



Neutral Citation Number: [2019] EWCA Civ 1277

Case No: A3/2019/1057

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
PATENTS COURT

Mr Justice Birss

[2019] EWHC 1089 (Pat)

Royal Courts of Justice Strand, London, WC2A 2LL

Date: 18/07/2019 Before :

LORD JUSTICE LEWISON

and

LORD JUSTICE FLOYD

Between :

TQ DELTA, LLC

Claimant/

Respondent

- and -

(1) **ZYXEL COMMUNICATIONS UK LIMITED Defendants/**

(2) **ZYXEL COMMUNICATIONS A/S Appellants**

Brian Nicholson QC and David Ivison (instructed by **Pinsent Masons LLP**) for the

Appellants

Nicholas Saunders QC and James St Ville (instructed by **Gowling WLG (UK) LLP**) for the

Respondent

Hearing date: 11 July 2019

Approved Judgment

Lord Justice Floyd:

1.

The owner of a patent which is essential to a technological standard, in the sense that the standard cannot be implemented without infringing the patent, (“a standard essential patent” or “SEP”) is obliged to give an undertaking to grant a licence to anyone who wants to implement the standard on reasonable and non-discriminatory

(“RAND” or sometimes “FRAND”) terms. Implementers who are found to infringe the SEP can, in principle, rely on the undertaking to prevent the grant of an injunction against them, by agreeing to take a licence on RAND terms. The parties will seldom agree on what is RAND, so they can ask the court to determine that question as well in the same proceedings. This appeal concerns what happens when an implementer abandons reliance on the undertaking after there has been a judgment against him at a trial on the technical patent issues, so that an injunction is granted against it. In particular the appeal concerns whether, in such circumstances, there remains any basis for the court to go on and grant declaratory relief as to the implementer’s entitlement to a licence, and as to what licence terms would be RAND.

2.

In July 2017, the respondent and claimant, TQ Delta, LLC (“TQD”), commenced proceedings against the appellants and defendants, ZyXEL Communications UK Limited and ZyXEL Communications A/S, respectively a UK and Danish company within the Unizyx group (together “ZyXEL”), for infringement of two patents relating to Digital Subscriber Line (“DSL”) broadband technology. The Unizyx group is based in Taiwan under the overall control of a Taiwanese company, Unizyx Holding

Corporation (“UHC”). The second respondent is an indirect subsidiary of UHC via another Taiwanese company, and the first respondent is a direct subsidiary of the first respondent. The first respondent has sister companies in other European countries, including Germany, all under the direct control of the second respondent. UHC also has subsidiaries in many other countries around the world, including in the US.

3.

The commencement of the action followed an exchange of offers of licensing terms between the parties, but neither side’s offer had proved acceptable to the other. The patents in suit, European Patent (UK) No 1,453,268 (“the 268 patent”) and European Patent (UK) No 1,792,430 (“the 430 patent”) were asserted to be essential to three standards (called “Recommendations”) set by the Telecommunications Standardization Sector of the International Telecommunications Union (“ITU-T”). The Common Patent Policy of ITU-T and the Guidelines for the implementation of that policy include a requirement for patent holders to provide and file a written declaration that it is prepared to grant a licence on a worldwide, non-discriminatory basis and on reasonable terms, of all its SEPs, to make, use and sell implementations of the Recommendations.

4.

TQD recognised in its pleadings that any claim for injunctive relief would be met with an attempt to enforce the RAND undertaking given in respect of the two patents. TQD therefore recited the licensing offer which it had made to ZyXEL in May 2016, asserting that the terms thereby offered were RAND, and went on to assert that, despite this RAND offer, it had not been successful in persuading ZyXEL to take a licence. TQD contended that there was a real and substantial dispute as to what terms were RAND, and, if the court did not agree that its offer was RAND, sought a

determination from the Court as to what terms were RAND. The injunction sought was in a qualified form, prefaced by the words “Save insofar as [ZyXEL] are entitled

to take a licence and save insofar as [TQD] is and remains required to grant such a licence....”.

5.

