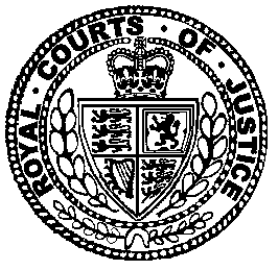

Neutral Citation Number: [2024] EWHC 1815 (Ch)

Case No: HP-2023-000042

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

Rolls Building
Fetter Lane
London, EC4A 1NL

Monday, 15 July 2024

Before :

MR JUSTICE FANCOURT

- -

Between :

(1) TESLA, INC.
(2) TESLA MOTORS LIMITED — **Claimants**

- and -

(1) IDAC HOLDINGS, INC.
(2) INTERDIGITAL PATENT HOLDINGS, INC.
(3) INTERDIGITAL HOLDINGS, INC.
(4) AVANCI, LLC — **Defendants**

- -
- -

James Segan KC and Ligia Osepciu (instructed by Powell Gilbert LLP) for the **Claimants**
Thomas Raphael KC and Maxwell Keay (instructed by Gowling WLG (UK) LLP) for the **Second and Third Defendants**
Brian Nicholson KC and Kathryn Pickard (instructed by Osborne Clarke LLP and EIP Europe LLP) for the **Fourth Defendant**

Hearing dates: 23, 24 May, 4 June 2024

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APPROVED JUDGMENT

(draft provided 5 July 2024)

Mr Justice Fancourt:

Introduction

1. This is a claim by an implementer for declarations of invalidity and non-essentiality of 3 UK designated patents, and revocation ("the patent claims"), with, in the alternative, a claim for (a) declarations about availability and terms of a licence for standard essential patents ("SEPs") relating to the 5G telecommunications standard promoted by ETSI, the European Telecommunications Standards Institute, and (b) a determination of fair, reasonable and non-discriminatory ("FRAND") terms for such a licence ("the licensing claim").

2. The claimants ("Tesla") avowedly seek to pursue the licensing claim first, and not progress the patent claim until after the licensing claim has been disposed of, if at all.

3. Permission to serve the claim on all the Defendants out of the jurisdiction was granted by Mellor J on 7 December 2023, on paper, without notice. In fact, the patent claim was also served on the First and Second Defendants in England, as of right, under CPR rule 63.14(2), but permission to serve out was needed and granted for the licensing claim, pursuant to a combination of gateways (3) (in relation to the Third Defendant and the Fourth Defendant), (4A) (in relation to the Third Defendant) and (11) (in relation to all Defendants) in Practice Direction 6B of the Civil Procedure Rules ("PD 6B").

4. The First to Third Defendants (collectively, "InterDigital") are Delaware corporations with a principal place of business in Delaware. After service, it was discovered that the First Defendant had in fact been dissolved and all its property had passed to the Second Defendant ("IDPH"), but nothing turns on that: the parties are agreed that the Second Defendant should be regarded for current purposes as standing in the First Defendant's shoes in relation to its patents.

5. The Fourth Defendant ("Avanci") is a Delaware company, with its principal place of business in Texas. The business includes administering platforms for the worldwide licensing of patents for telecommunications technology. It has a long-established automotive platform licence for 2G, 3G and 4G SEPs and now offers an automotive platform for licensing 2G, 3G, 4G and 5G SEPs ("the 5G Platform"). There are in the region of 170,000 declared SEPs on the 5G Platform belonging to about 66 patentees and their affiliates.

6. On 8 March 2024, InterDigital and Avanci separately applied pursuant to Part 11 of the CPR to challenge the Court's jurisdiction to hear the claims, or for an order that it should decline to exercise its jurisdiction. On 8 May 2024, InterDigital also applied to strike out the claim, without prejudice to their jurisdiction challenge. (This ultimately is only relevant to those claims that were served on the Second Defendant under rule 63.14(2).)

7. On 16 May 2024, in light of these applications, Tesla applied to amend its Particulars of Claim in a way that I will describe later.

Background to the 5G technology

8. Tesla is a well-known manufacturer of electric vehicles. Its claims relate to its intended installation of 5G technology capability in its cars. Tesla cars are currently manufactured

with up to 4G capability and Tesla has purchased a worldwide licence from Avanci for use of the 2G/3G/4G SEPs in its cars produced to date. Within a reasonable time, Tesla intends to manufacture its cars with 5G capability – it says solely in order to future-proof them, not to introduce different applications of the technology.

9. For that purpose, Tesla recognises that it needs to have licences for the 5G SEPs. It has made no claim to a bilateral licence from InterDigital. It has accepted from the outset that the licence that it wants is a licence to all the 5G SEPs available on Avanci's 5G platform ("the Avanci Licence"). Regardless of the position in respect of the validity or essentiality of InterDigital's UK patents, three of which are put in issue in the patent claim, in practice it needs a worldwide licence for all the 5G SEPs and it wishes to take one, but not on the terms that Avanci offers.

10. As explained by the Supreme Court in Unwired Planet International Ltd v Huawei Technologies (UK) Co Ltd [2020] UKSC 37; [2020] Bus LR 2422 ("*Unwired Planet*") at [60], and well understood in the industry, many of the SEPs on the 5G Platform could turn out, if challenged, to be invalid, or non-essential; nevertheless, in practice, implementers tend to take a licence of all the available SEPs that have been declared for the standard.

11. Avanci is willing – and has been authorised by each of the 65+ 5G Platform patentees ("the Patentees") – to grant a worldwide licence of all the relevant 5G SEPs. Pursuant to agreement reached with each of the Patentees and formalised in an overarching master agreement ("the MLMA"), Avanci offers the Avanci Licence at a fixed price of US$32 per vehicle. Avanci says that the rate offered is its decision, which it takes in light of discussions or agreements made with the Patentees and the MLMA made with them all, to which a standard form licence agreement is annexed. Avanci says (and InterDigital confirms) that the individual Patentees do not know the terms of any agreements that may exist with other Patentees. But the terms of the MLMA and standard Avanci Licence are known to all of them, and they are content for Avanci to offer a 5G Platform licence on their behalf at the rate of $32.

12. Avanci maintains that its terms for the Avanci Licence are in fact FRAND, but that it is not itself legally obliged to offer a licence on FRAND terms. The Patentees are each bound to offer a FRAND licence of their SEPs to a willing licensee, as a result of the declaration of the patents as being essential to the 5G standard and their undertakings to ETSI. InterDigital is ambivalent (perhaps deliberately so) about whether the terms of the Avanci Licence are FRAND.

13. Some of the Patentees, including InterDigital, have no programme for granting bilateral licences for vehicle licensing, but others have. Tesla has taken a bilateral licence from one of the Patentees. The reason for that was not explained, and its identity is ELEO confidential. In practice, however, automotive implementers of 5G standard technology seek to purchase a licence for the whole or substantially the whole stack of SEPs at a single price, as it is expensive and time-consuming to have to negotiate a large number of bilateral licences individually. In practice, many of the Patentees will rely on an Avanci offer to discharge their obligation to offer a licence of their SEPs to automotive makers on FRAND terms.

The Licensing Claim and Jurisdiction

14. The main claim (the Defendants say, the only genuine claim) brought by Tesla in this action is for a declaration that the terms of the Avanci Licence are not FRAND, and a determination of what terms (in practice, what rate) for such a licence are FRAND. As is obvious, it makes little commercial sense for an implementer to challenge a few out of very many SEPs if a pool or platform licence is available on reasonable terms. For that reason, the Defendants argue that the patent claim of Tesla is not "real" but is merely a jurisdictional hook for the licensing claim and an abuse of process.

15. Only Avanci can grant the Avanci Licence; the individual Patentees cannot. The individual Patentees could all grant bilateral licences of their SEPs but few seem to do so to automotive makers. If the Patentees do rely on an Avanci offer to discharge their ETSI undertakings, it is obviously of interest to implementers like Tesla to know whether the non-negotiable terms that are offered by Avanci are FRAND. The commercial rationale for Tesla's licensing claim is clear.

16. The jurisdictional difficulties that Tesla face start with the fact that only a few Patentees are UK resident and only an estimated 7% of the 5G SEPs covered by the Avanci Licence are domestic UK or UK designated patents. Further, the First Claimant, which is the principal Tesla company, InterDigital and Avanci are all US companies, whose business is based in the US. There is therefore no obvious connection between the licensing claim and the jurisdiction of this Court. Further, the validity or essentiality of the 3 UK patents in suit is largely irrelevant to the licensing claim, as InterDigital has not threatened to injunct Tesla, and Tesla has undertaken to accept a 5G Platform licence on whatever terms the Court determines to be FRAND.

17. The without notice application for service out of the jurisdiction sought permission on the basis that there was a good arguable case for the declarations sought in the licensing claim, given the rights of Tesla pursuant to the ETSI undertakings binding InterDigital and alleged to bind Avanci, and on the basis that: the Third Defendant ("IDH") was a proper party to the patent claim; the licensing claim was a further claim against the three InterDigital Defendants arising out of the same or closely connected facts as the patent claim; the subject matter of the licensing claim related wholly or principally to property within the jurisdiction; and that IDH and Avanci are necessary or proper parties to the determination of the claims against the First and Second Defendants.

18. In the course of oral submissions, faced with detailed evidence and concerted argument against it, Tesla modified its position and no longer relies on gateway (4A). It maintains that the patent claim was properly served on the Second Defendant ("IDPH") without permission, and contends that IDH was a necessary or proper party, as the group licensing company that had given the ETSI undertaking in relation to the patents in suit and other InterDigital 5G SEPs. In relation to the licensing claim, Tesla argues that its claim as carefully formulated is a claim wholly or mainly in relation to UK property; alternatively that IDH is a necessary and proper party to a licensing claim against IDPH.

19. Tesla's case for jurisdiction for its claim against Avanci has gone through a number of twists and turns, involving sequential expert evidence of French law provided by the parties. Its pleaded case that Tesla can enforce an obligation on Avanci to grant a FRAND platform licence is now not pursued. Tesla sought, belatedly, to rely instead on a potential liability in tort, in the event that Avanci as agent did not give bona fide effect to the

Patentees' obligations to grant FRAND licences, but no viable claim in tort is pleaded in the draft amended Particulars of Claim.

20. Service out of the jurisdiction on Avanci is now sought to be justified on the basis that the licensing claim relates to UK property and that it is a necessary or proper party to the licensing claim against InterDigital. Indeed, if this Court has jurisdiction to hear the licensing claim against InterDigital, Avanci wishes to be a party to that action. Attention therefore focused at the hearing principally on whether there is a proper basis for the Court to hear Tesla's claim against InterDigital.

