Neutral Citation Number: [2021] EWCA Civ 440

Case No: A3/2020/0019

IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT, BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES, PATENTS COURT
His Honour Judge Hacon sitting as a judge of the High Court
HP-2019-000008

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 26/03/2021

Before :

LORD JUSTICE NUGEE
LADY JUSTICE ELISABETH LAING
and
LORD JUSTICE BIRSS

- -

Between :

(1) VESTEL ELEKTRONIK SANAYI VE TICARET A.S. **(2) VESTEL UK LIMITED**	**Appellants**
- and -	
(1) ACCESS ADVANCE LLC (formerly HEVC ADVANCE LLC) **(2) KONINKLIJKE PHILIPS N.V.**	**Respondents**

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- -

Mark Chacksfield QC and **Henry Edwards** (instructed by **EIP Europe LLP**) for the **Appellants**
James Segan QC (instructed by **Powell Gilbert LLP**) for the **First Respondent**
Meredith Pickford QC and **Andrew Scott** (instructed by **Bristows LLP**) for the **Second Respondent**

Hearing dates: 2nd, 3rd March 2021

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Approved Judgment

Lord Justice Birss:

1. This appeal is from the order of HHJ Hacon sitting as a judge of the High Court dated 16th December 2019. The order set aside service of the claim form out of the jurisdiction and declared that the court had no jurisdiction to hear the claim. The claimants appeal with leave partly from the judge and partly given by Floyd LJ. Owing to various shifts in the way the claimants have put their case, it will be necessary to go through some of the procedural steps in detail.

Background and context

2. The Vestel group is based in Turkey and makes televisions. The second appellant, Vestel UK, sells these televisions in the UK. The UK is the group's largest market in the EU and one of its largest markets worldwide. Vestel's televisions are sold under various brands including Toshiba, Hitachi, Telefunken and Panasonic. It is convenient to use the term Vestel to apply to the two claimants. Nothing now turns on the difference between the two.

3. There is a form of high definition television technology called High Efficiency Video Coding (HEVC). This is a video compression system and is defined in a standard called H.265. Vestel's televisions use that technology. The standard is promulgated by the International Telecommunication Union (ITU), a UN agency based in Geneva. A large number of patents have been declared as essential to the standard. I will use the term SEPs (Standards Essential Patents) to refer to them without getting into the distinction between patents only declared by their owner to be essential as opposed to patents which have been found actually to be essential. We have not been taken to the relevant rules of the ITU, but we were told that the relevant rules require that patentees who declared SEPs to this standard must commit to licensing them on terms which are FRAND, i.e. Fair, Reasonable and Non-Discriminatory.

4. Philips, the second respondent, is a Dutch company, part of the well-known Philips group of technology companies. Philips has declared some patents as essential to the standard.

5. Access Advance is a company which administers a patent pool for the standard (the HEVC Advanced pool). Patent pools allow different organisations to pool their patents together for the purposes of licensing those patents to third parties. This particular pool includes Philips' SEPs. The HEVC Advance pool is not the only patent pool holding SEPs for the H.265 standard. There is another pool operated by MPEG LA. Although there are currently some SEPs in both pools, there are many SEPs which are only in one pool or the other one. Access Advance operates as a representative for the holder of the relevant patents and offers a licence on that basis. It does not own any patents.

6. Vestel need a licence from the HEVC Advance pool or from Philips directly. Access Advance offers a licence called the Patent Portfolio Licence Agreement (PPL). Vestel contend that the terms of the PPL are not FRAND. One major reason is that Vestel say the royalty due ($1.33 per unit) is too high. Vestel point out that the MPEG LA royalty is 20 cents per unit. Whether that is an appropriate comparable rate is not an issue we have to decide. One argument is that the MPEG LA rate is not a good comparable because, it is alleged, the patentees in that pool are also implementers and so have an interest in a lower rate.

7. The PPL is a worldwide licence, i.e. it licenses patents from the whole world, including UK patents. Vestel agree that such licences should be worldwide and contend that that is FRAND.

8. The action began as a competition law claim by Vestel for abuse of dominance under Article 102 Treaty on the Functioning of the European Union (TFEU) and section 18 of the Competition Act 1998. It was brought against Access Advance and Philips. Philips is said to be joined both in its own right and in a representative capacity representing all the other patent holders in the HEVC Advance pool. The representative capacity issue is not before us.

9. The Particulars of Claim pleaded Vestel's case on the relevant market; the alleged dominant position of both Philips as a holder of SEPs and of Access Advance as administrator of the patent pool; and the alleged abuses. A number of alleged abuses were relied on. The main ones were the failure to offer a licence on FRAND terms and the demanding of royalty rates which were excessive.