ZyXEL’s pleadings relied in due course on the RAND undertaking. By their defence they asserted that, if the patents were valid and essential to the standard as alleged, TQD was required to grant licences on RAND terms. They went on to say that TQD’s May 2016 offer was not RAND, but that their own counter-proposal dated 29 December 2016 was RAND. In paragraph 28 of their defence ZyXEL asserted that, even if any of the patents were valid and infringed, TQD should not be granted any injunction because it had failed to comply with its obligations to offer licences under the patents on RAND terms. ZyXEL claimed that such a remedy would not be just and proportionate in the circumstances.

6.

In a judgment handed down on 11 March 2019, Henry Carr J determined that ZyXEL had infringed the 268 patent but that the 430 patent was invalid. Both patents were held to be essential to the Recommendations. Whilst it was valid, the 268 patent had only three months to run before it expired. It duly expired in June 2019.

7.

Before that could happen, a hearing was held before Henry Carr J on 18 March 2019 to determine the form of order and the next steps in the action. A substantial further hearing had already been fixed to commence in September 2019 to decide the issues raised on the pleadings concerned with the licence, and to settle the terms of a RAND licence (“the RAND trial”). At the March hearing, ZyXEL announced through counsel that they no longer sought a licence pursuant to TQD’s undertaking. Henry Carr J therefore granted an injunction to restrain infringement of the 268 patent during the remaining three months of its life, and ordered an enquiry as to damages for infringement, with the enquiry to take place alongside the RAND trial in September 2019. He declined a request by ZyXEL immediately to vacate the RAND trial on the grounds that it had been rendered redundant by the abandonment of reliance on the undertaking. Instead, he adjourned the question of whether the RAND trial should proceed. By this stage TQD had issued (but not served) new proceedings for infringement of two further patents which it alleged to be SEPs (“the 2019 proceedings”). In addition, TQD had indicated that it would seek amendments to its statement of case in connection with the declaratory relief sought at the RAND trial. These considerations made it desirable to consider the fate of the RAND trial at a further hearing.

8.

ZyXEL sought permission to appeal to this court against the grant of the injunction. On 8 April 2019 I refused permission on the papers. I pointed out that ZyXEL had elected not to seek to enforce the RAND undertaking and was no longer seeking a determination of the terms of such a licence at the RAND trial. There was therefore no reason to say that the injunction should not have been granted before the RAND trial, or for treating ZyXEL differently from any other defendant who was found to infringe a valid patent. I also pointed out that whether the RAND trial went ahead in the changed circumstances (including the 2019 proceedings) was a separate question.

9.

In a witness statement dated 10 April 2019 of Mr Jannik Haargaard, Managing Director of the second appellant/defendant and a director of the first appellant/defendant, ZyXEL purported to waive their rights to a RAND licence for the UK as a whole under any TQD UK-designated patent for DSL:

“[ZyXEL] hereby and irrevocably waive any and all rights they might have to seek to enforce [TQD’s] RAND obligations to licence [TQD’s] UK-designated DSL SEPs in the United Kingdom”

10.

ZyXEL have confirmed that they are prepared to take any steps required to render such an undertaking enforceable, including by making it an irrevocable undertaking to the court. Shortly after the proffering of this waiver, the further hearing ordered by Henry Carr J came before Birss J on 17 April 2019. At that hearing, ZyXEL applied (pursuant to an application notice dated 21 March 2019) to strike out the claim form and the amended particulars of claim to the extent that these related to entitlement to declaratory relief in respect of the terms of a RAND licence. The judge also had before him on the same occasion an application by TQD to amend their pleadings relating to RAND declaratory relief. One such amendment was to seek a declaration

“that [ZyXEL] are not willing licensees to [TQD’s] portfolio of patents essential to the Recommendations and/or that [TQD] is not obliged to offer a licence to such patents on RAND and/or any other terms to them”.

11.

That declaration is sought on the basis of pleaded allegations that TQD had made offers which were RAND which had not been accepted and that TQD had not been successful in persuading any company in the Unizyx group to accept a licence.

12.

Birss J refused ZyXEL’s strike out application and allowed the majority of TQD’s amendments, including the amendment set out above. On this basis, he allowed the RAND trial fixed for September 2019 to proceed.

SEPs and RAND licences

13.