21. Tesla contends that not just a worldwide licence of the patents in suit and/or InterDigital's 5G SEPs but a worldwide licence of all the SEPs on the 5G Platform is the only licence that would be FRAND. The claim is therefore not just in relation to a worldwide licence for InterDigital's 5G SEPs. For that reason, IDH is sued also in a representative capacity, pursuant to CPR rule 19.8, on behalf of all the Patentees (or, as Tesla now contends, all but the one Patentee with which Tesla has agreed a bilateral 5G licence).

22. Rule 19.8 provides (so far as material):

> "(1) Where more than one person has the same interest in a claim—
>
> (a) the claim may be begun; or
>
> (b) the court may order that the claim be continued,
>
> by or against one or more of the persons who have the same interest as representatives of any other persons who have that interest.
>
> (2) The court may direct that a person may not act as a representative.
>
> (3) Any party may apply to the court for an order under paragraph (2).
>
> (4) Unless the court otherwise directs any judgment or order given in a claim in which a party is acting as a representative under this rule—
>
> (a) is binding on all persons represented in the claim; but
>
> (b) may only be enforced by or against a person who is not a party to the claim with the permission of the court…."

23. The claim brought by Tesla is one for which there is no precedent, seeking declaratory FRAND relief in relation to a licence of non-UK patents whose owners are non-UK companies and are not parties to the claim. They are nevertheless sought to be bound by the decision by means of the representative procedure.

24. In *Unwired Planet*, the argument advanced by the implementer was that any FRAND licence of the UK patents in suit would not be limited to a UK licence but would be a worldwide licence of the family of patents owned by Unwired Planet and its affiliates. The Supreme Court accepted that such a claim could be advanced, based on evidence of commercial practice, and that this Court could determine the FRAND terms for such a

worldwide licence. In Lenovo Group Limited v Telefonaktiebolaget LM Ericsson [2024] EWHC 846 (Ch), Richards J held that the court had jurisdiction on the basis that it was arguable that a worldwide licence sought from the Defendant could include mutual cross-licensing. The relief that the Court can grant in such cases is therefore not constrained by the extent of the right on which the claimant relies, nor should it be determined summarily.

25. But in this claim, Tesla seeks to go a significant step further. It argues that the only FRAND licence for the patents in suit would be a worldwide pool or platform licence that includes the 5G SEPs of the 65+ other Patentees as well as the 5G SEPs of InterDigital, and it seeks declarations and a determination of the terms of such a licence in proceedings brought against one patentee and the platform administrator. Whether the extent of the FRAND licence contended for is justified commercially is one issue; but the other is whether the Court has jurisdiction to decide the terms of a licence from Patentees who are not parties and do not have UK or UK-designated patents.

26. Tesla did not adduce evidence that each of the Patentees owns at least some UK or UK-designated SEPs and it must therefore be assumed that at least some of them have none ("the non-UK Patentees"). There is no claim to enforce the ETSI undertakings against the non-UK Patentees, nor any other pleaded basis on which Tesla claims to be entitled to be licensed by them, save that it contends that a FRAND licence of InterDigital's 5G SEPs would include a worldwide licence for the non-UK Patentees' 5G SEPs.

27. The main question raised by this claim is, accordingly, whether the representative procedure is a permissible basis on which to confer jurisdiction on the court to grant declaratory relief intended to bind those with an otherwise insufficient connection with this jurisdiction. InterDigital says that it is not, and that there is no properly arguable claim for declaratory relief against it on the licensing claim (with the consequence that the other Patentees could not have been served out using gateway (3) in any event). In such circumstances, they argue, the representative procedure should not be allowed to circumvent the jurisdictional problem that Tesla faces.

28. Tesla contends that its claim is merely an incremental development of a jurisdiction that has already been established in previous decisions of the Patents Court, the Court of Appeal and the Supreme Court; that its claim for a worldwide licence of all the Avanci 5G SEPs is properly arguable; and that representative proceedings are an appropriate way in which to bind all the Patentees and justify the grant of declaratory relief.

29. Who is right about this requires some analysis of the previous case law.

Previous case law

30. It is impermissible in English law to bring a "free standing" claim for declaratory relief in relation to a FRAND licence: Vestel Elektronic Sanayi Ve Ticaret AS v Access Advance LLC [2021] EWCA Civ 440; [2021] 4 WLR 60 at [78]-[79] ("*Vestel*"), per Birss LJ. By "free standing" is meant a claim that does not depend on an assertion or denial of a legal basis of a claimed right. The fact that a declaration may serve some useful purpose is not sufficient, in the absence of a legal right:

> "[78] The need of a legal standard against which to judge the claimed declarations is important. The reference above to para 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."

31. Traditionally, FRAND determinations have been sought by way of defence to a claim by a patentee to injunct unlicensed use of its patent. The implementer denies validity or infringement, and pleads that if the patent is valid and enforceable it is willing to take a licence on FRAND terms. Declarations of entitlement to a licence and determination of FRAND terms are sought by way of defence to a claim of which the court is already seised, and involve the assertion of a right to a licence.

32. More recently, the right has been recognised for an implementer to take the initiative, by bringing an action for a declaration that a patent is invalid and, if not, for the grant of a licence on FRAND terms. In Kigen (UK) Ltd v Thales Dis France [2022] EWHC 2846 (Pat) ("*Kigen*"), I held that an implementer can elect to pursue the grant of a licence in such proceedings, as the primary relief sought, and stay the patent claim until after the licensing claim has been determined. That course has been followed in Nokia Technologies OY v OnePlus Technology (Shenzhen) Co., Ltd [2023] EWHC 1912 (Pat) ("*Nokia v Oppo Trial E*"), InterDigital Technology Corp v Lenovo Group Ltd [2023] EWHC 1578 (Pat) at [33] and Lenovo Group Ltd v InterDigital Technology Corp [2024] EWHC 1036 (Pat) ("*Lenovo v InterDigital*"). The reasoning in *Vestel*, to which I will come later, assumes that such a claim could be brought if there is a legal standard by which to determine the claim for a licence.

33. In *Nokia v Oppo Trial E*, Meade J observed that the combined effect of *Unwired Planet* and *Kigen* was that an implementer can proactively seek to have global FRAND terms set in the UK. However, *Kigen* was not a case in which the Court had to consider jurisdiction in the sense of overseas defendants to such claims, and *Nokia v Oppo Trial E* was a patentee's claim for an injunction. In *Lenovo v InterDigital*, which was an implementer's claim, jurisdiction was not challenged in respect of the claimed licence of SEPs, nor was there a claim to a licence of any patents other than those owned by the defendant, InterDigital.

34. The position of an administrator of a patent pool first arose in Mitsubishi Electric Corporation v Oneplus Technology (Shenzhen) Co., Ltd [2021] EWHC 1541 (Pat) ("*Mitsubishi*"), where Mellor J refused to strike out a claim brought by an administrator of a pool of patents against alleged infringers. In that case, Mitsubishi was one of 10 patentees whose SEPs were pooled and administered by the second claimant, Sisvel (which also owned one SEP in the pool). Infringement was alleged, and the claimants sought to establish that the terms of a pool licence offered by Sisvel were FRAND. Sisvel's patent had been held to be non-essential.

35. The question arose whether, if Mitsubishi established infringement, the FRAND licence that Oneplus/Oppo would take would be limited to its valid SEPs, not a pool licence.

Sisvel had power to grant a pool licence and the defendants argued that it was no longer a proper party to the claim. Mellor J rejected the application to dismiss Sisvel's claim and held that it was arguable that at trial a pool licence would be held to be FRAND and the appropriate licence for the defendants to take. No separate argument was advanced that the other patentees needed to be joined. Tesla say that the conclusion must also work the other way round, so that an implementer can contend that the FRAND licence that it seeks is a pool or platform licence.

36. The only case started by an implementer in which a determination of FRAND terms has been sought in respect of a pool licence (as opposed to worldwide patents of an individual defendant) was *Vestel*. That was a claim by a Turkish implementer of digital TVs and related to SEPs declared in relation to the H.265 (HEVC) video coding standard set by the International Telecommunications Union ("ITU"). The claim was brought against the administrator of an H.265 pool of SEPs, Access Advance, an American corporation that did not itself own any patents, and Koninklijke Philips NV ("Philips"), a Dutch company which owned relevant SEPs. Philips was sued in its own capacity and as representative of all the other patentees in the pool.

37. No claim was made based on the ITU undertaking given by Philips and the other SEP patentees to offer a FRAND licence but Vestel originally claimed a right to a licence on the basis of a tortious breach of article 102 of the Treaty on the Functioning of the European Union (abuse of dominant position). There was no claim for revocation or declarations of invalidity or non-essentiality. The Judge set aside service out of the jurisdiction and declared that the English court had no jurisdiction to hear the claim. He decided that there was no properly arguable claim that Vestel had suffered any loss caused by the allegedly anti-competitive conduct.

38. By the time of its appeal, Vestel had abandoned its article 102 claim and pursued its claim on the basis of the Court's inherent jurisdiction to grant declaratory relief. There was therefore no claim of a legal right to a FRAND licence. The declaration originally sought had been to the effect that the terms of a counter-offer made by Vestel in negotiations with Access Advance were FRAND. On appeal, Vestel sought further declarations in the following 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) alternatively, a declaration as to the terms which are FRAND for the patents within the HEVC Advance patent pool which designates the United Kingdom (alternatively, such patents within that pool as are owned by the Second Defendant)."

39. Accordingly, Vestel sought to base the declarations sought on a putative licence of UK designated patents generally, or Philips' patents specifically, as well as on all the SEPs in the pool. It relied among others on gateway (11) in PD 6B:

> "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."

40. The Judge had rejected the attempted reliance on gateway (11) on the basis that the declaration was sought in relation to the terms of a licence of the pool SEPs, at least 95% of which did not designate the UK. Accordingly, he held, the subject matter of the claim related principally to property outside the jurisdiction. Birss LJ said that he could see the force of that conclusion when the claim was based on a right to a licence for all the SEPs, but on appeal the case was advanced as a claim for declarations about the FRAND terms of a licence under the UK SEPs in the pool, and it was argued that the subject-matter of the claim was wholly UK property. As Birss LJ summarised the case:

> "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."