10. The relief Vestel sought was for the court to grant declarations. Essentially the declarations were that the respondents had abused their dominant position, that the PPL was not FRAND whereas Vestel's counter-offer was, and that if neither set of terms were FRAND then the court should declare what licence terms would be.

11. The legal context for all this arises from a series of cases, culminating in the judgment of the Supreme Court in ***Unwired Planet v Huawei*** [2020] UKSC 37. By that judgment the existence of a jurisdiction to make FRAND declarations has been confirmed. However the present case is in a different form from the previous ones. Cases like ***Unwired Planet*** are essentially claims for UK patent infringement brought in this jurisdiction by the patent owners against companies implementing the technology here. The FRAND declaration is granted as part of the remedy for patent infringement on the basis that once the patent holder has vindicated their right, they would normally obtain an injunction. However in the relevant regime the infringing implementer has a right, legally enforceable against the patent holder, to insist on being granted a licence on FRAND terms instead of being injuncted. If, as commonly happens, the parties cannot agree what terms are FRAND, the court uses its declaratory powers to sort that out.

12. This case is different because it is an implementer (Vestel) which is seeking a FRAND declaration. There is no claim for patent infringement. Nor have Vestel used the machinery available to them under the Patents Act 1977 to bring a claim for a declaration of non-infringement or revocation of any SEPs before the court. Vestel candidly agree they do need a licence, although it is fair to note that they have not admitted any particular patent is valid or infringed/essential.

13. When the action began Vestel's case was legally coherent in that the claimants were bringing it as a claim in tort against the defendants for abuse of dominance and then seeking the FRAND declarations as part of the remedy. The dominance comes from the patents and the abuse was the failure to offer a licence which was FRAND. However since the defendants were overseas companies, the court's jurisdiction had to be established.

14. For Philips, as a European company, the legal requirements came from the EU Regulation 1215/2012 (Brussels 1 Recast). Vestel relied on Article 7 (2) (place where

the harmful event occurred) as a justification for bringing a claim in this jurisdiction rather than suing Philips in its country of domicile (the Netherlands) under Article 4.

15. For Access Advance, as a United States corporation, Vestel needed permission to serve out based on one of the gateways in CPR PD 6B para 3.1. The primary grounds relied on were gateway 9 (claims in tort, damage within the jurisdiction) and gateway 11 (claim relates wholly or principally to property within the jurisdiction). Also relevant were gateway 3 (necessary and proper party) and gateway 4A (same facts) but neither of those could succeed without Vestel establishing some jurisdiction by another route first.

16. The Master gave leave to serve the claim on Access Advance out of the jurisdiction, with Philips having been served without permission under the terms of Brussels 1 Recast. After that Access Advance and Philips applied to set aside service and each sought a declaration that the court had no jurisdiction over them.

17. The judge ruled in favour of Philips and Access Advance. In relation to Philips, amongst other findings, the judge held (paragraph 67) that none of the evidence Vestel had filed disclosed any credible basis on which to conclude that Vestel UK had suffered or would suffer any direct damage arising from the alleged abuse of dominance, assuming the abuse was proved at trial. He therefore rejected the claim based on Article 7(2) of Brussels 1 Recast.

18. In relation to Access Advance, the relevant and undisputed legal principles can be derived from ***Brownlie v Four Seasons Hotels Inc*** [2017] UKSC 80. The claimant must establish three things: (i) that the case falls within at least one of the jurisdictional gateways in paragraph 3.1 of CPR PD 6B, (ii) that the claimant has a reasonable prospect of success in the claim, and (iii) that England and Wales is the proper place in which to bring the claim. Before the judge, Vestel failed at step (i) on all of the gateways relied on. The judge also held that the abuse of dominance claim failed at step (ii) on the basis that Vestel had failed to show they would suffer any damage. Step (iii) (referred to below as *forum non conveniens*) did not need to be considered.

19. Gateways 9 and 11 are set out below. The problem Vestel faced before the judge on gateway 9 was closely related to the problem with Article 7(2), i.e. an inability to establish significant direct damage in the jurisdiction. One kind of damage Vestel sought to rely on was financial harm caused by having to put money aside to cater for the uncertainty about what the royalties due might be when the rate was finally settled. This failed on the facts.

20. The problem with gateway 11 was different. The respondents argued that since the licence which Vestel contended was FRAND was a licence of SEPs in every jurisdiction all over the world, and since the UK SEPs within it represented less than 5% of the patents (the precise number was disputed and may be lower), the claim did not relate *wholly or principally* (my emphasis) to property within the jurisdiction and so the gateway was not satisfied.