In *Unwired Planet v Huawei* [2018] EWCA Civ 2344; [2018] RPC 20 (“Unwired Planet”), this court explained the background to the licensing of SEPs in the context of telecommunications standards. At [3]-[5] the court explained the concepts of “hold-up” and “hold-out”. The former is used to describe the case where an SEP owner uses its SEPs to obstruct access to the market by seeking injunctions or excessive licensing fees from implementers. The latter is used to describe the case where an implementer refuses to engage constructively with the patent owner and pay reasonable licence fees, whilst at the same time free-riding on the patent owner’s inventions by marketing products conforming to the standards.

14.

The implementer in *Unwired Planet*, Huawei, contended that it should be free as a matter of principle to enter the UK market provided that it gave an undertaking to take a FRAND licence on Unwired Planet’s UK-designated SEPs only. It contended that it could not in principle be required to give an undertaking to take a global licence. The court rejected that broad contention. At [52] to [58] Lord Kitchin (who gave the judgment of a court of which Asplin LJ and I also formed part) explained the effect of the undertaking to grant licences on RAND terms on the grant of relief for patent

infringement. Without intending to depart in any way from the explanation in that passage, it can be summarised for present purposes as follows:

i)

A UK-designated SEP has limited claims and limited territorial scope, so that the relief granted for infringement will be limited to an injunction to restrain infringement of the patent in question only in this jurisdiction, and to corresponding damages for infringement. There is no such thing as an international portfolio right.

ii)

The FRAND undertaking was designed to allow implementers access to the standards without being held up by dominant patents, by injunctions and excessive licensing fees. To be of use the licence must be wide enough to allow the implementer to market its products which meet the standard.

iii)

On the other hand, SEP owners were entitled to appropriate reward for the use of their invention. So implementers must engage constructively with patent owners, and, where necessary, agree to submit to the outcome of an appropriate FRAND determination and thus limit hold-out.

iv)

Depending on the facts, a global licence may be FRAND, and a purely national licence may not be FRAND, because it may be wholly impractical to negotiate licences on a country-by-country basis. What is FRAND in any individual case depends on what a willing licensor and willing licensee would agree in those circumstances.

v)

In the case where a purely national licence is FRAND, the SEP owner who wins on validity and infringement may be granted an injunction if the implementer refuses to take a licence on those national terms.

vi)

The same regime applies in the case where a global licence is FRAND. In that case the SEP owner may be granted an injunction if the implementer does not agree to take a licence on those, global terms.

vii)

The court explained the rationale in the following way:

“Were the position otherwise then the SEP owner seeking to recover the FRAND licence monies for all of the SEPs in the same family from an uncooperative implementer who is acting unreasonably would be required to bring proceedings in every jurisdiction in which those rights subsist, which might be prohibitively expensive for it to do. This result would not involve any alteration of the territorially limited characteristics of any SEP; nor would it involve any jurisdictional expansionism. To the contrary, it would amount to a recognition by the court (i) that the SEP owner has complied with its undertaking to ETSI to offer a licence on FRAND terms; (ii) that the implementer has refused or declined to accept that offer without any reasonable ground for so doing; and (iii) that in these circumstances the SEP owner is entitled to the usual relief available for patent infringement including an injunction to restrain further infringement of the particular

SEPs in issue in the proceedings.”

15.

The court in *Unwired Planet* also rejected an argument summarised at [94] that this overall approach conflicted with the IP Enforcement Directive (Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004) which requires relief for patent infringement to be proportionate and thus to go no further than is necessary to pursue its legitimate objective: see *Unwired Planet* at [94]. The argument was that *Unwired Planet*'s only legitimate interest in pursuing the proceedings was to obtain royalties for infringement of its patents in the UK. As Huawei undertook to take a licence for the UK, it was disproportionate and unnecessary, so the argument ran, to grant an injunction here simply because Huawei declined to take a more onerous global licence. The court considered and rejected that argument. At [98], the court identified two legitimate interests of the patent owner in pursuing the litigation in question. The first interest was to establish infringement, and the second interest was "to determine the scope and terms of the licence it was required to offer". *Unwired Planet*'s position was that such a licence was a global one. The court continued:

"The judge having found in UP's favour on this issue, it became a matter for Huawei whether to accept the licence. In these circumstances there was nothing unnecessary or disproportionate about the approach taken by the judge. Huawei stood before the court without a licence, but it had the option of taking one."

