

Will there be a RAND determination after all?

Kluwer Patent Blog

July 23, 2019

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Please refer to this post as: *Nadine Bleach, "Will there be a RAND determination after all?", Kluwer Patent Blog, July 23 2019, <http://patentblog.kluweriplaw.com/2019/07/23/will-there-be-a-rand-determination-after-all/>*

The Court of Appeal, overturning Birss J's decision, decided that in the case of TQ Delta v ZyXEL, the answer was no.

The facts of the case leading to this decision are somewhat unusual. TQ Delta asserted infringement of two patents declared essential to ITU-T standards. Following a trial in respect of liability, one of the patents was held invalid, the other was held valid and essential. The valid SEP only had three months to run before it expired. ZyXEL originally pleaded the usual defence run by implementers in SEP cases that if the patents were valid and essential, TQ Delta would be required to grant ZyXEL a licence on RAND terms, pursuant to TQ Delta's RAND undertaking (rather than being entitled to injunctive relief). However, following the finding of infringement, ZyXEL abandoned reliance on TQ Delta's RAND undertaking and consequently Henry Carr J granted an injunction against ZyXEL.

ZyXEL sought permission from the Court of Appeal against the grant of the injunction, which was refused.

ZyXEL subsequently purported to waive their rights to a RAND licence for the UK under any of TQ Delta's UK-designated SEPs for DSL and applied to strike out the aspects of TQ Delta's claim which related to declaratory relief in respect of the terms of a RAND licence. This application was refused by Birss J who considered that a number of matters were "plainly arguable" in respect of the waiver including: whether it was possible to waive the RAND obligation if the RAND licence and obligation operate on a worldwide basis; whether a RAND licence operates on an "undertaking to undertake" level (i.e. between groups of companies rather than individual corporate entities); and whether SEP holders have a legitimate interest in having the scope and terms of a RAND licence determined. Birss J further noted "there is a real and lively dispute as to RAND terms. That dispute has not gone away" and allowed the RAND trial fixed for September 2019 to proceed. He also allowed the amendments sought by TQ Delta including a claim for a declaration that ZyXEL are not willing licensees to TQ Delta's SEP portfolio. ZyXEL appealed Birss J's decision.

Allowing the appeal, the Court of Appeal (Floyd LJ giving leading judgment, Lewison LJ in agreement) considered that, in light of the waiver from ZyXEL, there was no useful purpose in determining the scope and terms of the licence which TQ Delta is bound to offer - ZyXEL had said that they have no interest in deploying a licence, whatever its terms would ultimately prove to be, to prevent the grant of an injunction. They were entitled to make this election.

In respect of the validity and effectiveness of the waiver, the Court of Appeal considered there was "*no basis whatsoever for saying that such a waiver should be treated as ineffective or invalid*". Disagreeing with Birss J, the Court of Appeal explained that:

? the ability of a party to say that it does not wish to enforce the RAND obligation or seek a licence does not depend on the scope of the obligation or of the licence;

? the fact that a licence may ultimately be at an "undertaking to undertake" level "does not affect the ability of the two ZyXEL parties [to the litigation] to waive reliance on any entitlement they may have to enforce the RAND obligation or seek a RAND licence".

? the Unwired Planet v Huawei Court of Appeal decision cannot be read to suggest that an SEP owner always has a legitimate interest in seeking a RAND determination even when the implementer has foresworn any reliance on his entitlement to a licence.

The Court of Appeal accordingly disagreed that it is properly arguable that there is a real commercial dispute involving the ZyXEL defendants in the UK. It also held that the declarations sought by TQ Delta as to the unwillingness of ZyXEL as a licensee had no real prospect of success, dismissing, amongst others, arguments as to the utility of such declarations in other jurisdictions. In the circumstances, the Court of Appeal did not consider there was justification for continuation of proceedings.

The Court of Appeal, however, made clear it considered that the scenario in this case is unlikely to be commonplace, explaining that "*companies participating in international telecommunications are unlikely, routinely, to be in the same position as ZyXEL was in this case*". The impact of this decision on future SEP litigation therefore remains to be seen.