21. In order to address that problem with gateway 11, shortly before the hearing below Vestel sought to amend the Particulars of Claim to add a new alternative plea (paragraph 93A) for two further declarations. They were drafted so as to emphasise that the licence on offer, and the terms sought to be settled as FRAND by the court,

were the terms of a licence to the UK patents. The judge held (paragraph 115) that this did not make any difference. He therefore held that gateway 11 was not satisfied and refused to allow the amendment to the Particulars of Claim since it did not help.

22. Vestel sought permission to appeal on six grounds. Ground 1 related to gateway 11 and paragraph 93A of the Particulars of Claim. Ground 4 related to gateway 4A and ground 5 related to *forum non conveniens*. Ground 6 related to the refusal to allow the amendment in paragraph 93A of the Particulars of Claim. The judge gave permission on all these grounds because the law on jurisdiction as it applies to FRAND is a developing area of law.

23. Ground 2 related to the damage caused by abuse of dominant position. The judge refused permission on this ground because it turned on findings of fact and the evidence.

24. Ground 3 was a new point raised by Vestel at the permission stage. By ground 3 Vestel contended that gateway 9 could be satisfied on the basis that the relevant tort was the tort of patent infringement and in effect the claim is for a negative declaration relating to it. The judge refused permission on that ground because it was not pleaded or argued.

25. Vestel sought permission on grounds 2 and 3 from the Court of Appeal. By an order dated 27th February 2020 Floyd LJ gave permission on both grounds.

26. Although at the time this action began there were no other relevant proceedings in other European states relating to Vestel, in July 2020 patentees holding SEPs in the HEVC Advance pool (including Philips) started patent infringement proceedings against Vestel in Germany. Amongst other things they contended that the PPL terms are FRAND and so the requirements of ***Huawei v ZTE*** (Case C-170/13) EU:C:2015:477 are satisfied.

27. In August 2020, this appeal having been listed to be heard in March 2021, Vestel applied to expedite the appeal in the light of the German proceedings. Floyd LJ refused expedition noting that the German courts would analyse the pool licensing offer to determine whether it is FRAND and would no doubt be astute to give effect to the principles relating to abuse of dominant position.

28. In early 2021 Vestel made a radical change to its case on this appeal. The claim based on abuse of dominance (and so also ground 2 of the appeal) was dropped altogether. Draft amended versions of the Claim Form, Particulars of Claim and Grounds of Appeal were produced. Save in one minor respect the draft amendments consist entirely of deletions. The claim for abuse of dominance is certainly deleted. However Vestel's assertion to be entitled to certain declarations remains although the declarations now sought are reduced to three. The sole remaining declaration from those sought in the original proceedings was the claim for a declaration that Vestel's counter-offer was FRAND. The two other declarations sought were those which Vestel had tried to add by the amendment to insert paragraph 93A. I will come back to the question of the legal basis on which the relief is now sought.

29. The application to amend came before Arnold LJ. A serious problem was that the parties did not agree what the effect of the amendments was, taken in the context of the whole case. By an order dated 10th February 2021 Arnold LJ gave Vestel permission to delete matter consequential on their dropping of ground 2 of the appeal but took care

to adjourn to the hearing of the appeal the application to amend insofar as the claimants were seeking to raise any new point, explaining that the court could not at that stage determine whether or not the amendments should be permitted in advance of the hearing. Predictably enough when the matter came before us, the parties were far apart on the effect of the amendments. Vestel argued that the amendments were mere deletions and had all been permitted (save for the minor point involving some additional wording), while the respondents argued that the amendments gave rise to an entirely new case not advanced below, had not been permitted by Arnold LJ and should be refused now. The respondents also argued that this change of case was turning the appellate court into a court of first instance, and in addition referred to the authorities on changes of case in jurisdiction disputes (citing ***NML v Argentina*** [2011] UKSC 31 and ***Alliance Bank JSC v Aquanta*** [2012] EWCA Civ 1588).

30. I would allow the amendments to the Claim Form, the Particulars of Claim and the Grounds of Appeal. I believe the amendments do have the effect of raising two new points, however they are both pure points of law arising from the same facts and evidence and the Court of Appeal can allow new points of law to be taken on appeal in such circumstances (see ***Singh v Dass*** [2019] EWCA Civ 360 and ***Notting Hill Finance Ltd v Sheikh*** [2019] EWCA Civ 1337).

31. The first new point is the argument based on the tort of patent infringement. The respondents are not prejudiced by having to deal with it in this court. It arises from the same facts and evidence already in the case.

32. The second new point is an argument based on the court's inherent jurisdiction to grant declarations. Vestel say that that argument has always been in the case. However it is not that simple. It is true that after the claims had been served but before the matter came before HHJ Hacon, in a response dated 1st July 2019 to a Request for Further Information from Access Advance, Vestel confirmed at paragraph 21 that in the alternative to its case based on abuse of dominance, Vestel relied on the court's inherent jurisdiction as an alternative legal basis on which the declarations were sought. However as against Philips the position was different. In the corresponding response to Philips' Request for Further Information (response dated 12th June 2019) Vestel confirmed that the only legal basis on which the declarations were sought as against Philips was in connection with the cause of action for abuse of dominance. In other words Vestel there eschewed as against Philips any reliance on an inherent declaratory jurisdiction.