16.

The court accordingly made it very clear that the implementer cannot be compelled to take the RAND licence. If it elects not to, however, then an injunction and damages for patent infringement will normally follow.

The judgment of Birss J

17.

The judge identified the main issue as being the effect of the waiver put forward by ZyXEL. First, he set out a number of matters which he considered were plainly arguable in relation to the waiver:

i)

It was not possible to waive the RAND obligation as ZyXEL had purported to do if, as TQD contends, the RAND licence and obligation operate on a worldwide basis (paragraph 40).

ii)

A RAND licence is an "undertaking to undertaking" licence (i.e. a licence between groups of companies and not individual corporate entities) (paragraph 41).

iii)

Holders of SEPs have a legitimate interest in having the scope and terms of a RAND licence determined (paragraph 42).

18.

The judge considered, secondly, that it was also arguable that the waiver was simply a further step in the "hold-out" complained of by TQD, and which had been noted by Henry Carr J in an earlier judgment (paragraph 43).

19.

Thirdly, the judge considered the position of customers of ZyXEL to be unclear. He thought that the waiver of the RAND licence by ZyXEL could give rise to complications if a customer wished to enforce the RAND undertaking (paragraph 44).

20.

Fourthly the judge considered the impact of competition law. The fact that ZyXEL was purporting to waive its rights did not mean that TQD was not still bound by competition law: the rights in question were not simply private rights between the parties (paragraph 45).

21.

Fifthly, the judge considered what would happen if a foreign court decided that the RAND obligation between these two groups of undertakings required a global licence. He posed the questions of (a) whether this meant that the UK company becomes a licensee, and (b) whether this really meant that the true scope and effect of the waiver is global (paragraph 46).

22.

The judge then placed to one side the position on the pleadings, which still contained an admission by ZyXEL that there was a real dispute as to the terms of the licence, on the basis that there had been an offer to amend to remove it. He proceeded on the basis that there would be a denial that there was such a dispute. He continued:

“49. In any event however just because a party asserts that there is no dispute does not mean that no dispute exists. It is manifest that as between the group of which the individual defendants are members and TQ Delta that there is a real and lively dispute as to RAND terms. That dispute has not gone away, and it is a

real commercial dispute.

50.

The real point, and the only point, is whether it is right that the waiver means that there is no dispute between the individual defendant entities and the claimant. The point is that although the dispute exists generally, it is not between the claimant and the individual defendants. In my judgment, the answer is really simply this. If the defendants are right about the effect of their waiver, then they may well be correct about that absence of a dispute, but that does depend on the issues of the kind I have mentioned already. If the defendants are wrong about the effect of the waiver, then there plainly is a real commercial dispute, as much with the defendants as with the other members of the group. I also bear in mind that in this case it is the group which makes the decisions about this litigation.

51.

This approach applies as much to the determination of RAND terms as it does to the question of whether it is right to characterise the defendants as willing licensees. ...

59. So for all those reasons, I will not stop the non-technical trial from going ahead as planned. The reason why not is the same reason that I will allow the amendments. It is because there is a real commercial dispute in the background to these proceedings and, critically, it is properly arguable that despite the waiver, a real commercial dispute exists involving these defendants and this territory.”

23.

On this basis the judge allowed the RAND trial to go ahead, coupled to the damages enquiry in relation to the 268 patent.

Subsequent development

24. Since the hearing before Birss J there has been a further development in connection with the damages enquiry in relation to the 268 patent. It was inevitably the case that the issues in the

damages enquiry and the RAND trial would be closely interlinked. Birss J directed that TQD should set out the liquidated sum which it claimed as damages in the action, together with interest to 31 May 2019. TQD claimed the dollar equivalent of £970,388.63. On 26 June 2019 ZyXEL wrote to TQD informing it that, if the RAND trial did not go ahead, they would pay the liquidated sum together with any additional interest.

The appeal

25.

There are four grounds of appeal:

1.

The judge's conclusion that there was "a real and lively dispute" between TQD and members of the ZyXEL group was not available to him on the evidence.

2.

