



Neutral Citation Number: [2022] EWHC 1766 (Pat)

Case No: HP-2021-000004

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: Thursday, 7th July 2022

Before:

MR. JUSTICE MEADE

Between:

GODO KAISHA IP BRIDGE 1
(a company incorporated under the laws of Japan)
- and -

Claimant

(1) HUAWEI TECHNOLOGIES CO., LIMITED
(a company incorporated under the laws of the
People's Republic of China)
(2) HUAWEI DEVICE CO., LIMITED
a company incorporated under the laws of the
People's Republic of China)
(3) HUAWEI TECHNOLOGIES (UK) CO.,
LIMITED

Defendants

MR. NICHOLAS SAUNDERS QC and MR. EDMUND EUSTICE (instructed by **EIP**) for
the **Claimant/Respondent**

MR. JAMES SEGAN QC and MR. HENRY WARD (instructed by **Allen & Overy LLP**) for
the **Defendants**

APPROVED JUDGMENT

MR. JUSTICE MEADE:

1. At this FRAND CMC, the first issue I have to deal with is a rather complicated, dare I say it somewhat circular and self-referential situation about de-designation of some confidential comparables which are currently "external eyes only" and which it is said by Huawei should be downgraded to "confidential between the parties". A small number of counterparties object to this downgrade and because of the level of confidentiality, I am going to say no more about them for fear of giving away something confidential, other than to say that one of the comparables, the licence to counterparty D, is currently called out in Huawei's pleadings as being likely to be relied on positively by it as the best or one of the best two comparables.
2. It is agreed that I ought not, today, to decide whether or not to downgrade the confidential status of the licences, but what is not agreed is when the court should come to rule on that. The state of play in the action is that following a decision by Bacon J in March, which I respectfully would say I agree with and support, some problems with the pleadings are to be partially addressed by sequential provision of evidence, with the claimant providing its expert FRAND valuation evidence in October and the defendant, Huawei, next January, with the trial of FRAND and other non-technical issues in the summer of next year.
3. The claimant would prefer the confidentiality designation to be determined no later than September or, failing that, October, and Huawei submits that it would be better deferred until after Huawei puts in its evidence next January, when the issues will be better defined. A further complication to the situation facing me is that the claimant has included in the draft order for my consideration a provision that the defendants must provide full and proper particulars of the valuation in paragraph 45 of their reply statement of case by 28th July 2022. This was not supported by a specific application notice and was raised, I think, only yesterday, which is to say on the eve of this hearing.
4. In his oral submissions today, Mr. Saunders QC, who appears for the claimant, mooted this request to emphasise that what was sought was for Huawei to identify the licences which it was or was not particularly likely to rely upon.
5. I remind myself that what I am dealing with here is a timing issue about an application concerning the confidentiality designation of some comparables. I am not revisiting the structure of the directions of the action put in place by Bacon J.
6. Although formally under the arrangements put in place, it has been the claimant that has applied for the downgrade in the confidentiality status of the comparables, it is Huawei that is driving that request and it seems to me that I can best address this by bringing the most discipline and order that I can to what is, as I have said already, an application to rule on the confidentiality of some comparables.
7. I remind myself furthermore, as Mr. Saunders pointed out to me, that in line with the guidance of the Court of Appeal in *OnePlus v Mitsubishi* [2020] EWCA Civ 1562, the prudent course is to move cautiously and in stages.
8. It seems to me that it is practical and fair for the application to be dealt with sooner rather than later so that the parties know where they stand and with a reasonable degree of understanding of which licences are said by both sides to be the important ones.

After all, if both sides identify for example, and hypothetically, Licence D as being crucial, that will be a very important input to the court's consideration at the hearing of the de-designation application. On the other hand, if neither side attaches any importance at all to, for example, and hypothetically, Licence L, then it may well be that the court would take a different view on de-designation of that or it may be that de-designation falls away altogether by agreement.