41. The appeal of Vestel was dismissed on the grounds that (1) there was no legal right being asserted, and accordingly the claim for free standing declaratory relief was not a "claim" within the meaning of gateway (11), and (2) there was no good arguable case for the grant of declaratory relief, given that no claim of entitlement to a licence was being advanced. In the course of considering whether gateway (11) was satisfied, Birss LJ dealt with the argument that the declarations sought related principally to UK property – it being common ground there, as in this case, that UK patents and EU patents that designate the UK are property within the jurisdiction:

> "[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 licence 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 the UK patents in the FRAND licence were only 5% or less of the patents licenced *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 …." [*emphasis added*]

42. The Court of Appeal has therefore endorsed the ability in principle for a claimant to bring a claim in this jurisdiction through gateway (11) based on entitlement to a licence of UK patents, and argue that the licence of those patents that would be FRAND would be a worldwide licence to all the patents. The subject matter of the claim remains the UK patents, even if the great majority of the patents are non-UK.

43. It is important to note that two matters were not addressed in the judgments in *Vestel*. The first is the representative capacity in which Philips was sued: see at [8]. The Court was not concerned with any question of whether the other pool patentees were appropriately represented in the proceedings, or should or could have been sued. The

second, which is connected to the first, is the question of whether declarations could be made, or terms determined, for a licence that would include the SEPs of non-parties, namely the other patentees in the pool. Although the Access Advance pool included the SEPs of many patentees, it is clear from the words emphasised in his para [71] above that Birss LJ was not specifically addressing the question of whether there was a good arguable claim for declarations in relation to the rights of non-parties. *Vestel* was a case in which many objections to jurisdiction were raised by the defendants, but not necessarily all.

44. InterDigital submitted that the dicta of Birss LJ in [71] were *obiter* and wrong in principle. Very strictly, they are *obiter*, because they are not the basis of the decision to reject jurisdiction: they are reasons why, but for the two reasons why there was no jurisdiction, gateway (11) could have been passed through. However, the dicta form part of Birss LJ's careful analysis of the way that licensing claims work and fit within the jurisdictional structure of the CPR. One of the reasons for rejecting jurisdiction depended on the correct interpretation of gateway (11). How a properly grounded claim for the same declaratory relief sought by Vestel would have fared under gateway (11) is therefore a closely connected part of the Lord Justice's reasoning. I note also that Nugee LJ, another judge with considerable experience of jurisdictional issues and formerly a patents judge (even if without the degree of expertise of Birss LJ), agreed with his judgment.

45. Accordingly, unless I am persuaded that Birss LJ was clearly wrong, I should follow his conclusion on this issue. I only have to be satisfied, when addressing gateway (11) in this case, that Tesla has the better of the argument on its application. In any event, with respect, the conclusion of Birss LJ seems to me to be right in principle. It follows and applies the reasoning in *Unwired Planet*. I see no reason why a claimant cannot assert a right to a FRAND licence of certain SEPs and also assert that, in commercial terms, a fair and reasonable licence is either a worldwide licence of the family of patents or even a licence of those and other SEPs in a pool. It means that the claimant will have to overcome the jurisdictional hurdle of showing not only that there is a good arguable case that such a licence would be a (or the) FRAND licence of the UK SEPs, but also that there is a good arguable case for the grant of declaratory relief relating to such a licence. However, that is a different question from the question whether the claimant has the better of the argument that gateway (11) is satisfied on the facts of a given case.

46. On permission to serve out of the jurisdiction, the test remains that restated by Lord Collins of Mapesbury JSC in Altimo Holdings and Investment Ltd v Kyrgyz Mobil Tel Ltd [2011] UKPC 7; [2012] 1 WLR 1804 ("*Altimo*") at [71] , namely: (1) a serious issue to be tried on the merits; (2) a good arguable case that one of the gateways for service out applies; (3) England and Wales is clearly and distinctly the appropriate forum for a trial; (4) in all the circumstances, it is appropriate to permit service of the proceedings out of the jurisdiction.

Tesla's claim

47. Tesla has structured its claim so as to fit within the mould established by previous case law, in particular *Kigen* and *Vestel*. Indeed, the central declarations that it seeks are the same as those that, in *Vestel*, Birss LJ said would have justified a conclusion that gateway (11) was satisfied. The principal declarations sought on the licensing claim are:

> "(5) A declaration that the terms of the [Avanci Licence] in so far as they relate to any patents in the Avanci 5G Pool which designate the United Kingdom are not FRAND and therefore do not comply with the relevant FRAND commitments given under clause 6.1 of the ETSI IPR Policy; alternatively a declaration as to the terms which are FRAND for those patents (alternatively, such patents within that pool as are owned by InterDigital)
>
> (6) A declaration that a FRAND licence covering the Challenged Patents, the InterDigital UK SEP Portfolio, the InterDigital International Portfolio or the portfolio(s) of any and each other Avanci 5G Pool Member (whether examining only United Kingdom patents or more broadly) is a licence (i) between Tesla and Avanci, (ii) that is worldwide in scope and (iii) covers the entirety of the Avanci 5G Pool."

Tesla also claims declarations that the terms of the Avanci Licence are not FRAND and that Avanci is required to enter into a 5G Platform licence with it on terms that are FRAND.

48. The attempt to obtain jurisdiction for these declarations and a determination of FRAND terms to be tried is structured as follows:

    i) In the patent claim, Tesla claims a declaration of invalidity, and revocation, or alternatively a declaration of non-essentiality, in relation to 3 UK SEPs of which IDPH is the registered owner. Those are claims relating to registered rights, within the meaning of rule 63.14, and so Tesla served them on IDPH at the registered address as of right.

    ii) IDH is not the registered owner of the UK SEPs, but is a group company. It has the licensing rights in relation to InterDigital's portfolio of patents. It is the company that gave the ETSI undertaking to offer any willing licensee a FRAND licence of the UK SEPs. Tesla therefore seeks permission to serve out on IDH in relation to the patent claims under gateway (3) or gateway (11): IDH is a proper, if not necessary, party to a claim that the UK SEPs that it licenses are invalid or non-essential, and the subject matter of the claim is UK property.

    iii) Following the *Kigen* approach, Tesla undertakes to take a portfolio licence from Avanci on whatever terms the court determines to be FRAND and seeks to have the licensing claim determined before the patent claims.

    iv) The licensing claim is for declaratory relief and determination of FRAND terms for the UK SEPs and/or InterDigital's UK 5G SEPs as a whole and/or any UK 5G SEPs in the Avanci platform. That is a claim that relates to InterDigital's UK property, as in *Vestel*, and so gateway (11) is satisfied, for the reasons previously explained. There is a claim of right because IDH has given an undertaking to ETSI, which in principle Tesla is entitled to enforce, and so declarations about FRAND terms can properly be granted.

49. The next stage is that it is argued that the only licence that is FRAND as between Tesla and InterDigital is one that is not limited to the UK SEPs, or even a worldwide licence of the InterDigital patent families, but is one that extends to all the 5G SEPs on the Avanci 5G Platform.

i) All the Patentees have the same interest as InterDigital in establishing the FRANDness of the terms of the Avanci Licence that they voluntarily support, and so it is appropriate for them to be represented in this claim by InterDigital. No jurisdictional issue arises as the Court has jurisdiction through gateway (11) against InterDigital, and it is not a requirement of rule 19.8 that the represented parties are within the jurisdiction.

ii) As there is a good arguable claim for relief against InterDigital, both personally and as representative, Avanci can be joined as a necessary or proper party to that claim.

50. Alternatively, if service on InterDigital is set aside, there is a good arguable case against Avanci, which can be pursued through gateway (11).

51. Before considering the challenges raised by the Defendants, it is necessary to summarise the main points raised in Tesla's draft amended Particulars of Claim.

52. There is a convenient summary, at paras 1-6 of the draft, which states that the claim is for declarations that Tesla is a beneficiary of InterDigital's and the Patentees' FRAND commitments to ETSI and has a legally enforceable right to a 5G Platform Licence, and that it wishes to enter into such a licence, but the terms of the Avanci Licence at $32 per vehicle are not FRAND. Relief is claimed to enforce Tesla's contractual right to a 5G Platform Licence, notwithstanding the invalidity claims.

53. Tesla pleads that each Patentee appoints Avanci its licensing agent for its 5G SEPs and agrees that Avanci can grant on its behalf a worldwide joint licence of those SEPs. Each Patentee, or at least each Patentee other than the one that has made a bilateral licence with Tesla, is alleged to have the same interest in the claims for declaratory relief as InterDigital.

54. The basis of the allegations of invalidity (viz obviousness) and non-essentiality are pleaded in section D of the draft amended Particulars of Claim.

55. Tesla pleads entitlement to a licence of InterDigital's international SEP portfolio on FRAND terms, by reason of IDH's FRAND commitment to ETSI and the French law of *stipulation pour autrui*; and similarly as regards all the Patentees. The FRAND licence that it seeks in relation to the patents in suit is defined as worldwide in territorial scope, covering the entirety of the 5G Platform SEPs, and at a significantly lower rate than the Avanci Licence. Tesla undertakes to enter into that licence on whatever terms are determined by the Court, immediately after the first instance decision. (Tesla does not plead as much, but entry into such a licence would of course depend on Avanci being willing and able to grant it at that time.)

56. Paras 57-59 of the draft amended Particulars of Claim (showing the proposed amendments) read:

> "57. As a matter of French law, where an entity that has made a Licensing Declaration either: (i) appoints an agent or representative to enter into or grant licences on its behalf; or (ii) authorises a representative to enter into sublicences on its behalf, <u>the agent or representative is jointly liable (alongside the entity that has made a Licensing Declaration) for any failure</u>

> to effect good faith performance of the FRAND Commitment and, accordingly, the FRAND Commitment is also enforceable by any beneficiary of the FRAND Commitment against and/or through such agent or representative (in addition to the entity that has made a Licensing Declaration).
>
> 58. As explained in paragraphs 21-22 above, the Avanci 5G Pool Members have appointed Avanci as a licensing agent to enter into or grant licences in respect of the Avanci 5G Pool on their behalf. Accordingly, Tesla is entitled to enforce the FRAND Commitment of each Avanci 5G Pool Member, including InterDigital, by seeking a licence from and/or through Avanci covering the entirety of the Avanci 5G Pool.
>
> 59. Tesla has, as pleaded in Section D(ii) above, relied upon and invoked InterDigital's and Avanci's obligation to grant a licence covering the Avanci 5G Pool (and/or the Challenged Patents) on FRAND terms, and has given an unconditional undertaking to take a licence covering the Avanci 5G Pool on such terms as are determined by this Court (see paragraph 44 above). Avanci accordingly ~~owes a contractual~~ has an obligation to effect the good faith performance of the relevant FRAND Commitments by offering and/or granting such a licence."

57. Tesla accordingly pleads that the FRAND Commitment, as it calls it, is enforceable against each Patentee and against Avanci, as their agent, such that Tesla is entitled to a 5G Platform licence on FRAND terms and Avanci is liable to offer or grant one.

