemed to have been served on the second defendant on 2nd November. In due course, Xiaomi UK acknowledged service on 16th November, indicating that it intended to challenge jurisdiction.
4. Xiaomi UK then issued its application notice, challenging jurisdiction, and it sought an order pursuant to CPR rule 11(1)(b) that the court should decline to exercise any jurisdiction which it may have to hear the issues in this case. Further or in the alternative, the application notice seeks what has been termed a 'case management stay' pursuant to CPR 11(6)(d), the court's general case management powers under CPR 3.1(2)(f) and/or the inherent jurisdiction of the court.
5. The case management stay sought was either of the proceedings as a whole or in the first instance, pending the determination of the service and jurisdiction issues to be resolved vis-à-vis the other Xiaomi companies named as defendants in the claim.
6. The claimants were unhappy with the way in which the basis for that relief was explained by Xiaomi UK, so on 11th December 2020, they issued an application seeking further details of the basis of the Xiaomi UK challenge, and if those details were not provided, that the Xiaomi UK application notice be struck out. As I understand matters, that application was compromised in an order made on 8th February 2021 by Bacon J. Her order is relatively complicated, so I will need to cite a few parts.
7. The Bacon order, as I will call it, was a consent order, and it gave a number of directions for the hearing not only of the Xiaomi UK jurisdiction application, but also the jurisdiction application, I think to be brought by the non-UK defendants. Part of the agreement was that the non-UK defendants agreed to accept service of the claim form at the address of Simmons & Simmons and the advantage, as Mr. Lau for the defendants pointed out, was that service on the non-UK defendants was achieved, perhaps many months in advance than would otherwise have been the case.

8. The parties agreed that both the Xiaomi UK jurisdiction application and the non-UK defendants' jurisdiction application would be heard at the May hearing and they agreed that the position on delay was neutral, meaning, and I quote:

"... no party will accuse another of the parties of delay in these Proceedings, or in any other proceedings, in relation to the service of these Proceedings or by reason of the bringing or resisting of the Jurisdiction Application(s)."

9. Another recital recorded that the claimants withdraw their application of 11th December 2020, and the final recital is the one that has received the most attention, and it reads:

"AND UPON the parties agreeing that, in accordance with CPR r.11(9), the Defendants need not file a defence before the May Hearing."

10. Thus, one particular feature of the Bacon order was that Philips was content not to receive a defence in advance of the May jurisdiction hearing, and, in that regard, the Defendants were being considered collectively.
11. On the basis of those various recitals, the parties agreed a timetable for evidence for the jurisdiction applications and that included that Xiaomi UK would file the entirety of the evidence upon which it intended to rely in support of the Xiaomi UK jurisdiction application on or before 26th February 2021.
12. It is my understanding that that deadline was subsequently extended, but before I turn to that, the non-UK defendants in turn acknowledged service on 18th February 2021, and duly served their application notice contesting jurisdiction on 26th February. Then, the evidence in support of all the Xiaomi applications was served on 2nd March and included an explanation of the Xiaomi defendants' position in the first witness statement of Mr. Burdon. On 10th March 2021, Bristows, the solicitors for Philips, wrote to Simmons & Simmons, the solicitors for the Xiaomi defendants, asking for clarification about the basis of Xiaomi UK's jurisdiction application, and on 26th March, Simmons & Simmons wrote back acknowledging, apparently for the first time, that Xiaomi UK made no jurisdiction challenge under CPR Part 11, but was continuing to seek a case management stay pursuant to CPR 3.1(2)(f). Although Philips had thus secured an acknowledgement that Xiaomi UK had no jurisdiction challenge under CPR Part 11, this cannot have come as any surprise to Philips, since it must have been plain that Xiaomi UK was unable to say the UK Court did not have any jurisdiction over the claims made against it.
13. Further correspondence included a discussion between the parties as to whether Xiaomi UK would agree to serve its defence by 7th May. Eventually no agreement was reached because, amongst other things, Xiaomi UK would only agree to serve its defence by 7th May on the basis that that deadline would be extensible. I am told by counsel that they were contemplating being able to serve a defence by 7th May on the basis that it would lay out what had already been explained in Mr. Burdon's first witness statement. It is quite clear in a case of nature that a full defence to the claim would be very extensive and would require a lot of work.

14. The failure to reach agreement in correspondence as to the service of a defence led then to Xiaomi UK issuing their application that is before me on 15th April for an order that it need not file any defence in advance of the hearing on 24-25th May (effectively for an extension of time to at least that hearing), which was followed by the claimants' application notice dated 20th April, which is for an unless order, namely that unless Xiaomi UK serves its defence by 7th May, judgment shall be entered in default against it. As I indicated at the outset, I see these two application notices as an unfortunate piece of satellite litigation pending the hearing of the jurisdiction application starting on 24th May.
15. Let me just turn to the principles, because I accept, as the parties seem to agree, that Xiaomi UK does not have a jurisdiction challenge under CPR Part 11, and that the order that they are seeking at the May hearing is a case management stay, so they are not in a position to argue that the court should not exercise its jurisdiction permanently.
16. It is also clear from the decision in *Flame v Primera Maritime* [2009] EWHC 1973, a decision of Judge Chambers QC, that if a jurisdiction challenge under CPR Part 11 is withdrawn, then the stay that is afforded by CPR Part 11(9) no longer applies and to quote from *Flame*, at [16] and [18]:

"...the rules are clear. Where a defendant in the commercial list has expressed a wish to challenge the jurisdiction it enjoys the protection afforded by CPR r58.7(2)." [I interpolate that that is a reference to a previous rule which I understand to be the equivalent of what is now in CPR 11(9)] "If the challenge is not pursued, the protection ceases."