9. One important input to this will, without any question, be the claimant's first-round evidence in October, but it seems to me foolish to then kick off the determination of confidentiality for another three months or even more until Huawei's pleadings. I understand, of course, that Huawei is not obliged to flesh out its FRAND case in detail through its expert evidence, pursuant to the directions given by Bacon J, for some time now and I do not in any way intend to subvert that. I also recognise that Huawei can only give provisional indications of the licences that it considers important because although it can get input from its external experts, and although its advisers can form preliminary views, it, Huawei itself, cannot commit or is inhibited from committing until it sees the licences, if it is permitted to do so, and that is why I said at the beginning of these short reasons that this is a somewhat circular and self-referential situation.
10. However, since Huawei is the party seeking the downgrade of the confidentiality status of these licences, it seems to me no great burden, or certainly not an unfair burden on it to have to explain in its evidence for the application, and with appropriate provisos for the fact that its position could change, which licences it thinks are important and which licences it does not think are important on its current state of understanding and analysis. I am confident that Huawei has a broad idea of this and can reasonably be expected to identify it to the claimant.
11. I also think there is some value in Huawei doing that prior to the claimant putting in its evidence in October, since, as I have said already, that could result in both parties agreeing that at least some of these licences are not important.
12. In my view, the de-designation argument ought to take place sooner rather than later, but the information available to the court will be far, far better after the claimant puts in its FRAND evidence in October. With all that in mind, I will direct that the defendants are to explain, in a witness statement, for the purposes of the de-designation application, by some date at the beginning of September, and I will decide the precise date in a moment, which licences they apprehend are likely to be important and which they do not apprehend are likely to be important, with such reasons as they think are appropriate. They can make their own decision about how much detail they give. They will have in mind that the lighter the evidence is on detail, the less cogent it may be when the de-designation application comes to be heard, and then the de-designation application should be heard, in my view, some reasonable period of time, which I do not think need be a long time, after the provision of the claimant's first-round FRAND evidence in October.

13. I am now asked to make rulings on a pass-through pleading. The matters I am asked to consider in fact, as the argument has developed before me today, concern not only the proposed amended pleading but the extant pleading and in the course of discussion today, quite a lot has come out in the wash and some of the matters raised by

Mr. Saunders have been addressed by agreement constructively by Mr. Segan, having taken instructions during a break in the proceedings which I held for that purpose, so I am grateful for the progress that has been made on that front.

14. The current pleading without amendment alleged exhaustion and the proposed amendment says that alternatively to the case that there has in fact been exhaustion, a willing licensor and willing licensee would take into account the possibility of exhaustion, whether or not it in fact had occurred. It is a slightly unusual allegation, but conceptually I understand what is said, which is that a willing licensor and a willing licensee might be able to negotiate in a state of uncertainty about exhaustion, but none the less to give effect in arriving at an overall rate to their perceived impressions of the strength of the argument.
15. This engages both Delaware law, because that is the law of the relevant licences relied on, and Chinese law, because that is primarily the territory where the exhaustion is likely to be pleaded to have taken place.
16. The defendants have agreed that they will plead out the acts relied on as giving rise to exhaustion and where they took place. It has been raised before me that at some point the defendants will have to identify the quantitative extent of any exhaustion, but I can understand that that will take some time.
17. The first thing I have to rule on is whether there should be a pleading of the applicable principles of Delaware and Chinese law. The argument advanced by Mr. Segan, QC, for Huawei, is that if the evidence is sequential, that can remove the need for pleading.
18. Mr. Saunders was tempted to agree to that, to some extent, but having now case-managed a number of these FRAND cases where foreign law arises, I think there is the need for the discipline of a pleading of the principles of foreign law, which is the normal course a court adopts under the CPR where foreign law is raised. I appreciate this is a different regime from that which has been adopted for the substantive FRAND valuation-type issues under the order of Bacon J, but this is a quite different sort of issue with quite different case management requirements.
19. In my view, having a pleading from the defendant, and a responsive pleading from the claimant, will tie the parties down to what they are going to say in a way which merely putting it in evidence might not achieve and I would be concerned if this was just done through evidence, that some fresh point of, for example, Chinese law might be raised at trial, relying on some part of the evidence to which no great attention had previously been given because the parties did not see it as the focus of the dispute.
20. Another important reason is that, at least in relation to French law and US law, it has been my experience that the pleadings, in fact, lead to a very large measure of agreement and for example in some of the *Apple v Optis* proceedings, once the parties were forced actually to engage with one another properly, a very large measure of agreement emerged. So I do require there to be a pleading of the principles of Chinese and Delaware law. With that indication, I will invite the parties to try to agree a suitable timetable for that and we can perhaps return to that later in the day if necessary.
21. In relation to the quantitative extent of any exhaustion, I think it will be necessary for Huawei to consider how long they need to do that and, if necessary, I can consider that

further on another occasion, but I make clear that it is not the obligation of the claimant or its expert, Mr. Bezant, to try to guess about the quantitative extent of any exhaustion in the evidence in October, if Mr. Bezant does not have the basis to do that. I make clear though that I do not endorse the proposal put forward that the quantitative extent of the exhaustion only be identified by Huawei in its fact evidence in January. That is much too late. I will give Huawei a chance to consider that and to try to agree with the claimant what an appropriate time is for identification, perhaps by some further particulars of the quantitative extent of the exhaustion.