58. It is therefore clear, on a fair reading of the pleaded case as a whole, that the real substance of Tesla's claim is the licensing claim, and that Tesla wants only a 5G Platform licence on FRAND terms; and that accordingly, as a matter of obvious inference on the evidence adduced, the patent claims will not be pursued in the event that Tesla succeeds on its licensing claim, unless, perhaps, that licence is not provided to it.

The Defendants' challenges to jurisdiction

59. As previously indicated, just about every point that could be taken by InterDigital was taken by Mr Raphael KC on its behalf. The written and oral submissions were voluminous and wide-ranging. Dr Nicholson KC was able to add more limited arguments, focusing exclusively on Avanci's position. There was some overlap with InterDigital in Avanci's arguments, particularly in relation to *forum conveniens*. Mr Segan KC responded with clarity and vigorously on behalf of Tesla.

60. It is necessary to seek to identify the important issues in InterDigital's challenge and to address them in a logical order. The real issues are the following:

    i) Whether Tesla's patent claim is an abuse of process, such that it should be stayed or struck out;

    ii) If not, whether IDH is a necessary or proper party to that claim;

    iii) Whether there is a good arguable case for declaratory relief being granted against Avanci;

iv) Whether there would be a good arguable case for declaratory relief being granted against InterDigital in relation to the licensing claim, as formulated, apart from the representative character of the proceedings;

v) If not, whether the representative proceedings mean that there is a good arguable case for such relief;

vi) If so (in either case), whether the licensing claim is within gateway (11);

vii) Whether England and Wales is clearly the most convenient forum for the licensing claim to be heard;

viii) Should the Court decline jurisdiction in the exercise of its discretion?

The variety of other arguments and sub-points will be addressed in the course of addressing those issues.

(1) Patent claim: abuse of process?

61. InterDigital argues that the fact that the licensing claim is sought to be heard first, and the commercial realities of the market and the 5G Platform, show that the patent claims are not "real" claims, where there is an intention to pursue them, but that they are being used only to ground jurisdiction, and that this is an abuse of process. In consequence, it contends that the claims as served on IDPH under rule 63.14(2) should be struck out, as serving no proper purpose, and that permission to serve those claims on IDH should be set aside.

62. The claims are for a declaration of invalidity of the 3 UK SEPs, on grounds of lack of inventive step, and revocation in consequence, and alternatively for a declaration that the 3 UK SEPs are non-essential to implementation of the 5G Standard. InterDigital acknowledges that it is not necessary for a claim for revocation to serve any useful purpose beyond the mere challenge to the patent; and that a declaration of invalidity cannot be sought unless combined with a claim for revocation. However, InterDigital argues, it is nevertheless possible, in a particular case, to establish that the prosecution of the claim amounts to an abuse of process on particular facts: TNS Group Holdings Ltd v Nielsen Media Research Inc [2009] EWHC 1160 (Pat); [2009] FSR 23. Bringing a claim with no intention to pursue it can amount to an abuse of process: Alfozan v Quastel Midgen LLP [2022] EWHC 66 (Comm). Pursuing a claim only to obtain a collateral advantage, or to cause vexation or distress, is an abuse: Harlow Higinbotham (formerly BWK) v Teekhungam [2018] EWHC 1880 (QB) at [41].

63. It is alleged that the patent claim is abusive because Tesla has no intention to pursue any part of it in any circumstances, and it serves no proper and useful purpose. Clearly, the patent claims do not have to be pursued in order to determine the licensing claim. But that is often so where alternative claims are brought, or where an issue in a claim is an obviously sensible preliminary issue. InterDigital further argues that, in the event that Tesla achieves its determination on the licensing claim, there will be no patent claim, if Avanci offers Tesla a licence on court-determined terms. That is obviously so. But it does not address what happens if the licensing claim does not or cannot proceed, or if it does proceed but various declaratory relief is refused, or if a licence from Avanci (which contends that it is not bound by any obligation to grant a platform licence) is not

forthcoming after judgment. This may be unlikely to arise, as Tesla frankly recognises in its evidence; but that does not mean that it will not arise in any circumstances.

64. Even if the need for the patent claim could theoretically arise, InterDigital argues that there is no explanation from Tesla about the circumstances in which it would be commercially viable to pursue a technical challenge to 3 SEPs owned by it. There are over 170,000 declared 5G SEPs on the Avanci platform, including 598 patent families in the InterDigital portfolio alone. There is no evidence from Tesla that the 3 patents in suit are of particular significance to the 5G standard. Any benefit to Tesla in pursuing the claim in any circumstances would therefore be minimal or non-existent.

65. I see the force of these arguments, but I am not persuaded that the bringing of the patent claim is an abuse of process. An issue about validity of UK patents and the contingent need for a licence to use them is a real issue that the court will entertain. The two go together, even in a case where, as in *Kigen*, the implementer begins the claim and then elects to take a licence rather than fight the technical issues. It would be a strong thing to strike out a claim for revocation as an abuse of process, in view of the established position that no proper motive or commercial interest for such a claim need be shown; and the revocation claim and invalidity claim should be regarded as one. There can be no argument that the patent claim was "not real" in the sense of its being a sham because Tesla has designedly brought the patent claim because it enables it to seek to claim a licence in the alternative. That is by now a conventional approach for an implementer to take, and not one that I will hold to be abusive.

66. As to the particular facts of this case, it is only possible to deduce that it is unlikely that Tesla would pursue the patent claim. Self-evidently, if all goes well for Tesla with the licensing claim, it will not be necessary. But if the licensing claim cannot be pursued in a jurisdiction that will entertain worldwide FRAND rate-setting, Tesla might see things differently. Further, if the Court were to entertain the licensing claim and decide that the FRAND rate for a 5G Platform licence was (say) $16, it does not follow that Avanci will offer such a licence. Avanci might not be able to reach agreement with the Patentees; the platform might break up; licensing at that rate might be uncommercial for Avanci. What then for Tesla? This is not speculation but merely an indication that there may be circumstances – however unlikely they now appear – in which Tesla might see fit to pursue patent challenges, including in relation to the 3 UK SEPs of InterDigital. I do not regard the fact that Tesla has produced no clear evidence to that effect as surprising, or determinative: one would not expect Tesla now to be able to say what it would probably do at a future date, in uncertain circumstances.

67. The fact that the patent claim might be said to be inconsistent with the licensing claim, in that a licence is sought for allegedly invalid SEPs, may be forensically appealing but in reality it is not a point of substance. The reason is that the desire for a FRAND platform licence is commercial pragmatism on the part of Tesla: there may be thousands of invalid or non-essential patents among more than 170,000 SEPs (see *Unwired Planet* at [60]) but commercial sense is to take a platform licence, if available on fair and reasonable terms, rather than waste time and money contesting validity or essentiality. In those circumstances, taking the alternative claims in what might be said to be logically the wrong order is justifiable.

68. I therefore reject the argument that the patent claim is an abuse of process. It was validly served on IDPH as the registered owner of the patents in suit pursuant to rule 63.14(2).

(2) IDH and the patent claim

69. The obvious defendant to the patent claim is IDPH, which is the registered owner. It is generally accepted that a revocation claim must be brought against the registered owner.

70. As I have held, the claim against IDPH is a real claim, not an "unreal" one. The issues of obviousness and non-essentiality are therefore issues that it is reasonable for the court to try, even if it is not reasonable in the circumstances of Tesla's licensing claim to try it before the determination of the alternative licensing claim, if Tesla is able to pursue that claim. Case management issues of this kind do not affect the application of gateway (3), which requires only that there is a real issue that it is reasonable for the court to try.

71. Given that there is such an issue, namely the allegations of obviousness and non-essentiality, the remaining question is whether IDH, as the licensing company in InterDigital that made the ETSI declaration in relation to the patents in suit, is a necessary or proper party to the trial of those claims.

72. It seems to me to be indisputable that IDH is at least a proper party to the claims, though not a necessary party to the revocation claim, on the basis that IDH was the company that made the declaration of essentiality to the 5G standard to ETSI in relation to the 3 SEPs and undertook to grant FRAND licences to willing licensees. While the revocation claim would be properly constituted with only IDPH as defendant, one would expect IDH to be the substantive defendant: it is the company commercially interested in the claim; and it is likely to have the relevant documents to disclose, as the company that assessed essentiality and made the ETSI declaration.

73. There is no challenge (other than as to the genuineness of the claim) to there being a serious issue to be tried on the allegations of invalidity or non-essentiality of the 3 UK SEPs, and the appropriate forum for those claims can only be England and Wales. Accordingly, permission was properly given for the patent claim to be served on IDH out of the jurisdiction.

(3) Is there a serious issue to be tried against Avanci?

74. I address in this section the question of whether there is a serious issue to be tried against Avanci for the declaratory relief sought in the licensing claim. I ignore for these purposes the fact that InterDigital is a co-defendant. The question of whether, if InterDigital is properly sued, Avanci can be joined as a necessary or proper party to that claim is a different matter.

75. Tesla started its claim with a pleaded case that Avanci, as the agent of the Patentees, was bound by their ETSI undertakings and so obliged to grant it a FRAND licence of the 5G Platform SEPs. That case, based on advice given to Tesla's lawyers about French law, fell away during the course of the exchanges of expert evidence leading to the hearing. In the draft amended particulars of claim it has been deleted from paragraph 59 (see at [54] above).

76. Instead, there is now a pleaded case that Avanci, as an appointed agent, is jointly liable for "any failure to effect good faith performance of the FRAND Commitment" – which is the performance by the Patentees. At best, therefore, there may be a contingent claim for any involvement by Avanci in culpable failures by the Patentees to grant FRAND

licences in good faith. No such culpable failure or absence of good faith is pleaded, nor is any loss resulting from any failure to act in good faith. Although Tesla still claims a declaration (declaration (8)) that Avanci is "required" to enter into a 5G Platform licence on the terms determined by the Court to be FRAND, no independent basis (apart from the ETSI declarations of the Patentees) on which Avanci is so "required" is identified by Tesla.

77. The contingent possibility of a remedial claim in respect of loss following a failure by the Patentees to grant a FRAND licence is, however, too remote to form a proper basis for Avanci to be sued for the declaratory relief now sought. Nor does it support a claim to declaration (8), as worded. There is no real and present dispute between Tesla and Avanci about a legal right, even though Avanci is commercially interested in the answer to the questions raised.

78. Mr Segan KC for Tesla submitted that in any event it mattered not that there was no legal right in issue as between it and Avanci. He argued that it was sufficient that there was a legal right as between Tesla and InterDigital and the Patentees, by which Avanci was directly affected; and that the test was therefore only whether the declarations sought serve a useful purpose, so far as Avanci is concerned.