The judge was wrong in law to hold that there was sufficient uncertainty about the scope and effect of the waiver given by ZyXEL to make it arguable that the court might, at the trial, find that there was a real commercial dispute between the parties which might justify the grant of declaratory relief. The concerns which he expressed about the scope and effect of the waiver were wrong in principle, irrelevant and/or illusory.

3.

The judge should have held that the scope and effect of the waiver were clear, and that the waiver rendered the dispute between the parties about RAND licences redundant and/or non-justiciable by the court.

4.

The judge acted irrationally by failing to give the parties an opportunity to address the court further on the concerns which he had identified, for example by adjourning the hearing or asking for written submissions. These could have resolved the issues at far less expense than committing the parties to a costly hearing at which there was a very real prospect that it would be rendered entirely irrelevant by the undertaking.

26.

On behalf of ZyXEL, Mr Brian Nicholson QC submitted that, given the waiver of the right to invoke the RAND obligation in respect of UK-designated SEPs, TQD had no entitlement to pursue ZyXEL in the English courts for declaratory relief severed from any claim for infringement of a UK-designated SEP. It was clear from Unwired Planet that ZyXEL could not be forced to take a licence: they were entitled to elect not to do so. It was a waste of resources to drag ZyXEL through the courts to argue about the terms and availability of a licence which they have confirmed they will not be taking and which they cannot be compelled to take. The waiver had rendered the evaluation of RAND terms irrelevant.

27.

The judge's conclusion that there remained a real and lively dispute was not supported by the evidence. The only litigation of which there was evidence was that in the United States, where the evidence was that there would be no assessment of a global portfolio rate, and only quantification of per-patent damages. Even if future litigation brought by TQD were to be brought elsewhere, if RAND issues arise there,

they will not arise in relation to the United Kingdom. It would not be appropriate for the English court, in the absence of an extant domestic dispute, to make prospective declarations about issues in foreign litigation and concerning foreign patent rights.

28.

None of the points made by the judge as to the uncertain effect of the waiver justified the judge's approach of leaving the matter over to the RAND trial. The judge's concerns should have been addressed at the hearing before him, because the court would be in no better position to address them at the RAND trial.

29.

Mr Nicholas Saunders QC submitted that the judge's conclusion that there was a seriously arguable case for declaratory relief was properly open to him. The decision of the judge was essentially a case management decision with which this court should be extremely reticent to interfere. Moreover the court's inherent jurisdiction to grant declarations was based more on discretion than on hard-edged, jurisdictional rules. There was no point of principle in the present case which would justify striking the case out at an interim hearing, as opposed to allowing the issues to go to trial.

30.

Mr Saunders went on to submit that the court in *Unwired Planet* at [98] had made it clear that a patentee had a legitimate interest, going beyond its interest in establishing infringement of its UK-designated patents, in seeking to establish the scope and terms of the RAND licence it was required to offer. The fact that ZyXEL had now decided they did not want such a licence did not mean that it was not still legitimate for them to seek to vindicate that second interest by obtaining declaratory relief in the present proceedings.

31.

Mr Saunders supported the judge's conclusion that it was arguable that the right to a licence could not be selectively waived if, as TQD contends, the RAND licence in the present case is held to be a worldwide one. Such selective waiver would encourage hold-out behaviour, and force the patent owner to commence proceedings on a country by country basis. That was not in accordance with the thinking behind the decision in *Unwired Planet*.

32.

Mr Saunders submitted that, notwithstanding the purported waiver of the right to take a licence for the UK, the declaratory relief sought would potentially give rise to *res judicata* elsewhere. A decision on whether it was legitimate to waive the right to a licence selectively, as ZyXEL sought to do, would be of utility in other European jurisdictions, where subsidiaries of the second respondent were, he said, infringing TQD's patents.

33.

Mr Saunders accepted that ZyXEL cannot be forced to accept a licence. It was not the object of the proceedings to force ZyXEL to take a licence. Nevertheless he submitted that ZyXEL had been practising hold-out, and the judge had been right to hold that it was arguable that the decision to refuse to take a licence in the UK was a further example of this practice. If the RAND licence is held to be a worldwide one, then a declaration that ZyXEL are unwilling global licensees would be valuable in any territory where ZyXEL sought to rely on the undertaking in the future.