33. Despite this tangle, I believe neither Access Advance nor Philips are prejudiced by permission to Vestel to base their case in this court on the court's inherent jurisdiction to grant declarations in appropriate circumstances. As with the patent infringement point, the arguments arise from the same facts and evidence already in the case and to some extent the issue was already in the proceedings.

34. Before leaving the procedural issues, I will make one final observation. Notable by its absence is a claim by Vestel that it has a legally enforceable right to a FRAND licence. When the claim began Vestel claimed such a legally enforceable right, on the basis that for either respondent to refuse to offer a licence on FRAND terms was a tort actionable by Vestel, i.e. an abuse of dominant position. That claim has been dropped and no attempt is made in the consequential amendments to introduce a new claim to a right to a FRAND licence. The argument based on the tort of patent infringement is the other

way round and will be addressed below. The argument based on the inherent jurisdiction is not founded on a claim to a legal right to a FRAND licence.

35. Finally I will mention the fact that the transition period relating to the UK's departure from the EU came to an end on 31st December 2021. It was common ground between the parties that this made no difference to the appeal in that we were concerned with the question of the court's jurisdiction at a point in time before 31st December 2021, and that this was so even if the amendments which I would permit are made. If a claim was started today in the same form then different questions would arise but they are not before us.

36. I turn now to address the grounds of appeal.

Appeal ground 3 – claim in tort

37. It is convenient to address ground 3 of the appeal first. That is the submission by Vestel that they can satisfy gateway 9 in relation to Access Advance and Brussels 1 Recast Article 7(2) in relation to Philips on the basis that all the claims for declarations can be characterised as claims for a negative declaration in a claim based on tort, the tort being patent infringement. For Philips the relevant patents are its UK patents which have been declared as essential to the standard, in other words Philips' UK SEPs. In relation to Access Advance, the patents are all the UK SEPs in the portfolio administered by HEVC Advance Pool at least at the date the claim began. The Particulars of Claim annexes a list of all these patents.

38. To recap, the judge below was faced with arguments based on the tort of abuse of dominance and so the judgment does not deal with the points now before this court.

39. Starting with Brussels 1 Recast, the relevant Articles are Articles 4(1) and 7(2), which provide:

> Article 4
>
> 1. Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State.
>
> …
>
> Article 7
>
> A person domiciled in a Member State may be sued in another Member State:
>
> …
>
> (2) in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur;

40. The starting point on the interpretation of Article 7 is the judgment of the CJEU in ***Kalfelis*** (Case 189/87) [1988] ECR 5565 at paragraphs 14 to 21, which makes two points. The first is that Article 7 is one of the derogations from the principle that persons

are to be sued in the courts of their state of domicile (Article 4). The second is that the concept of "tort, delict or quasi-delict" has a uniform meaning in EU law.

41. In ***Kalfelis*** this article was said to cover all actions which seek to establish the liability of a defendant and which are not related to a 'contract' within the meaning of Article 7(1). Although in later cases the court has recognised a third class of cases which are neither contractual nor fall within Article 7(2) (e.g. the French *action paulienne* in ***Reichert v Dresdner Bank (No 2)*** (Case C-261/90) [1992] ECR I-2149), nothing turns on that in the present case. There is no doubt that patent infringement is a tort covered by Article 7(2).

42. The CJEU has also held that Article 7(2) is capable of applying to a claim for a declaration of non-liability in tort. This is ***Folien Fischer v Ritrama*** (Case C-133/11) [2013] QB 523, paragraphs 36-55. The rationale for this conclusion is that the place where the harmful event occurs applies irrespective of whether the legal action has been brought by a party against whom a tort may have been, or would be, committed or by a party against whom a claim based on that tort might be made (see paragraph 52). Applied to intellectual property rights it means that if the alleged infringement is of a UK intellectual property right by acts committed in the UK, both the rights holder and the putative infringer would normally be able to rely on Article 7(2) to bring a claim before the UK courts. The claim would be for infringement or for a declaration of non-liability (i.e. non-infringement of a valid IP right). I say normally because if the alleged infringing act is in the UK, then the alternative requirements that the harmful event is in the UK or that the damage directly produced by the harmful events is in the UK (***Dumez*** (Case C-220/88) EU:C:1990:8), are likely to be satisfied, but I suppose there might be exceptional cases where that is not the case.