79. I accept that if the claim against InterDigital goes forward, there is a compelling case for joining Avanci as a necessary and proper party, whose business interests are directly affected by the relief sought. The declarations do in those circumstances serve a useful purpose, which Avanci did not seek to dispute at this stage: it wishes to be a party to that claim. But the question here is whether there is a serious issue to be tried against Avanci alone. In my judgment, there plainly is not. The claim would be a free standing FRAND claim, as in *Vestel*. If Tesla were right about its claim against Avanci, the claim against Access Advance would have been permitted to proceed in *Vestel*, on the basis that Philips and the other patentees in its pool had given FRAND undertakings to ITU.

80. Accordingly, I reject the argument that there is a serious issue to be tried against Avanci for declaratory relief that is not dependent on Tesla's claim against InterDigital. Avanci can in principle be joined as a necessary or proper party to that claim if there is a real issue between Tesla and InterDigital that it is reasonable for the court to try. Gateway (3) cannot be used where the real dispute is between the claimant and the party sought to be joined. The case against InterDigital has to be considered in isolation first, on the assumption that there is no joinder, including the question of whether the claim against InterDigital serves a useful purpose: Erste Group Bank AG v JSC 'VMZ Red October' [2015] EWCA Civ 379; [2015] 1 CLC 706 at [38], [48].

81. I now turn to that claim.

(4) Is there a serious issue to be tried against IDH on the licensing claim?

82. There are various aspects to this question, in addressing which I disregard for now the fact that IDH has been sued in a representative as well as a personal capacity.

83. The first aspect is whether there is a legal right in issue that justifies the claim for declaratory relief, to which the obvious answer is: yes, so far as IDH is concerned. Even though Tesla does not seek specifically to enforce IDH's contractual obligation in French law, the ETSI undertaking is the legal standard by which Tesla's claim about the terms

of a FRAND licence is to be measured. Tesla indeed seeks a declaration that it is a beneficiary of IDH's undertaking. I doubt that that right can be seriously disputed, given the undertaking that Tesla has given in its Particulars of Claim to take a licence on whatever terms are determined by the Court to be FRAND, though InterDigital formally reserved its position in this regard.

84. It cannot be said in this case, as was said in *Vestel*, that the declarations are being sought devoid of any appropriate standard against which to measure the claim, or that the licence claim is free standing. As explained in *Vestel*, it is not necessary for there to be a separate cause of action to justify the proceedings for declaratory relief, just a legal right by which the claim can be judged.

85. The next aspect is whether any of the declaratory relief sought against IDH serves a useful purpose. This was really the focus of IDH's challenge in the hearing, and it is closely related to the third aspect: will the court grant declarations about the Avanci Licence in the absence of the other Patentees and Avanci?

86. As noted above, the draft amended particulars of claim contain (as did the Particulars of Claim, as served) an assertion of Tesla's right to a licence of InterDigital's 5G SEPs and the other Patentees' 5G SEPs, pursuant to their ETSI undertakings; and to a 5G Platform licence of the entire portfolio of 5G SEPs from Avanci: see [50], [53] and [54] above.

87. As regards the principal declarations claimed by Tesla (declarations (5) and (6)), these closely follow the declarations sought by amendment in the Court of Appeal in *Vestel*, which Birss LJ considered would have sufficed to give the English court jurisdiction. InterDigital does not contend that the argument that the Avanci Licence terms are not FRAND is hopeless, or that it is hopeless to argue, based on commercial practice, that a FRAND licence of the patents in suit, or InterDigital's UK SEP portfolio, would be a worldwide licence that covers the whole platform portfolio. Its attack is that there is no properly arguable case that the Court would grant declarations to that effect in proceedings between Tesla and InterDigital, because they would serve no useful and legitimate purpose and/or would be inappropriately granted against one only of the Patentees. The argument is accordingly one that the claim cannot be brought against IDH alone, rather than that the relief sought is not seriously arguable in substance.

88. InterDigital also tried to argue that the claim was premature, but that was hopeless, in general, in view of confidential evidence provided by Tesla about its business plans. (InterDigital may, however, have a point about the prematurity of one of the subsidiary declarations sought, viz declaration (7).)

89. The Court's jurisdiction to make declarations does not depend on there being a cause of action against the defendant, but it does depend on the declarations performing some useful purpose in relation to the rights in issue. The modern law was summarised by Aikens LJ in Rolls-Royce plc v Unite the Union [2010] 1 WLR 318 at [119]-[120]:

> "119 The grant of a declaration is discretionary. The law has developed since the statement of principle by Lord Diplock in the leading case of *Gouriet v Union of Post Office Workers* [1978] AC 435, 501, where Lord Diplock stated:
>
> 'For the court to have jurisdiction to declare any legal right it must be one which is claimed by one of the parties as enforceable against an adverse

> party to the litigation, either as a subsisting right or as one which may come into existence in the future conditionally on the happening of an event.'

I have looked again at *Gouriet's* case, the decision of this court in *Meadows Indemnity Co Ltd v Insurance Corpn of Ireland plc* [1989] 2 Lloyd's Rep 298; *In re S (Hospital Patient: Court's jurisdiction)* [1996] Fam 1; *Feetum v Levy* [2006] Ch 585 and, most recently, *Office of Fair Trading v Foxtons Ltd* [2009] 3 All ER 697, as well as the decisions referred to in Wall LJ's judgment. There is no doubt that the circumstances in which the court will be prepared to grant declaratory relief are now considerably wider than they were thought to be after *Gouriet* and *Meadows*. In the words of Jonathan Parker LJ in *Feetum v Levy* [2006] Ch 585, para 82:

> 'things have indeed moved on since the *Meadows* case was decided; and … the courts should not nowadays apply such a restrictive meaning to the passage in Lord Diplock's speech in *Gouriet's* case.'

120 For the purposes of the present case, I think that the principles in the cases can be summarised as follows.

(1) The power of the courts to grant declaratory relief is discretionary.

(2) There must, in general, be a real and present dispute between the parties before the court as to the existence or extent of a legal right between them. However, the claimant does not need to have a present cause of action against the defendant.

(3) Each party must, in general, be affected by the court's determination of the issues concerning the legal right in question.

(4) The fact that the claimant is not a party to the relevant contract in respect of which a declaration is sought is not fatal to an application for a declaration, provided that it is directly affected by the issue; (in this respect the cases have undoubtedly "moved on" from *Meadows*).

(5) The court will be prepared to give declaratory relief in respect of a "friendly action" or where there is an "academic question" if all parties so wish, even on private law issues. This may particularly be so if it is a "test case", or if it may affect a significant number of other cases, and it is in the public interest to decide the issue concerned.

(6) However, the court must be satisfied that all sides of the argument will be fully and properly put. It must therefore ensure that all those affected are either before it or will have their arguments put before the court.

(7) In all cases, assuming that the other tests are satisfied, the court must ask: is this the most effective way of resolving the issues raised? In answering that question it must consider the other options of resolving this issue."

90. The words "directly affected" in sub-para (4) above reflect the decision in *Feetum v Levy*, cited in para 119 of the judgment, where Jonathan Parker LJ said, at [81], in justifying the making of declarations in favour of members of an LLP who were affected by the appointment of a receiver:

> "Accordingly the instant case is, in my judgment, one where the claimants, as designated members, are not merely directly interested in the issue as to the validity of the appointment, but directly affected by it."

91. CPR rule 40.20 states that the court may make binding declarations whether or not any other remedy is claimed. In noting that, Neuberger J stated in Financial Services Authority v Rourke (trading as JE Rourke & Co) [2002] CP Rep 14, at 18:

> "It seems to me that, when considering whether to grant a declaration or not, the court should take into account justice to the claimant, justice to the defendant, whether the declaration would serve a useful purpose and whether there are any other special reasons why or why not the court should grant the declaration."

92. In Milebush Properties Ltd v Tameside Metropolitan Borough Council [2011] EWCA Civ 270, a case concerned with the effect of a planning obligation made by deed pursuant to s.106 of the Town and Country Planning Act 1990, Moore-Bick LJ said at [88]:

> "In my view the authorities show that the jurisprudence has now developed to the point at which it is recognised that the court may in an appropriate case grant declaratory relief even though the rights or obligations which are the subject of the declaration are not vested in either party to the proceedings. That was certainly the view of the court in In re S and it is also the clear implication of the observations in Feetum v Levy and the Rolls-Royce case that things have moved on since Meadows. In the Mercury case it was not considered relevant that BT had rights under the licence and it was no bar to the proceedings that Mercury did not. To that extent the position is mirrored in this case, in which Tameside has obligations under the agreement but Milebush has no rights. I can see no reason in principle why the nature of the underlying obligation should be critical, although there may well be other reasons why in the particular case a declaration should not be granted. *The most important consideration is likely to be whether the parties have a legitimate interest in obtaining the relief sought, whether to grant relief by way of declaration would serve any practical purpose and whether to do so would prejudice the interests of parties who are not before the court.*"
> (emphasis added)

Although Moore-Bick LJ dissented on the question of whether judicial review was the appropriate remedy, his observations on the breadth of the jurisdiction to grant declarations was consistent with the majority judgment of Mummery LJ.

93. InterDigital argued that the declarations sought will serve no practical purpose, because it is in no position to grant a licence of the 5G Platform SEPs, which is the only licence that Tesla seeks; and it has insufficient influence with Avanci under the terms of the MLMA to seek to modify the terms on which Avanci chooses to offer its licences. A declaration by which only IDH is bound that a FRAND licence of InterDigital's UK patents would be a 5G Platform licence would have no effect, so far as Tesla's entitlement vis-à-vis the Patentees or Avanci is concerned. Similarly, a determination of FRAND terms of a 5G Platform licence would not bind the Patentees or Avanci to license Tesla on those terms.

94. However, InterDigital did submit, in support of its argument that the patent claims were not real, that if FRAND terms of the Avanci 5G Platform licence were determined by the Court it is likely that the Patentees would approve the grant of a licence by Avanci on

those terms. So it recognises that there would probably be practical consequences to such a determination, even if others are not legally bound by it.

95. InterDigital's case is that the licensing claim should never have been issued against it, as all that Tesla seeks is a 5G Platform licence from Avanci, not a bilateral licence: only Avanci could grant the licence sought. InterDigital complained that it had been picked on, as a defendant to this claim, without any justification (as it had not threatened any proceedings against Tesla) or a good reason, and without any warning in pre-action correspondence. Further, it submitted, Avanci is properly representative of all the Patentees, but IDH is not.