34.

By purporting to give a valid selective waiver of the right to a licence, Mr Saunders submitted that ZyXEL were assuming in their favour one of the issues to be decided at the RAND trial, namely whether the only obligation which TQD had was to offer a global licence.

35.

Mr Saunders tackled the disparity between the Unizyx companies which were parties to the action and the necessary parties to a global licence by referring to the draft terms which ZyXEL had put before the court in the materials for the RAND trial, in support of its fallback case if it were to be held that the licence was global. The beneficiaries of the draft licence included the Taiwanese ultimate holding company and a widely defined class of "affiliates". He also relied on the fact that it was clear that it was the Unizyx group as a whole which was running the litigation.

36.

Mr Saunders finally laid stress on the fact that the RAND trial was imminent and the parties had committed very significant resources to the determination of the issues. If the appeal was allowed, his client could be faced with having to go through the entire process again in another jurisdiction, some months or years from now, and be no closer to securing any return on its patent portfolio from the Unizyx group.

Discussion

37.

The court enjoys a broad, flexible jurisdiction to grant declaratory relief. As this court made clear in *Messier-Dowty v Sabena* [2001] 1 All ER 275 (in the context of negative declarations but, in my judgment applicable more generally) the jurisdiction is confined by the exercise of the court's discretion rather than by jurisdictional thresholds. In *Financial Services Authority v Rourke* [2002] C.P. Rep. 14 (2001) Neuberger J correctly recognised that the first task for the court is to scrutinise the relief claimed and reject it where it would serve no useful purpose. Thereafter the court should consider whether the grant of the relief would serve the aims of justice, by which is meant justice to the claimant and justice to the defendant. If so, it should not be reluctant to grant the relief. Finally the court should ask whether there are any special reasons why the court should or should not grant the declaration.

38.

Before the change of tack which was initiated at the hearing before Henry Carr J by ZyXEL's indication that they no longer wished to take a RAND licence, and completed by the irrevocable waiver tendered in Mr Haargaard's witness statement, the court's declaratory jurisdiction was entirely properly invoked as part of resolving ZyXEL's answer to the grant of the usual relief for patent infringement. The position in the light of the waiver is, however, very different. Insofar as the declaration seeks simply to determine the scope and terms of the licence which TQD is bound to offer to the two ZyXEL parties, it would no longer serve a useful purpose, because those parties have said that they have no interest in deploying such a licence, whatever its terms would ultimately prove to be, to prevent the grant of that relief. For the same reason, they have no interest in a determination by the court as to whether TQD are obliged to grant them a licence for the purposes of resisting that relief. As a consequence, relief has been granted in respect of the 268 patent, and ZyXEL have offered to pay the full amount of the damages claimed (if the RAND trial does not go ahead).

39.

The judge appears to have accepted the position as I have summarised it in the last paragraph, but to have regarded the waters as muddied by arguable concerns over the effect of the waiver. It is therefore important to be clear about how the arguments about the waiver could have the effect that there was now some useful purpose in continuing with the RAND trial. Various terms were used by Mr Saunders in the course of the hearing. He said it was not “legitimate” to seek to effect a selective waiver, or that the selective waiver would be “ineffective”.

40.

I accept that it may not be open to ZyXEL selectively to claim the right to be granted a RAND licence. If the licence is a unitary, portfolio, worldwide, group to group licence, it is arguable that ZyXEL must take it as a whole or not at all. They cannot claim it for the UK only, or for certain patents or for certain companies in the group. That follows from the proposition that it is arguable that the RAND licence is a unitary, worldwide licence, and ZyXEL have no right to a country by country, company by company licence because such a licence is not RAND.

41.

It does not follow from the above that ZyXEL are somehow prevented from saying to TQD and the court that they no longer rely on any licence to which it is entitled to resist the grant of relief for infringement of the UK patents. That is what the waiver does, however. It waives any and all rights ZyXEL might have to seek to enforce

TQD’s RAND obligation to licence TQD’s UK-designated DSL SEPs in the United Kingdom. I can see no basis whatsoever for saying that such a waiver should be treated as ineffective or invalid. To say that the waiver is ineffective is equivalent to saying that the proceedings must go on as if ZyXEL were still relying on the RAND undertaking to resist the grant of the injunction in the UK, when ZyXEL are prepared to give an irrevocable undertaking not to do so.