43. Based on ***Folien Fischer***, Vestel contends that a claim for a declaration of non-liability for the tort of infringing any of Philips' UK SEPs would fall within Article 7(2). I agree. However the question then becomes whether that is the right way to characterise the claims for FRAND declarations in this case. I believe it is not, for the following reasons.

44. The starting point is the judgment of the Supreme Court in ***Unwired Planet*** that the UK court had jurisdiction to grant the FRAND declarations in the two cases which came before it (***Unwired*** itself and ***Conversant***). That arose because the undertaking to offer licences on FRAND terms, which had been given by the patentee to the relevant standard setting body (ETSI), was enforceable in law by an implementer. The relevant terms were the ETSI IPR Policy and the judgment of the court at paragraph 8 explains that under French law this created a right enforceable by the implementer against the patentee.

45. The court examined the ETSI IPR Policy and drew a number of conclusions at paragraph 14. All of the conclusions are relevant in the present case but the most important point is the recognition of the importance of the ability of the implementer to enforce a contractual obligation on the SEP owner to offer a licence on FRAND terms. This operates as a derogation from a SEP owner's rights under the general law of patents. It is not necessary to set out the whole of the Supreme Court's paragraph 14. The following extract is enough:

> "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. *[…]*"

46. The Supreme Court returned to this point when considering the court's jurisdiction to determine FRAND licence terms applicable to international patent portfolios. At paragraph 58 the court held that it was the contractual rights, created in that case by the ETSI IPR Policy, which gave the court jurisdiction to determine a FRAND licence. The relevant paragraph is paragraph 58, as follows:

> "58 In addressing the submissions set out above, we recognise, as is undisputed, (a) that questions as to the validity and infringement of a national patent are within the exclusive jurisdiction of the courts of the state which has granted the patent and (b) that in the absence of the IPR Policy an English court could not determine a FRAND licence of a portfolio of patents which included foreign patents. It is the contractual arrangement which ETSI has created in its IPR Policy which gives the court jurisdiction to determine a FRAND licence and which lies at the heart of these appeals. We therefore address first the fourth of Huawei's submissions concerning the interpretation of the IPR Policy."

47. The Supreme Court again referred to the court's jurisdiction to determine FRAND as a way of enforcing contracts which the SEP owners had entered into at paragraph 90. The whole paragraph explains why it falls to national courts to determine the terms of worldwide FRAND licences but does not need to be set out in full. The particular point about the contractual defence as the source of the court's jurisdiction to determine the terms of a worldwide FRAND licence, is the following:

> "90 *[…]* The English courts have jurisdiction to rule upon whether the UK patents in suit are valid and have been infringed, and also have jurisdiction to rule on the contractual defence relied upon by the implementers based upon the true meaning and effect of the irrevocable undertaking the SEP owners have given pursuant to the ETSI regime. *[…]*"

48. Finally in relation to the Supreme Court's judgment, the specific contract which gave rise to the particular FRAND obligation in issue itself played an important role in the

decision. One of the issues the court had to decide was the scope of the non-discrimination limb of FRAND. The court decided it was a "general" obligation rather than "hard edged". This was a matter of construction of clause 6.1 of the ETSI IPR Policy itself in its own context. The court held (paragraph 117) that a powerful indication in favour of the construction it favoured was that ETSI had previously considered and rejected the imposition of a most-favourable licence clause in the undertaking, which was in effect a hard edged version of non-discrimination. This had been done in documents which were published and accessible to all market participants. This point illustrates that FRAND is not something to be addressed in the abstract. The legal basis for the particular FRAND obligation on which the court is being asked to adjudicate needs to be identified.

49. I turn to the declarations which are now actually sought by Vestel, after dropping the abuse of dominance plea. They are in this form:

    i) A declaration that the terms of the Access Advance draft PPL insofar as they relate to any patents in the HEVC Advance patent pool which designate the United Kingdom are not FRAND;

    ii) A declaration that the terms of the Claimants' counter-offer of 18 January 2019 are FRAND;

    iii) Alternatively, a declaration as to the terms which are FRAND for the patents within the HEVC Advance patent pool which designate the United Kingdom (alternatively, such patents within that pool as are owned by the Second Defendant).

50. Paragraphs (i) and (ii) set out the extremities of the debate between the parties and paragraph (iii) is there so that the court will rule on what terms are FRAND if it turns out that neither party's preferred offer is FRAND.

51. These declarations do not provide that Vestel has a right to any such licence. That might not matter if the Particulars of Claim did plead a case that Vestel has a legal right to such a licence, but they do not. In argument counsel for Vestel suggested that such a right arose because for Philips to refuse would be an abuse of dominant position but that argument was rightly dropped after the respondents pointed out that such a claim had been abandoned already. It was not open to Vestel to advance such a case.