96. Avanci, however, argues that the claim against it has no reasonable prospect of success because it is not bound by any undertaking to ETSI and the Patentees' undertakings cannot be enforced against it. Although it does in fact (it says) offer the Avanci Licence on FRAND terms, it is not obliged to do so.

97. It seems to me that Tesla has a legitimate interest and that there is justification for seeking the declaratory relief that it seeks. If no such claim can be brought, the rate set by Avanci may not be capable of effective challenge in a FRAND determination. The Avanci Licence is how, in practice, the 5G SEP Patentees grant licences, and how implementers such as Tesla pragmatically operate their businesses. As InterDigital accepts, if the Court were to determine that (say) US$24 per vehicle was a FRAND rate, so as to bind it and Avanci, the Patentees would be likely to agree to offer that rate. It cannot therefore be said to be pointless to make the declarations sought just because Avanci is not obliged to grant Tesla a licence.

98. Whether it is fair and just to grant the declarations as sought in the absence of the owners of the 5G SEPs and Avanci is quite another matter, however. The other Patentees will not have had the opportunity to put their cases on whether a FRAND licence of the patents in suit, or of InterDigital's UK SEPs, would include a worldwide licence of all their 5G SEPs, or what rate is FRAND. It is not easy to see how InterDigital could properly advance those cases, and it is unlikely that the Court will make declarations of right capable of affecting adversely numerous parties who are not before the Court.

99. Another weighty objection raised by InterDigital concerns how it alone could properly defend the claim. The Court will not realistically be able to determine whether $32 is a FRAND rate, and if not what rate is FRAND, without access to licence agreements made by the Patentees and information about value of their portfolios and revenue streams, which only the Patentees and Avanci have. As InterDigital submitted, in reliance on the evidence of Ms Brodie at paragraph 45 of her 2nd witness statement dated 8 March 2024, it is in no position to assess the value of other Patentees' portfolios, or provide the relevant comparable licences (or even the Avanci Licences that have been granted to licensees), and confidentiality and anti-trust issues in the US might well prevent it from obtaining the necessary documents.

100. FRAND licensing claims are heavy, complex cases, in which the court values licences of (often) a large number of SEPs, either on the basis of market evidence of comparable licences or on a "top down" basis, starting with an assessment of the value of the portfolio. The Court and any expert valuers would need access to relevant licences granted by all Patentees and documents relating to their portfolios in order to perform the valuation exercise. It would also need evidence relating to market practice in order to

determine the proper extent of a FRAND licence. IDH alone could not supply this information.

101. The exercise might be possible if Avanci were also a defendant, as it acts as the agent of the Patentees in connection with the licensing of the 5G SEPs and will have many of the relevant documents; but Tesla has no claim of right against Avanci.

102. Ignoring the representative capacity in which IDH is sued, therefore, I would conclude that there is no serious issue to be tried against it for the grant of the declarations sought, or the determination of a worldwide rate.

103. The same conclusion will be reached even if, as Tesla argued, it has validly served its licensing claim on IDPH under rule 63.14(2) (which InterDigital disputed, on the basis of a restrictive interpretation of that rule and its purpose). There is no real prospect of the Court being able and willing to make FRAND declarations against IDPH alone. That means that IDH and Avanci cannot be joined as necessary and proper parties by this means. I would have held that the claim to a FRAND licence of the patents in suit, in the alternative to the patent claim, was a claim relating to those registered rights, within the meaning of rule 63.14(2); but it takes Tesla no further, because a licensing claim against IDPH alone would be struck out, on the basis that it cannot effectually be tried and that declarations relating to the interests of 65+ non-parties would not be made.

(5) Is there a serious issue to be tried against InterDigital as representative of the Patentees?

104. This issue too raises a number of separate questions:

i) First, does use of the representative procedure in CPR rule 19.8 cure the problem that there is no good arguable case owing to the absence of the Patentees and Avanci?

ii) Second, are the requirements of the rule – in particular the requirement of multiple persons having "the same interest in the claim" – met in this case?

iii) Third, is it appropriate to use the representative rule where the represented parties are outside the jurisdiction of the court and could not otherwise be sued?

iv) Fourth, if those questions are answered in favour of Tesla, should the court decline to direct that InterDigital act as representative in this claim for other reasons?

105. The effect of suing IDH as representative of the Patentees is that the Patentees would be bound by the outcome of the claim and any declarations made, and that the Order made by the Court at the conclusion of the proceedings could be enforced against them (if necessary), but only with the permission of the court: rule 19.8(4)(b). The represented Patentees do not, however, become parties to the claim, and so are not required to plead a defence or disclose material documents. They are not, indeed, amenable to any orders that the court may wish to make in managing the claim.

106. The purpose and effect of the representative parties rule was reviewed in detail by the Supreme Court in Lloyd v Google LLC [2021] UKSC 50; [2022] AC 1217 ("*Lloyd v Google*"). The rule was described as a broad and flexible tool of convenience, originating

in the procedure of the Court of Chancery, and used as a means of ensuring that all those interested in a suit were bound by the outcome, even if not able to be joined to the proceedings. The rule is therefore a means of determining the rights of others who are not parties to a claim, which may include parties to different claims, where the same issues arise.

107. There was held in *Lloyd v Google* to be no reason why claims for declaratory relief cannot be brought against a representative defendant. Representation does not depend on consent or even knowledge on the part of the represented persons. The important criterion, explained by Lord Leggatt, is that there is community of interest between the representative and the represented persons:

> "71. The phrase 'the same interest', as it is used in the representative rule, needs to be interpreted purposively in light of the overriding objective of the Civil Procedure Rules and the rationale for the representative procedure. The premise for a representative action is that claims are capable of being brought by or against a number of people which raises a common issue or issues: hence the potential and motivation for a judgment which binds them all. The purpose of requiring the representative to have the same interest in the claim as the persons represented is to ensure that the representative can be relied on to conduct the litigation in a way which will effectively promote and protect the interests of all the members of the represented class. That plainly is not possible where there is a conflict of interest between class members, in that an argument which would advance the cause of some would prejudice the position of others…..
>
> 72. As Professor Adrian Zuckerman has observed in his valuable book on Civil Procedure, however, a distinction needs to be drawn between cases where there are conflicting interests between class members and cases where there are merely divergent interests, in that an issue arises or may well arise in relation to the claims of or against some class members but not others. So long as advancing the case of class members affected by the issue would not prejudice the position of others, there is no reason in principle why all should not be represented by the same person: see *Zuckerman on Civil Procedure: Principles of Practice* 4th ed (2021), para 13.49. As Professor Zuckerman also points out, concerns which may once have existed about whether the representative party could be relied on to pursue vigorously lines of argument not directly applicable to their individual case are misplaced in the modern context, where the reality is that proceedings brought to seek collective redress are not normally conducted and controlled by the nominated representative, but rather are typically driven and funded by lawyers or commercial litigation funders with the representative party nearly acting as a figurehead. In these circumstances, there is no reason why a representative party cannot properly represent the interests of all members of the class, provided that there is no true conflict of interest between them."

Ultimately, the Court has to be satisfied that the representative can fairly and honestly try the matters in issue on behalf of the represented persons.

108. Use of the representative procedure removes one of the objections to the claim for declaratory relief against IDH alone, in that all the Patentees would be bound by the

outcome, so far as the UK courts are concerned. If and to the extent that there is no conflict of interest between any of them and IDH, their arguments would be heard, for the reasons given by Lord Leggatt in [72]. However, a judgment given on a representative basis may well not bind the Patentees so far as foreign courts are concerned, as there will have been no judgment against the Patentees and no issue decided in a claim to which the Patentees were parties.

109. Use of the representative procedure does not, however, remove the practical difficulty of conducting a FRAND licensing trial without the relevant parties before it. As the Patentees are not parties, InterDigital could only obtain information from them with their cooperation, or by making non-party disclosure applications for what is likely to be confidential and sensitive material. It is clear that InterDigital does not want to be involved in this litigation and it may be assumed that the Patentees are equally unenthusiastic. It cannot be assumed that they will willingly cooperate with InterDigital to make the FRAND rate-setting trial effective. Tesla did not really explain, either in Dr Hopewell's reply evidence or in submissions, why or on what basis I can be confident that the practical difficulties that InterDigital has identified are insubstantial or wrong.

110. Any conclusion that the declarations sought will serve a useful purpose therefore has to be qualified by reference to the risk that the trial will not be conducted effectively, and that enforcement outside the UK, where the substantial majority of the Patentees are resident and conduct their businesses, may be problematic or impossible.

111. At first blush, it appears that InterDigital and the Patentees have the same interest in the claim. They are all licensors of 5G SEPs who have agreed with Avanci to allow it to grant a platform licence of their SEPs; they have all given FRAND undertakings to ETSI. That led to Avanci selling Avanci Licences for $32 per vehicle, from which revenue Avanci makes distributions to each Patentee according to the terms of the MLMA and any individual agreements made with them. No Patentee knows the terms agreed with other Patentees save to the extent set out in the MLMA. It may therefore be the case that some of the Patentees have agreed additional terms with Avanci; nevertheless, all of them seem to have the same interest in having their revenue stream maintained and therefore in resisting Tesla's claim that the rate should be much lower than $32.

112. InterDigital submitted that the interests of Patentees are, however, very different, and that these differences include conflicts of interest between them. InterDigital is a pure licensor, but other Patentees manufacture and sell equipment that utilises cellular connectivity, and some of these manufacturers compete with each other. Some are said to be net licensees rather than net licensors, and therefore potentially with an interest aligned with Tesla rather than InterDigital. One Patentee already has a bilateral licence with Tesla. Some Patentees are licensees of InterDigital and some have been in dispute with InterDigital. Some Patentees, including three out of the largest ten SEP owners, operate their own bilateral licensing programmes. Some of these may conclude that they do not wish to stay as Avanci platform members. Some Patentees are suggested to have different views about whether FRAND obligations apply to the Avanci platform. In these circumstances, so the argument went, there would inevitably be conflicts of interest between InterDigital and some of the Patentees.

113. The evidence of actual conflicts of interest was rather thin, but perhaps unsurprisingly so, given the confidentiality of much of the information concerning the arrangements of the Patentees and Avanci. I am not convinced, on this evidence, that there exists an actual

conflict of interest in relation to the defence of Tesla's claim – InterDigital did not identify a single Patentee with which it had a conflict of interest relating to the defence, as distinct from a difference in position more generally or a dispute on a different matter. However, it is easy to see that there could easily be a conflict of interest between InterDigital and one or more of the Patentees (apart from the one already identified that has agreed a bilateral licence with Tesla). I cannot determine now that there is or will be no conflict of interests.