22. I now have to deal with disclosure.
23. In relation to Issue 1, I have not a great deal to go on. Issue 1 is whether there should be disclosure under Model C and the relevant request is any and all communications between the claimant and Panasonic in relation to the claimant's negotiations with the defendants and in relation to the litigation between the claimant and the defendants in the UK, Germany and/or China. This is resisted on the part of the claimant, not on the basis that there is no relevance on the pleadings, which I am satisfied there certainly is, but on the basis that a reasonable and proportionate search has already been undertaken. This is founded on information contained in IPB's section 2 questionnaire of the DRD, where it said that:

"Mr Daisuke Honda, who is Managing Director of IP Bridge's Licensing Business Dept. Div. 1 (telecoms) and has been employed by IP Bridge since October 2017 (i.e. some time before the commencement of these proceedings), conducted a search of his Gmail email account for correspondence with Panasonic and no such communications were found."

24. Furthermore, the claimant says this is unsurprising because the Declaration of Trust makes certain provisions which makes it unsurprising. In my view, what is put forward by IP Bridge can give me no comfort that a reasonable and proportionate search has been undertaken. What has been done is far too narrow. It does not give me comfort that Mr. Daisuke Honda, whilst a relevant person, is the only relevant person. Nor do I understand why it is said to be sufficient that a search of his Gmail e-mail account was adequate. It is accepted that some communications with Panasonic takes place in the nature of accounting documents, but I would be surprised if there was no correspondence more than that and I think reliance on the Declaration of Trust is conclusory and inadequate. I am going to make the order sought by Huawei in relation to this and that is my ruling on Issue 1.

(For continuation of proceedings: please see separate transcript)

25. I have given directions that the parties explain how they got to their FRAND numbers. IP Bridge has taken a conscious decision to rely only on the PA report as it stands and not with the underlying analysis and it has become clear in the course of discussions that is a conscious decision and a late change to that would be something that would require justifying if it happens.

(For continuation of proceedings: please see separate transcript)

26. I now have to deal with an issue concerning the costs of what has been referred to in these proceedings as Trial E. Trial E was a separate trial in respect of which Mellor J made some directions in October 2021 in response to a request by Huawei. The purpose of the trial is disputed at some level before me, but it was, putting it at its broadest, to test the strength of IP Bridge's portfolio by looking at specific patents.
27. The direction made by Mellor J, which is most specifically relevant, is in his order of 7th December 2021, at paragraphs 8 to 10.
28. Paragraph 8 required, I emphasise, a statement of case setting out Huawei's position on essentiality, validity, optionality and implementation, for each of the patent families for which it (specifically the third defendant), had received claim charts from the claimant. That is, as I understand it, and as I find, is a reference to Huawei having received claim charts from the claimant in the course of negotiations. Essentially that constituted what is sometimes called the "Proud List", i.e. a list of patents put forward by IP Bridge in the course of negotiations which it regarded as among the strongest, if not the strongest in its portfolio.
29. Matters progressed from there and very detailed technical pleadings were put in as a result: the defendants' in April 2022, and the claimant's response in June 2022.
30. Correspondence has taken place extensively about the relationship between the patents covered by Mellor J's direction and the patents identified in the PA Report, which I referred to in my earlier judgment of today as being actually essential. It is fair to say that the position is a complex one. What eventually emerged was that IP Bridge is unable to say whether they are the same or not in the absence of having the detailed analysis underlying the PA Report.
31. Mr. Saunders, for IP Bridge, says that with Huawei's having pulled Trial E (which it has) I ought to make an order to deal with the costs of it, including the award of an interim payment. He submits that it is a separate and self-contained, but expensive, exercise in technical pleadings that has fallen away with the abandonment of Trial E and that I should take the conventional approach of dealing with the costs at the point of abandonment of the issue.
32. Mr. Segan, for Huawei, says that there was an inextricable connection between the PA Consulting patents and the Proud List patents and that it was borne of a difficulty and frustration of trying to establish the relationship between them that Huawei felt constrained to work with the Proud List patents and that having regard to that and the fact that the overall top-down analysis has a long way to go and may fail at trial, to a greater or lesser extent for one reason or another, it would be unsafe and unfair to deal with the Trial E costs now and that the better course would be to leave it to the Trial D judge. A supporting point he makes is the level of costs, which is about £890,000, which he says is an extraordinary amount.
33. A concern that I have felt in dealing with this issue is whether, at some point in the future, IP Bridge might change its mind about its currently pleaded case and bring in actual essentiality or at least some degree of technical analysis, and re-use work that has already been done on Trial E and for which it had been paid its costs and therefore

benefit from a windfall. I record that concern so that I can point out that Mr. Saunders's response for IP Bridge is that that is not its current case, that that is an unlikely change to happen, and that if it did happen, the court could make it a condition of any such amendment by IP Bridge that it had to repay an appropriate part of the costs of Trial E that I ordered.