52. Counsel for Vestel also referred in a general way to the ITU rules which require Philips to undertake to offer FRAND licences on SEPs declared to the standard. However no case that there is any such right enforceable by Vestel is pleaded in the Particulars of Claim either. The omission from either the terms of the declaration or the Particulars of Claim is not an accident of drafting. Perhaps it was thought there would be jurisdictional difficulties if such a case was advanced but we do not know and it is not fruitful to speculate.

53. Now it is of course a truism that if Vestel did actually have a licence from Philips, on whatever terms, then any subsequent act such as the sale of a standards compliant television would not infringe the relevant UK patents. However that fact does not turn the declarations which are sought into declarations of non-liability in tort. They are

not. Vestel's position is like that of a trespasser with no right to enter the property claiming that if they had permission then it would not be a trespass.

54. In my judgment this claim for these declarations is not within ***Folien Fischer*** at all and so not within Article 7(2) of Brussels 1 Recast. Therefore Brussels 1 recast does not confer jurisdiction on this court to hear it.

55. I turn to the other aspect of appeal ground 3, that is gateway 9. The judge explained that CPR 6 PD 6B paragraph 3.1(9) sets out the claims in tort in which a claim form may be served out of the jurisdiction:

> **Claims in tort**
>
> (9) A claim is made in tort where –
>
> (a) damage was sustained, or will be sustained, within the jurisdiction; or
>
> (b) damage which has been or will be sustained results from an act committed, or likely to be committed, within the jurisdiction.

56. Again, whereas the issue before the judge on gateway 9 related to the abuse of dominance claim, before us Vestel contend that they satisfy this gateway by bringing a claim for a declaration of non-liability for the tort of patent infringement. In ***FujiFilm v Abbvie*** [2016] EWHC 2204 (Pat) Arnold J (as he then was) held at paragraphs 102 to 106 that a claim for a negative declaration that no tort has been, or will be, committed falls within gateway 9. The judge reached that conclusion both on the basis that gateway 9 should be interpreted consistently with Article 7(2) and in the light of ***Folien Fischer*** but also that, even in its own terms the reasoning in ***Folien Fischer*** is persuasive and supports that interpretation of gateway 9 irrespective of its relationship with Article 7(2). I agree with that conclusion for the same reasons as Arnold J.

57. Thus if Vestel's claim was a claim for a declaration of non-liability for the tort of infringing any of the UK SEPs in the portfolio administered by Access Advance, then that would be capable of satisfying the gateway. However, for the same reasons already explained above, it is not.

58. I would base my decision on the point just made. However it is worth highlighting another potentially serious problem with the tort gateway as a basis for jurisdiction over Access Advance. The problem is that that company is not the owner of any of the patents concerned. So characterised as a declaration of non-liability in tort, it is not even brought against the person to whom the putative tortfeasor would have been liable if they were liable for patent infringement.

59. I would therefore dismiss the appeal on ground 3.

60. Another dimension to the arguments on ground 3 was whether the fact that the alleged non-liability only related to one of the forms of relief which might be granted (in this case an injunction) rather than to all liability of any kind, meant that the action was not within Article 7(2) or gateway 9. The respondents contended that that was a further reason why Vestel's case was not within those provisions. If this had been the only issue, I would have decided the Article 7(2) and gateway 9 issues in Vestel's favour.

In other words, if Vestel had had a claim to a right not to be the subject of an injunction for patent infringement, I would have held that this satisfied Article 7(2) and/or gateway 9 even if the vindication of that right did not absolve Vestel of all tort liability, such as for damages. However this conclusion does not alter the outcome of ground 3.

Appeal ground 1 – gateway 11

61. Gateway 11 (CPR PD 6B paragraph 3.1(11)) provides as follows:

> **Claims about property within the jurisdiction**
>
> (11) The subject matter of the claim relates wholly or principally to property within the jurisdiction, provided that nothing under this paragraph shall render justiciable the title to or the right to possession of immovable property outside England and Wales.

62. As the judge held at paragraph 110, in ***Conversant Wireless Licensing SARL v Huawei Technologies Co Ltd*** [2018] EWHC 808 (Pat) at paragraphs 108-110 Henry Carr J decided that the UK designations of European patents were property within the jurisdiction for the purposes of this gateway. I agree with that conclusion.

63. However as explained above, the problem with this gateway before the judge was that since the draft licences licensed patents from many countries, the UK patents only make up a small share (5% or less) of the property concerned. In the court below, when dealing with Vestel's claim without the proposed amendment to introduce paragraph 93A of the Particulars of Claim the judge held:

> "113. Vestel was clear that its claim related to all the patents in the pool. Advance's point was that the subject matter of the claim therefore related neither wholly nor principally to property within the jurisdiction. I agree. In my view an action which relates to property in the form of SEPs is not principally concerned with 2.43% or 4.9% of that property, whichever may be the correct number. Gateway 11 is not satisfied."