114. Accordingly, if the representative proceedings were allowed to continue, it would need to be on the basis that each of the Patentees was notified of the proceedings, provided with the claim form and pleadings, and given a right to apply to opt out of being represented by InterDigital, on sufficient cause being shown. That would not, of course, entitle a Patentee to opt out of the proceedings entirely: that would undermine the useful purpose served by the declarations sought. If that were possible, a large number of the Patentees might elect to do so. It would be on the basis that by opting out they elected to become a self-represented defendant: see, e.g., Aer Cap Ireland Ltd v AIG Europe SA [2023] EWHC 96 (Comm); [2023] 1 WLR 2448.

115. As previously noted, (a) most of the Patentees are outside the jurisdiction of the Court, and (b) it is not proven that each of them has UK or UK-designated 5G SEPs. Were any overseas Patentee to be joined as a defendant to this claim, there would therefore be a requirement to obtain permission to serve them out of the jurisdiction. Without the ability to rely on gateway (3), based on there being an existing claim against IDH that the Court should try, it might not be possible to establish a gateway against a Patentee without UK patents in its portfolio. The question therefore arises whether, as a matter of principle, a foreign defendant can be sued in a representative action without it being established that permission to serve out would have been granted.

116. This question was touched on in Irish Shipping Ltd v Commercial Union Assurance Co plc (The Irish Rowan) [1991] 2 QB 206 ("*The Irish Rowan*"). In that case, representative proceedings were approved against 77 underwriters who each had a separate contract with the assured, many of whom were domiciled in Belgium. Staughton LJ said at p.228A-C:

> "A separate point was argued by Mr Pollock, that a representative action should not be permitted so as to allow a plaintiff to by-pass Order 11, where some of the class could not be served here as defendants. We were told that this point appears not to have been taken before.
>
> Ord. 15, r. 12 contains no requirement that the members of a class represented by a defendant should all be capable of being served within the jurisdiction. Furthermore it confers a discretion, by the words 'unless the court otherwise orders', to discontinue the representative aspect of the action. And there is always a discretion to hold that some other forum is more appropriate. So I do not consider that a representative action is necessarily inappropriate whereas some of the class represented by a defendant cannot be served here."

It had however been conceded by counsel for the representative defendant that the other underwriters were amenable to service out of the jurisdiction by the "necessary or proper party" gateway.

117. In that context, what Staughton LJ decided was that persons to be represented by a defendant did not need to be persons who could be served within the jurisdiction. What the position would have been if the persons could not have been served outside the jurisdiction either was not considered. I am unaware of it having been decided in any case, possibly because no one has previously sought to argue that a putative defendant who is not amenable to the jurisdiction could be bound by a decision of a UK court. The question is particularly acute where, as I consider to be the case here, the claim is only a proper claim for the court to try if those persons are represented and capable of being bound by the decision.

118. It seems to me to be likely to be jurisdictional overreach in most cases for representative proceedings to be used to bind a person who could not have been sued in the courts of this country. In any case where joinder of that person was necessary, there would be a gateway for service out, assuming that there is a real issue that it is reasonable for the court to try against the anchor defendant. However, where there is no such issue to be tried, the representative procedure is being used to provide the bootstraps by means of which the claim can proceed.

119. It would have the following consequence. If the claim were to proceed as a representative claim, any represented person who identifies a conflict of interest could only fully protect its interests by electing to become a co-defendant, thereby submitting to the jurisdiction and thereby being bound by a decision that is fully enforceable against it as of right. True it is that the represented party could then (subject to the court's discretion) be joined under gateway (3), but that only serves to underline the significant jurisdictional effect of the representative proceedings in this case. Given that I cannot be satisfied that no conflict of interests exists or will exist between IDH and the Patentees, there is a real likelihood of represented persons being put in a position of choosing between having their interests inadequately represented and submitting to the jurisdiction.

120. In any event, I am unpersuaded that using IDH as a representative defendant to this licensing claim will work satisfactorily in the absence of Avanci as a defendant to the claim, owing to the difficulty for InterDigital in defending the global rate-setting claim without all the information and documents that it needs in order to do that. It would require positive cooperation from the represented parties, and it cannot be assumed on the facts of this case, given the complexities of the FRAND licensing trial, that there would be such cooperation. As explained above at [78], whether there is a real claim against InterDigital that the court should try must be determined without reference to the possibility of joining Avanci under gateway (3).

121. For similar reasons, it also appears to me to be unfair to cast upon IDH the cost and responsibility of conducting such a trial, as representative of 65+ other Patentees, at least in the absence of Avanci. In this respect, it is material that IDH has not threatened proceedings against Tesla, that no particular reason has been given for selecting IDH as representative that would justify its being given that burden, and that the pre-action protocol was not complied with by Tesla. The first that InterDigital knew about being sued by Tesla was on receipt of the claim form.

122. A further point is that Tesla did not explain how the one party with which it has made a bilateral licence agreement was to be bound by these proceedings. It is one of the Patentees and so has an interest in the terms of the Avanci Licence, or any different

FRAND rate set for a 5G Platform licence, but it is not a party or to be represented by IDH.

123. It may seem odd that a claim which Tesla has a legitimate interest in pursuing and which would in principle serve a proper purpose cannot be pursued here. The conclusion that it cannot has given me some concern. It would be very odd indeed if Tesla could not obtain a decision on its claim in any jurisdiction that is reasonably suitable. However, all Defendants agree to submit to the jurisdiction of the Delaware Court of Chancery. Neither that court nor this has yet embarked on a global rate-setting exercise for a pool or platform licence. There is no reason to believe that either court would decline to do so if the necessary parties were represented before it. The agreements between Avanci and the Patentees and the nature of the 5G Platform and the Avanci Licence appear to make this case suitable. I address this further under *forum conveniens*, below. I do not therefore feel compelled to reach a decision contrary to principle in order to provide a forum for the claim.

124. I will therefore direct that the proceedings may not be pursued by Tesla against IDH on a representative basis. For the reasons that I have given, there is therefore no serious issue to be tried for the declaratory relief and FRAND determination against IDH alone.

125. In view of my conclusions so far, the remaining issues of the applicable gateways and *forum conveniens* are unnecessary for my decision, but I will explain the conclusions that I would have reached had I concluded that there was a serious issue to be tried.

(6) Gateway (11)

126. Following *Vestel*, Tesla understandably argued that the form of declarations that it seeks, based on the patents in suit and/or InterDigital's UK SEPs, pass through this gateway, for the reasons explained by Birss LJ in *Vestel* at [71].

127. I would have had no hesitation in following this reasoning, so far as IDH is concerned, had I found there to be a good arguable claim. That claim is or includes a claim to a licence of the UK 5G SEPs of InterDigital. Although it is then contended that the licence that is FRAND is a more extensive licence than one limited to those patents, the claim is nevertheless one relating to UK property. Or at least, on the basis of *Vestel*, Tesla clearly has the better of that argument, as things stand.

128. In my judgment, the fact that a licence for SEPs of other Patentees as well as InterDigital's SEPs is said to be FRAND does not change the analysis. It means that Tesla takes on the burden of proving that case, both in commercial terms and on whether there is a serious issue to be tried on the declarations sought without joining those Patentees; but if it does prove it, there is no distinction in principle between *Vestel* and this case. The remedy may be more extensive than the right sued upon.

129. The claim against Avanci would not have passed through gateway (11), as it was not based on a legal claim against it that relates to UK property. It is a claim that relates to its alleged duties as agent of the Patentees. But that would not matter, as gateway (3) would have been applicable in the event that there was a good claim against IDH.

(7) *Forum conveniens*

130. The burden lies on Tesla to show that England and Wales is clearly the appropriate forum. The only forum suitable for the patents claim is England and Wales and, to date, only the courts of China and England and Wales have actually engaged in worldwide FRAND licence rate-setting. These are two obvious pointers towards this Court, however the residence and business centres of all the parties, the administration of the Avanci 5G Platform and the proper law of the MLMA all point towards the US. The proper law of the ETSI undertaking given by IDH is French law.

131. I accept that the right way to characterise the claim as a whole is as a licensing claim about FRAND terms for a worldwide licence of the 5G SEPs. There is no real dispute about contractual rights and there is no infringement claim. Although there is a patent claim, it is (at Tesla's election) relegated to a second stage of the proceedings, which may well not be needed. Where an implementer starts proceedings such as this and undertakes to take a licence on FRAND terms, they cannot expect the proceedings to be characterised as a dispute about UK patents, unless the claim was issued in response to a threat of an injunction.

132. The Defendants contend that the courts of the US are an available forum for a licensing claim. In particular, InterDigital and Avanci agree that the Delaware Court of Chancery is a suitable court, given that all the parties are incorporated in the State of Delaware, and they have agreed not to object to the jurisdiction of that court to hear Tesla's claim.

133. The subtlety about that submission, however, is that the Defendants will not agree to that court conducting a worldwide rate-setting exercise, and will defend the claim on any basis available to them, other than jurisdiction. That includes seeking to maintain that the court should not proceed to determine a worldwide FRAND rate for the licence. If the Delaware court would not proceed without the Defendants' agreement, that would prevent Tesla from obtaining one of their main objectives from the litigation.

134. InterDigital and Avanci submit that the fact that the Delaware court might not grant all the relief that Tesla would like does not mean that it is an unsuitable forum for the trial, and that, properly analysed, the expert witnesses on US law, Professor Contreras on behalf of Tesla, Mr Kamprath on behalf of InterDigital and Mr Kessler on behalf of Avanci, agree that a US court is an appropriate forum, in that it will entertain a claim for breach of contract and a claim for a declaration that the terms of the Avanci Licence are not FRAND. There is also agreement that there is no legal bar to US courts engaging in global rate setting. Where the experts disagree is on whether a US court would proceed, without the consent of all parties, to set a rate for a worldwide FRAND licence. The position in the Delaware Court of Chancery is that it has recently rejected a motion to dismiss (i.e. strike out) such a claim, but that the claim has not yet reached trial, so it has not yet been done and may not be done: *Cont'l Automotive Sys., Inc. v Nokia Corp* 2023 WL 1370523 (Del. Ch Jan 31, 2023) (No.2021-0066).

135. InterDigital submits that if the issue is only whether the court would see fit to grant certain declaratory relief – one of the six declarations that Tesla seeks in the licensing claim – that is no proper basis for concluding that the plaintiff could not obtain justice on its claim: see In re Harrods (Buenos Aires) Ltd [1992] Ch 72 at 122B-123A, 126E-H

(shareholder buy out order unavailable in Argentina, but different remedies for matters alleged available: Argentina appropriate forum).