...

"Faced with the imminent requirement to serve a defence and the need to have time to do so, whether by agreement or order, a defendant should seek an extension of time."
17. That understanding of the law was confirmed by Cockerill J in *Plekhanov v Yanchenko* [2020] EWHC 1201 where she pointed out at [96] that the *Flame* case has not been subsequently disapproved. Although Mr. Lau sought to suggest that Cockerill J was casting doubt on the principle from *Flame* it is quite clear that she regarded it as stating the law, because she referred to an alternative approach as "heterodox" in the next paragraph.
18. Turning back to the facts in this case, if it had been the case that Xiaomi UK alone brought a jurisdiction challenge under CPR Part 11 and then withdrew it, then it is quite clear that on the authority of *Flame*, they would cease to have the protection of CPR Part 11(9), and their defence would be due. However, the situation in this case is not as simple as that, due to the intervening order made by Bacon J, in which the parties agreed, in the last recital, that in accordance with CPR rule 11(9), the defendants need not file a defence before the May hearing. One of the key points argued before me is whether the effect of that recital so far as Xiaomi UK is concerned is dependent on there continuing to be a challenge under CPR Part 11 by Xiaomi UK or not.

19. Mr. Lau for Xiaomi UK argued with some vigour that, effectively, the withdrawal of the Xiaomi UK jurisdiction application under CPR Part 11 did not affect that recital. I am afraid I am against him on that, because it is very difficult to square that submission with the actual wording of the recital, which refers directly to and seems to rely upon CPR rule 11(9).
20. Having said that, I have sympathy for the position which Xiaomi UK finds itself because, yes, it brought a jurisdiction challenge, but it also conceded, in correspondence, quite correctly, that it did not have a proper basis for a jurisdiction challenge under CPR Part 11. It is true that the Bacon order was agreed at the time when Xiaomi UK still purported to have a challenge under CPR Part 11, but there is some force in the point that Mr. Lau made that one of the things that the Bacon order did was to compromise the claimants' application of 11th December 2020.
21. Mr. Scott for the claimants says that application is a complete red herring, but the problem is that the claimants' application of that date was seeking details of the basis on which the Xiaomi UK application and the challenge to jurisdiction was being made, and it is quite clear from even before that point, the claimants could not see what the basis of a challenge by Xiaomi UK was under CPR Part 11. So, notwithstanding that, they did agree to compromise matters in the Bacon order, on the basis that no defence would be served by any of the defendants before the May hearing.
22. With the protection of CPR 11(9) removed, Philips say that Xiaomi UK is months out of time for service of its defence and, since it has had months to prepare, its defence should be served in short order and under an unless order. However, it would be entirely understandable that any preparatory work towards the drafting of a defence by Xiaomi UK would have either ceased or at least put on the back burner following the Bacon Order. Furthermore, some time has passed since the Bacon order was made on February 8th, leaving much less time for Xiaomi UK to prepare and file a 'full' defence. So it seems to me that all that has changed since the Bacon Order was made is that Philips have extracted an explicit concession from Xiaomi UK that it does not have a CPR Part 11 jurisdiction challenge in circumstances where that was already apparent to Philips. That does not seem to me to justify Philips' change of stance, from being content not to receive any defence until after the May hearing to an insistence on a defence being served in short order under an unless sanction.
23. Where that leaves me is, I think, in a position where I have to consider whether a defence from Xiaomi UK will actually achieve any proportionate benefit, if served before the May hearing. Having read the evidence in Mr. Burdon's first witness statement, I think there is force in the argument that, in terms of assisting the court to make its decision on the case management stay, there is sufficient already set out in Mr. Burdon's witness statement. If all that happens in a defence, if I order one, is that the same material is rehashed into a document headed "Defence", I do not really see the point of that.
24. On the other hand, if Xiaomi UK has to serve what I might call a "full" defence, that is bound to be a distraction from the lead up to the hearing of the May application and, as Mr. Lau points out, on 7th May 2021, the Xiaomi defendants are due to serve their reply evidence on the jurisdiction application

25. Therefore, in the unusual circumstances of this case, I have reached the conclusion that the agreement that the defendants need not file a defence for the May hearing, even though the basis for the Xiaomi UK agreement has now gone, in other words, CPR rule 11(9) no longer applies, I still think that the parties should abide by that agreement. I am not suggesting that I am turning my back on the construction of the recital in the Bacon order that I mentioned earlier; I am saying that in the circumstances of this particular case, I think the right solution is that Xiaomi UK does not need to file a defence before the May hearing.
26. Having said that, I am conscious that Philips have an application for expedition of the trials that will be needed in this case. It is clear to me that if the jurisdiction challenge at the May hearing fails, the court will be able to deal with the Philips application for expedition as it sees fit and the Xiaomi defendants will not be able to pray in aid the delays that have occurred to date, awaiting the outcome of the various jurisdiction challenges. But it seems to me much more cost-effective and proportionate that if defences need to be served in this case, they should be served following the determination of the jurisdiction application.
27. Therefore, I am declining to make the unless order sought by the claimants and I am, in effect, extending time for the defence of the second defendant to the judge who hears the jurisdiction application. I am extending time at least to the hearing of that application and the judge hearing that jurisdiction application will give appropriate directions in the light of his or her decision on those applications.
28. That is my ruling.

(For continuation of proceedings: please see separate transcript)