64. With Vestel's case put in the form it was, I can see the force in the judge's reasoning.

65. The next question before the judge was the effect of the proposed amendment to add paragraph 93A to the Particulars of Claim. Unlike the position before this court, in the court below Vestel were simply adding paragraph 93A and leaving the rest of its pleaded case of abuse of dominance intact. The judge held (paragraph 115) that paragraph 93A did not change anything and so reasoned that his conclusion on gateway 11 did not change either. It is not necessary for us to examine that conclusion because, again, Vestel's case before us is now quite different.

66. On appeal and as a result of the various amendments, Vestel now put the case they wish to advance in the following way. The sole claim is for declaration or declarations of what the FRAND terms would be for a licence under the UK SEPs which are in the HEVC Advance pool. That claim can be brought under the court's inherent jurisdiction because it would serve a useful purpose (***Rolls Royce v Unite the Union*** [2009] EWCA Civ 387). It serves a useful purpose because it establishes the licence which Vestel

would need to avoid infringing those patents in the UK by carrying out its activity here, such as selling standard-compliant televisions. The subject matter of the claim is UK property – i.e. the UK patents. That is because it is a claim about what terms are available for a licence in respect of that property. Therefore the subject matter of the claim relates wholly or principally to property within the jurisdiction and so the case falls within gateway 11. The fact that the licences of the UK patents which would be FRAND would also license patents from other countries, cannot alter the fact that what Vestel is entitled to and is seeking is a licence under the UK patents. This paragraph is not a quote from Vestel's skeleton argument but it fairly reflects how Vestel put their case.

67. The respondents contend that Vestel's claim cannot be brought under the inherent jurisdiction in this way at all, because no legal right is involved. They also contend that Vestel cannot fall within the gateway for the same reasons Vestel's claim below did not fall within the gateway, i.e. because the licences in issue license patents worldwide and the UK patents only make up 5% or less of that property.

68. Thus the debate between the parties relates not only to whether the claim, whatever it is, falls within gateway 11 but also relates to whether the claim, put in the way it is in order to satisfy the gateway, has a reasonable prospect of success. In other words both the first and second limbs of the test as summarised in ***Brownlie*** are engaged. The difficulty posed by the way Vestel now put their case is that to answer the first limb (the gateway issue) involves examining with some care the claim Vestel are actually making, which is an issue which more naturally falls into the second limb. The gateway presupposes that the claimant has a claim of some sort, whose subject matter can be considered and found to be property wholly or principally within the jurisdiction.

69. As has already been said, Vestel have identified no legal right to the declarations sought. The most they have is a legal proceeding which asks the court to exercise its inherent jurisdiction to grant these declarations.

70. Although the point was not taken before us, I would interpret the reference to a "claim" in gateway 11 (CPR PD6B para 3.1(11)) as a reference to a legal claim. In other words it refers to a claim concerning a legal right of some kind and in some way. It may be a claim for which the only remedy sought is declaratory e.g. so as to vindicate a claim to possess some property right. That remedy may be framed in a positive way but could also be a negative declaration such as to the absence of a legal right or non-liability in some way. However there must be a legal claim of some kind.

71. I am prepared to accept that if Vestel did claim to have a legally enforceable right against a patentee or a licensing agent of a patentee, whereby Vestel were entitled to be offered a FRAND licence under the UK SEPs in the HEVC Advance pool, then the subject matter of that particular claim would be the UK SEPs. The question that claim would be concerned with is the licence terms which are available to license those UK rights. The fact that the only licence of the UK patents which is FRAND would also involve licensing foreign patents does not alter the subject matter of the claim. The fact that UK patents in the FRAND licence were only 5% or less of the patents licensed by it would make no difference. I would hold that such a claim was one which related wholly or principally to property within the jurisdiction and therefore fell within gateway 11. If I am differing from the judge below in this respect it may be because in the court below Vestel never clearly narrowed its claim to the extent it now does.

72. However Vestel's "claim" here is for the court to exercise the inherent jurisdiction to make a FRAND declaration despite the absence of an assertion of a right to such a licence. Vestel contend that this would nevertheless be a proper exercise of the court's jurisdiction based essentially on something I said in ***Pfizer v Hoffmann La Roche*** [2019] EWHC 1520 (Pat). I can see that if what Vestel seeks would be a proper exercise of the court's jurisdiction then it might be a "claim" within gateway 11 but I do not agree with Vestel's reasoning, as I shall explain.