136. Tesla's case is that the US is not an appropriate forum because there is a possibility (or, as it would say, likelihood) that the Delaware Court of Chancery will not set a global FRAND rate. I do not accept that, on the facts, the risk is sufficient to mean that Tesla cannot obtain justice there. This is a dispute about a licence where the Patentees and Avanci have agreed to license the 5G platform portfolio on the basis of a single global rate, Avanci holds the global licence out as being on FRAND terms, and Tesla wishes to take a global licence. It is agreed that US courts would decide whether the rate of $32 offered by Avanci for a global licence is FRAND, at least where a breach of contract was alleged. That is a substantial part of Tesla's claim.

137. In order for a court to go that far, it would have to consider not just evidence of commercial acceptance of the rate of US$32 by 5G Standard implementers but also evidence based on other licences granted by the Patentees and the value of the SEPs. It would be surprising if, on the facts of this case, having determined that $32 was not FRAND, the Court would not go a step further and say what rate was FRAND. This is not a case where the Patentees are unwilling to grant worldwide licences of all their SEP families. In any event, as Avanci points out, this Court has not yet set a global rate for a pool or platform licence, as opposed to a licence for individual defendants' worldwide portfolios. So it is not certain that this Court would take that step.

138. I therefore conclude that it has not been shown that the Delaware Court of Chancery, to which the Defendants have agreed to submit, is not an available and appropriate forum for the licensing claim.

139. The next question is with which forum the licensing claim has a real and substantial connection. As Lord Collins said in *Altimo* at [88], "the task of the court is to identify the forum in which the case can be suitably tried for the interests of all the parties and for the ends of justice. Sometimes it is necessary to address whether, in a rival jurisdiction, there is a risk that a party would not obtain justice there, for whatever reason."

140. With regard to Lord Collins' summary, Gloster LJ said in the *Erste Bank* case at [149] that the decision is to be made "by standing back and asking the practical question where the fundamental focus of the litigation was to be found".

141. In my judgment, the claim clearly has a closer connection with the US than with England and Wales. The principal parties are all Delaware companies, their business centres are in Texas, the majority of the SEPs are US patents, the Avanci Licence is administered and regulated in the US, and the proper law of the MLMA is New York law. There is also a regulatory connection between the Avanci platform and the US Federal anti-trust authorities. Only 7% of the 5G SEPs are UK designations or UK patents. The only perceived objection is whether the Delaware Court of Chancery will grant one part of the relief (albeit an important part) that Tesla seeks. There can be no real suggestion that Tesla will not receive justice in the US. Despite the link to the UK provided by the patent claim, the fundamental focus of the litigation is not this country.

142. Accordingly, I would have held that Tesla had failed to show that England and Wales was clearly the appropriate forum.

143. InterDigital contended that it had therefore established that there was a more appropriate forum for any licensing trial against IDPH alone, and that the Court should therefore expressly decline to exercise any jurisdiction it has over IDPH by virtue of service under rule 63.14(2). Given that it was not established that a US court would be any more likely to entertain proceedings against IDPH as the sole defendant, I will not make that declaration but instead strike out the licensing claim against IDPH, as previously explained.

Failure of full and frank disclosure

144. The final challenge raised by InterDigital was that there was a failure of fair presentation by Tesla in its evidence applying for permission to serve the claim form out of the jurisdiction, which should lead to the Order dated 7 December 2023 being set aside by the Court.

145. The principles that apply to a failure to make full and frank disclosure of matters that are material and that the unrepresented party would have wished to make are well-known, and summarised in Sloutsker v Romanova [2015] EWHC 545 (QB); [2015] 2 Costs LR 321 at [51], per Warby J:

> "(i) An applicant for permission to serve proceedings outside the jurisdiction is under the duty of full and frank disclosure which applies on all applications without notice.
>
> (ii) The duty requires the applicant to make a full and fair disclosure of those facts which it is material for the court to know: *Brinks Mat v Elcombe* [1988] 1 WLR 1350, 1356 (1) and (2) (Ralph Gibson LJ). Put another way, disclosure should be made of "any matter, which, if the other party were represented, that party would wish the court to be aware of": *ABCI v Banque Franco-Tunisienne* [1996] 1 Lloyd's Rep 485, 489 (Waller J).
>
> (iii) Non-disclosure of material facts on an application made without notice may lead to the setting aside of the order obtained, without examination of the merits. It is important to uphold the requirement of full and frank disclosure.
>
> (iv) But the court has a discretion to set aside or to continue the order. Whether the fact not disclosed is of sufficient materiality to justify or require immediate discharge of the order without examination of the merits depends on the importance of the fact to the issues that were to be decided. The answer to the question whether the non-disclosure was innocent is an important, though not decisive, consideration. See *Brinks Mat* at pp.1357 (6) and (7) and 1358 (Balcombe LJ).
>
> (v) In the context of permission for service outside the jurisdiction the court has a discretion to set aside the order for service and require a fresh application or to treat the claim form as validly served and deal with the non-disclosure by a costs order: *NML Capital Ltd v Republic of Argentina* [2011] UKSC 31; [2011] 2 AC 495, [136] (Lord Collins)"

146. The evidence in support of the without notice application was contained in Dr Hopewell's first witness statement. It sets out the basis on which Tesla contends that there is a serious issue to be tried on the patent claim and the licensing claim, and why there is a good arguable claim that various gateways apply, and the connection of the claim to the Patents Court in London.

147. While the deponent acknowledges the obligation to make full and frank disclosure, and says that she has had regard to it, the disclosure made is thin. It amounts to observations that:

    i) the Defendants might argue that a licensing agent such as Avanci is not bound by a licensor's FRAND commitment;

    ii) the Defendants might argue that the FRAND commitment only obliges them to enter into bilateral licences, not a platform licence;

    iii) all FRAND trials so far held in England and Wales have been in patentees' infringement claims, and *Vestel* was a failed attempt by an implementer to obtain declaratory relief and determination of FRAND terms.

148. InterDigital contends that Tesla conspicuously failed to comply with the duty on it in the following principal respects:

    i) Tesla did not draw to the Court's attention that the Avanci Licence is not something that InterDigital can grant, and that this went to the issue of whether there was a serious issue to be tried that the declarations served a useful purpose.

    ii) Tesla did not mention any reasons that would tend to show that InterDigital was not an appropriate defendant to a licensing trial.

    iii) Tesla did not mention any of the facts relevant to the question of whether it was appropriate to sue InterDigital as a representative defendant. It is said that Tesla would have understood that different 5G Platform members would have different portfolios of SEPs with different compositions and values, and different approaches to bilateral licensing.

    iv) Tesla did not draw to the Court's attention the fact that the patent claim was not a "real" claim and that at best it would only wish to proceed with it in unlikely circumstances, and then only "may" wish to proceed with it, as Dr Hopewell said in her third witness statement.

    v) Tesla did not make a fair presentation of the issues on the different gateways that it sought to rely on at the without notice stage.

    vi) Tesla did not make a fair presentation of the *forum conveniens* issue and identified none of the factors that linked the proceedings to the US, and again did not point out that the patent claim on which it heavily relied in this regard was unlikely to proceed.

149. In my judgment, Tesla failed to make a fair presentation of the obvious facts and arguments that InterDigital would be likely to want to raise, as arguments against jurisdiction. While Tesla is right to say that it should not have to anticipate and identify

each point on which in the event InterDigital does rely, some of these points are so obvious that they should at least have been identified as likely arguments.

150. The first is that Tesla was depending on the patent claim against IDPH to give jurisdiction against IDPH and IDH in circumstances in which the patent claim may well not be proceeded with in any event. This should have gone further than simply stating that Tesla wished to proceed with the licensing trial first. It must have been obvious that InterDigital would say that the patent claim was, in these circumstances, just being used as a jurisdictional hook.

151. Related to this, second, is that Tesla did not explain why InterDigital had been sued, and tell the Court that it had not complied with the pre-action protocol or even informed InterDigital that it was about to issue a patent claim and a licensing claim against it.

152. The third is issues relating to the appropriateness of the declarations that were being sought against IDPH and IDH as representative defendants. It was, again, obvious that InterDigital would say that there was or, at the very least, might be conflicts of interest between the Patentees and InterDigital, and that defending a FRAND licensing claim as a representative defendant would create difficulties for InterDigital and might well mean that a trial against a representative SEP owner without Avanci as a co-defendant was not viable.

153. The fourth is that Tesla relied on gateways (3) and (4A) without drawing to the Court's attention the issues with the questions of whether there was a real issue that as between Tesla and InterDigital it was reasonable to try and whether the licensing claim against InterDigital arguably arose out of the same or closely connected facts as the patent claim (an argument that Tesla abandoned in the hearing before me).

154. The fifth is that Tesla did not identify the potential difficulty with relying on gateway (11) when the FRAND licence that was sought was not just a worldwide licence of InterDigital's 5G SEP portfolio but extended to licences of all the Patentees' 5G SEPs. That was a step further than anything that had been approved in previous cases.

155. Finally, as InterDigital complains, it is remarkable that Tesla did not identify the question of how the claim should properly be characterised, given the priority given to the licensing claim, or any of the factors that are undoubted connections between the claim and the US.

156. In sum, far too much of the evidence in support of the without notice application was devoted to arguing the merits of the claim and not enough to presenting the arguments against jurisdiction.

157. The question whether the Court – a specialist patents judge, as it happened – was misled by this inadequate presentation is irrelevant, as the authorities consistently state. The question whether the non-disclosure was innocent is more important. The failure to engage in pre-action correspondence with InterDigital was obviously not an oversight, or accidental. I do not consider that the failure of full and frank disclosure was deliberately misleading, but neither was it wholly innocent, in the way that sometimes an applicant is unaware of material facts or misunderstands their relevance. The problem here was that, in several respects, Tesla did not really engage on the process of fair

presentation. A few superficial points using the words "full and frank disclosure" were included, but these were perfunctory and inadequate.

158. Had I otherwise upheld service out on any of the defendants, I would not have set it aside solely on the basis of these disclosure failings, serious though they were. As there is no time limit for Tesla's claim, if service out were otherwise justified, Tesla would simply have re-applied for permission to serve out, which could not then have been refused if correctly applied for. I would instead have imposed a costs sanction against Tesla. However, as I have instead determined that the court should decline jurisdiction, it is unnecessary to go into that.

Disposal

159. In light of the above, I will make an order setting aside service of the claim on the Defendants out of the jurisdiction, save in relation to service on IDH as a defendant to the patents claim, and grant appropriate declaratory relief. I will grant the application to strike out dated 16 May 2024 in respect of the licensing claim against IDPH, if validly served on it pursuant to CPR rule 63.14(2), but otherwise dismiss that application.