42.

I think that Mr Saunders’ reliance on paragraphs 94 and 98 of Unwired Planet is misplaced. Those paragraphs come nowhere near suggesting that a patent owner has an independent right to come to the court for a declaration as to the scope and extent of the licence he is required to offer to an implementer when the implementer expresses no interest in taking such a licence. They are concerned only with the question of whether relief for patent infringement is proportionate if the end result is to face the implementer with an election as to whether or not to take a global FRAND licence. The proportionality question does not arise in the present case, because ZyXEL have already exercised their election.

43.

I therefore respectfully disagree with the judge when he says in paragraph 40 that it is arguable “that you cannot do what ZyXEL is purporting to do ... because a RAND licence and a RAND obligation operates worldwide”. In my judgment, the ability of a party to say that it does not wish to enforce the RAND obligation or seek a licence does not depend on the scope of the obligation or of the licence.

44.

I do not think that this conclusion is affected by any of the points which the judge goes on to make in paragraphs 41 and 42 of his judgment, which it is convenient to deal with here.

45.

In paragraph 41 the judge points to the undoubted fact that the ultimate licence may be on an “undertaking to undertaking” basis: see e.g. St Lawrence (judgment of the Düsseldorf District Court,

March 31 2016). The fact that the licence which is ultimately found to be RAND may be at an “undertaking to undertaking” level does not affect the ability of the two ZyXEL parties to waive reliance on any entitlement they may have to enforce the RAND obligation or seek a RAND licence. The judge’s point in paragraph 42 refers to the patentee’s legitimate interest in seeking a determination of the scope and terms of a RAND licence, and to this court’s judgment in *Unwired Planet* at [98]. I do not think that that paragraph of *Unwired Planet* can be read as suggesting that an SEP owner always has such an interest, even when the implementer has foresworn any reliance on his entitlement to a licence.

46.

I respectfully disagree, therefore, with the judge when he says at paragraph 59 of his judgment that it is properly arguable that, due to some lack of effectiveness in the waiver, or the other factors on which he relies, there is a real commercial dispute involving these defendants and this territory.

47.

That brings me to the reliance placed by TQD on the recently added claim for a declaration that ZyXEL are not “willing licensees”, and, by reason of their conduct, are not entitled to a RAND licence. The utility of such a declaration is said to be that it would have effect as *res judicata* in proceedings in foreign jurisdictions were TQD to seek to obtain injunctive relief for infringement of patents in those jurisdictions.

48.

There are a number of quite serious problems with this way of putting the case. First, there are no other proceedings in existence involving these parties anywhere in the world. The US proceedings involve US companies in the Unizyx group, not the two appellants. Moreover, we were not shown any evidence that TQD had any proceedings against the first or second appellants in imminent contemplation. The grant of relief in aid of foreign proceedings requires to be particularly closely scrutinised, but it is a step further to grant such relief in favour of foreign proceedings which are not extant and may never be started. Secondly, in this evolving jurisdiction, there is no single Europe-wide, let alone worldwide approach to the interaction between the RAND undertaking and the grant of relief for patent infringement. It is not possible to be at all sure that such a declaration would have the impact on any foreign proceedings which TQD hope for. Thirdly, the doctrine of *res judicata* is a technical one – Mr Saunders rightly goes no further than saying that the declaration may be *res judicata* in the foreign proceedings, without the benefit of any evidence as to how the finding of this court would be treated in the foreign proceedings. The foreign court may not have a doctrine of *res judicata*, or at least not one which recognises the decisions of a foreign court. Fourthly, the concept of a “willing licensee” is not in any sense an internationally recognised term of art. There will at least be potential for argument about whether the declaration is in fact of any assistance in the exercise being conducted in the foreign jurisdiction. Fifthly, TQD’s contention is that ZyXEL are not “willing global licensees”. Proceedings to obtain such a declaration should surely include other companies in the group, so that ZyXEL’s global interests are represented.

49.