73. ***Pfizer*** was concerned with a claim for an *Arrow* declaration in a patent dispute. *Arrow* declarations are, in substance, claims for declarations of non-liability for patent infringement. The jurisdiction to grant this kind of declaration of non-liability is well established (***FujiFilm v Abbvie*** [2017] EWCA Civ 1). The oddity of the situation in ***Pfizer*** was that the patentee had abandoned all its UK patent rights, while keeping corresponding rights in other states arising from the same European patent under the European Patent Convention. The claimant contended that the declarations should still be granted even though there was by then no possibility of UK rights existing. The claimant contended that the declaration would still serve a useful purpose in that it would have a "spin off" value in proceedings elsewhere in Europe and in particular in Belgium. I analysed the law at length from paragraphs 63-88, including the leading authorities on declarations: ***Messier-Dowty v Sabena*** [2000] 1 WLR 2040, ***Rolls Royce v Unite the Union***, ***FSA v Rourke*** [2002] CP Rep 14, and ***Milebush Properties v Tameside*** [2011] EWCA Civ 270.

74. I concluded in ***Pfizer*** that the fact the UK patents had been dropped did not preclude the court from granting the declarations which were sought, if they would otherwise serve a useful purpose. Nevertheless on the facts I decided that the declarations would not serve a useful purpose and dismissed the claim.

75. Vestel's argument based on ***Pfizer*** is that the conclusion shows that useful purpose is the only criterion which has to be satisfied in order for the court's declaratory jurisdiction to be engaged and that the absence of a putative legal right does not preclude it. The submission is based on paragraphs 64(i) and paragraph 86. The relevant passages are:

> 64 *[…]* In summary counsel for Roche submitted that:
>
> (i) The court has no jurisdiction to grant declarations where there was no dispute about UK legal rights or disputes of facts that were relevant to UK legal rights.
>
> *[…]*
>
> 86 Taking stock, in my judgment the position is the following. Roche's first submission (set out at [64(i)] above) is wrong because it purports to place a limit on the court's power to grant a declaration even when it would serve a useful purpose. That is not right because the only relevant limitation is concerned with useful purpose. I would characterise Henry Carr J in ***FujiFilm*** as a case illustrating why the first point is wrong. The fact that analytically, by the time the question came to be decided, it was true that there was no longer a dispute before the court about the

> existence or scope of AbbVie's UK legal rights, did not mean the declaration would serve no useful purpose.

76. Read in isolation these words could appear to support Vestel's argument. However that would be to misread the case as a whole and take what was said out of context. There was never any doubt in ***Pfizer*** about the nature of the question the court would have been considering, if the court had decided to go ahead. It would have had a clear legal basis and legal context. It would have been whether the claimant's product would have the benefit of a complete defence to a legal claim. That was a claim for patent infringement based on patents in the relevant patent family, if they existed. The defence was one known as a *Gillette* defence.

77. In ***Pfizer*** itself, after the review of the authorities the point was specifically made at paragraph 74 that the authorities were all concerned with the existence or scope of legal rights, public or private. Then at paragraph 75 the point was made that the fact that a case is concerned with the existence or scope of a legal right is not the same thing as saying that the issue in dispute has to be an issue of law (and some examples were given). The legal right also may be one which might come into existence in future. Therefore ***Pfizer***, which is the high point of Vestel's argument on this topic, is not an example of the court holding that the declaratory jurisdiction can be engaged on the sole basis that it would serve a useful purpose and in the absence of any putative legal claim at all or any legal standard against which to judge the matter.

78. The need of a legal standard against which to judge the claimed declarations is important. The reference above to paragraph 117 of the Supreme Court's judgment in ***Unwired Planet*** shows why that is so. There is no such thing as a free standing FRAND claim. Although Vestel refers to the ITU rules it does not contend in these proceedings that they have legal force.

79. It is hard to know how to decide whether the declarations sought, untethered to any legal standard, actually could serve a useful purpose but that is not the basis on which I reject this part of the claim. I will take it that there is some arguable useful purpose. Even if that is so, the attempt to invoke the court's declaratory jurisdiction has no reasonable prospect of success because it is not based on the existence or non-existence of a legal right.

80. Therefore I would dismiss ground 1 of the appeal. The proceedings do not fall within gateway 11 because no legal claim is involved at all. Moreover they would fail on the second limb of ***Brownlie*** because the proceedings have no reasonable prospect of success.

Grounds 4 and 5

81. Ground 4 related to Gateways 3 and 4A and Ground 5 related to *forum non conveniens*. Neither of these grounds arises because to engage either of them Vestel would first need to succeed on one of grounds 1 or 3.

Ground 6 – Amendment

82. I would allow the amendments and so Vestel would succeed on this ground but it does not help them in the end.

Conclusion

83. I would dismiss all the grounds on which Vestel needs to win to lead to success on this appeal. I would therefore dismiss the appeal.

Lady Justice Elisabeth Laing:

84. I agree.

Lord Justice Nugee:

85. I also agree.