34. Complex though the procedural history is, I feel that I can confidently make a finding that Huawei took a conscious and specific decision that it would attack the strength, in terms of essentiality, of the Proud List patents specifically, in an attempt to reconstruct the sort of technical analysis that might take place in a negotiation between a willing licensor and a willing licensee. That is reflected in the direction Mellor J made that I have mentioned. It is a re-imagining of the history of Trial E for Huawei to say that that was connected with the PA Report in the way that it does. Had it wanted to engage with the specific patents in the PA Report, it could have sought different directions, but it did not do that. In particular, I was pointed by Mr. Saunders, in his written submissions, to the transcript of a hearing before Mellor J, where it was said on behalf of Huawei that it had a positive case that reasonable negotiators in this field would have regarded the portfolio as weak and the primary evidence on that was the patents that they, i.e. IP Bridge, put forward in the course of the actual negotiations, which Huawei said it would show were incredibly weak.
35. I do not accept Huawei's explanation that the reason for pulling Trial E is something that has come to its understanding about the relationship between the PA Report and the IP Bridge Proud List. For all the time that the technical work to which I have referred was going on, in my view, it is clear that it was focusing on the Proud List through Huawei's own choice.
36. In my view, therefore, the work that has gone into Trial E is of a scope chosen by Huawei and of a nature, which is to say an investigation of essentiality and, indeed, validity which, as matters stand, will play no part at all in Trial D. Because it is self-contained and has almost certainly dropped out of the case altogether, I see no reason not to deal with the costs now and I see no reason to burden the Trial D judge with them. It, is of course, possible that IP Bridge's case at Trial D, in respect of the top-down analysis, will meet with some degree of failure, whether partial or total, for reasons to do with the way in which it advances its case over the PA Report or, indeed, over the iRunway Report. If so, the trial judge at Trial D will be able to deal with the Trial D costs, but none of this is a reason, in my view, not to deal with the Trial E costs now.
37. I still have some sense of concern that this could represent a windfall to IP Bridge if it changes its mind and does decide to dip into technical essentiality. That could happen for a number of reasons, one of which, identified in the course of argument, might be the result of the proceedings between *Interdigital v Lenovo*, where judgment is awaited. There could be other tactical reasons as well, but I accept the responses put forward by Mr. Saunders that I indicated earlier. It is not IP Bridge's current case. One cannot assign any high degree of likelihood to its changing and I think it is important to recognise that if IP Bridge does want to change its case in that way, a judge (whether it is me or another judge of the Patents Court) could do justice in relation to the Trial E costs by requiring some of them to be repaid as a condition of any such amendment.
38. My conclusion in relation to payment of the Trial E costs is that Huawei must pay them.

(For continuation of proceedings: please see separate transcript)

39. I now have to deal with payment on account. The total amount of IP Bridge's costs is £893,000 for the preparation of the pleadings. I accept that the issues must have been complex, but the pleading which emerged, while substantial, but not enormous, and I accept Mr. Segan's observation that these were patents with which at least IP Bridge itself must have had a good degree of familiarity, because as I have indicated, they were in its proud list.
40. There are other issues about the breakdown of costs which I find out-of-the-ordinary. In particular, the very heavy reliance on one particular Queen's Counsel to do the whole of the pleading and to be contrasted with a very, very modest reliance on experts. Doing the exact arithmetic is rather difficult, but the rate of accrual of these costs during the time the pleading was done is also, as Mr. Segan indicated in the course of his substantive submissions on the question of whether I should order the costs, extremely high indeed. There is the danger of becoming inured to these large amounts when one is dealing with costs of patent actions at the end of the day and one sees numbers of £1 million/£2 million/£3 million, but this is just the costs of the pleadings on one issue, a major issue, I accept, which has been abandoned at an early stage. I think that the numbers are sufficiently surprising that I should be cautious in awarding an interim payment. On the authorities, my approach is no longer what is used to be, which was awarding the irreducible minimum; now the court seeks to award a reasonable amount, but one of the factors going to reasonableness is the kind of caution that I have indicated and I am going to err on the side of caution and award only one-third. I leave it to counsel to do the arithmetic.
41. I also asked Mr. Saunders whether it was intended to initiate a detailed assessment of these costs. Obviously, the parties might try and agree them first, but I think it would be very undesirable for a detailed assessment to take place in advance of or separately from any order that may be made at Trial D. So although I will order that detailed assessment can take place if the parties cannot agree, I will also make it part of the order that that procedure is not to be initiated without the agreement of Huawei or a further order of the court.
42. I have taken into account in reaching this decision Mr. Saunders's submission that if detailed assessment cannot take place, that is a reason to make a more significant interim payment, but having taken it into account, it still remains my decision that that is to be the level of interim payment and that detailed assessment is not to commence other than as I have indicated.

(For continuation of proceedings: please see separate transcript)