The judge did not deal at all with these fundamental objections to the grant of declaratory relief of the kind now suggested. He observed cryptically at paragraph 43 that the waiver is arguably “just more hold-out”, but he did not explain how this observation led to the conclusion that there was still some proper basis for useful declaratory relief concerning these specific defendants.

50.

We also need to bear in mind the overriding objective of dealing with cases justly and at proportionate cost, which includes (CPR Part 1.1(2)(e)) “allotting to it an appropriate share of the court’s resources”. We were told that the RAND trial would take some 10 days and that the costs yet to be incurred were of the order of £4 million. We cannot see how a trial on this scale can be said to meet this criterion once it loses its utility for resolving the dispute in this jurisdiction.

51.

Running through Mr Saunders’ submissions was the suggestion that ZyXEL could achieve, by their strategy of selective, country by country waiver, a situation in which

TQD are forced to sue them on a country by country basis. If such a strategy is permissible, he said, it would seriously undermine the approach to RAND licensing of SEPs which the court in *Unwired Planet* had explained. I do not agree that this is a real concern. The circumstances which made it commercially possible for these specific ZyXEL companies to waive their right to enforce the RAND obligation in the UK are not likely to be commonplace. The patent on which they have lost happened to have only three months to run, and they have formed their view of the risks associated with being found to infringe any other TQD patents. Companies participating in international telecommunications are unlikely, routinely, to be in the same position.

52.

These considerations force me strongly to the conclusion that the questions on which the court’s declaratory judgment is sought are far better decided in the foreign court where those questions arise, if they ever do. It would be an exercise in jurisdictional imperialism to foist this court’s view as to whether ZyXEL were unwilling licensees, or holding-out on an unknown foreign jurisdiction. Far less can it be said that it is in the interests of justice for it to do so.

53.

I should deal briefly with the judge’s further points in paragraphs 44 to 46. In [44] he points out that the position of ZyXEL’s customers is unclear in the light of the waiver. It is correct that ZyXEL’s waiver does not prevent their customers from seeking to rely on the RAND undertaking against TQD. The judge thought this could have an effect on the damages enquiry due to take place against ZyXEL, but in the light of the offer of the total sum claimed that cannot affect matters. Questions of whether the goods are franked in the hands of the customer may arise, but I do not follow why any lack of clarity in that regard would justify the continuation of proceedings to which the customers are not parties.

54.

The judge’s concerns about TQD’s position under competition law (paragraph 45) were based on the fact that breaches of competition law are not simply a matter of private rights between the parties. I agree with that proposition, but disagree that it supports the continuation of these proceedings for inter partes declaratory relief. If ZyXEL’s or TQD’s conduct merits investigation outside the dispute over private rights, that is a matter for the competition authorities.

55.

Finally, in paragraph 46 the judge asks a number of questions concerned with the consequences of a foreign court holding that the RAND licence between the two undertakings, TQD and Unizyx, was global and at an undertaking to undertaking level. To the extent that the judge’s concern was about whether ZyXEL would be precluded from accepting such a licence by reason of the waiver, that is obviously a matter for the foreign court. The judge’s more clearly articulated concern was whether, in circumstances where ZyXEL accepted such a licence, it would follow that the two appellants became licensees in the UK, despite the waiver. One possible answer is that they would be estopped from

contending that they were licensees. Whatever the answer, however, the existence of speculative uncertainties such as this is not an adequate basis for continuing with the claim to declaratory relief.

56.

I understand TQD's concern that much effort has been spent on the RAND trial in this jurisdiction. Such considerations do not, however, justify continuing with proceedings when their utility has fallen away.

57.

I do not accept that the judge's order was properly regarded as a case management decision. I accept Mr Nicholson's submission that this was a case where it was possible to "grasp the nettle" and decide whether there was a realistic prospect of the court granting the declaratory relief sought. There was nothing to which TQD can point, which will be available at trial but which is not available now, which will place the court in a better decision to decide the essential questions concerning the exercise of the court's discretion to grant declaratory relief. I accept that this application was brought as a strike out application, and not as a preliminary issue as it perhaps could have been if time had permitted. I am satisfied, however, that the claim for a declaration in the terms sought by TQD has no real prospect of success.

58.

For those reasons, I would allow the appeal.

Lord Justice Lewison:

59.

I agree.