

The Supreme People's Court of the People's Republic of China

Civil Ruling

[August 28, 2020]

Applicant (respondent, plaintiff in the first instance): Huawei Technology Co. LTD. Domicile: Huawei headquarter office building, Bantian, Longgang District, Shenzhen, Guangdong province, People's Republic of China.

Legal representative: Zhao Minglu, general manager of the company.

Attorney: Zhao Ye, lawyer of Beijing Jingtian Gongcheng Law Firm.

Attorney (Case No. 732): Wang Bin, male, a staff member of the company.

Attorney (Case No. 733): Wu Xiaoqian, female, a staff member of the company.

Attorney (Case No. 734): Tan Weifeng, male, a staff member of the company.

Respondent (appellant and defendant in first instance): Conversant Wireless Licensing S. à r. l. Domicile: 12, rue Jean Engling, Grand Duchy, Luxembourg.

Authorized Representative: Nicholas Procopenko, managing director of the company.

Attorney: Peng Fei, lawyer of Beijing Zhongzi Law Firm.

Attorney: Wang Xiaojing, lawyer of Beijing Zhongzi Law Firm.

The appellant is Conversant Wireless Licensing S. à r. l. (hereinafter referred to as Conversant) and the appellees are Huawei Technology co., LTD. (hereinafter referred to as Huawei Technology), Huawei Terminal co., LTD. (hereinafter referred to as Huawei Terminal) and Huawei Software technology co., LTD. (hereinafter referred to as Huawei Software) . With regard to the three cases of confirmed no infringement of patent rights and SEP licensing disputes, the applicant, Huawei Technology applied for act preservation to the court on August 27, 2020, requesting the court to order that the respondent Conversant, before the final judgment on the three cases, must not apply for enforcement of the injunction released by the District Court of Düsseldorf, Germany (hereinafter referred to as the Düsseldorf court) in the

disputes between Conversant and Huawei Technology, Huawei Technology Germany Co., LTD., Huawei Technology Düsseldorf Co., LTD. (hereinafter collectively referred to as Huawei Technology Company and its German affiliates) based on infringement of SEPs.

The Shenzhen Huawei Branch of Industrial and Commercial Bank of China Co., Ltd. provided guarantee for Huawei Technology's application for preservation of the above behaviors, and issued guarantee No. 0841 from 0400000560 -- 2020 (letter of guarantee), with the guarantee amount of RMB 19.7 million.

According to Huawei Technology, on April 20, 2018, Conversant filed a lawsuit in Düsseldorf court (hereinafter referred to as the German lawsuit), claiming that Huawei Technology and its German affiliates infringed Conversant's SEPs with No. EP1797659, EP1173986 and EP1878177 and requesting Düsseldorf court to prohibit Huawei Technology and its German affiliate from selling, using, importing or holding relevant mobile terminal products, to inform the relevant infringement and sales behavior, compensate for the damage arising from infringement, destroy and recall the infringing products, and bear the litigation costs. The above-mentioned European patents claimed by Conversant in the German lawsuit and the Chinese patents with No. ZI200580038621.8, ZL00804203.9 and ZL200680014086.7 are correspondingly related patents respectively. On August 27, 2020, the Düsseldorf Court made a judgment forbidding Huawei Technology and its German affiliates from selling, using, importing or holding relevant mobile terminal products in Germany. Huawei Technology contended that, under German law, Conversant could apply for the enforcement of the first-instance judgment upon submission of a guarantee. Once Conversant files an enforcement application in the Düsseldorf court, Huawei Technology and its German affiliates will either be forced to withdraw from the German market or be forced to accept Conversant's offered price that is more than ten times the SEP license rate set in China's first-instance judgements in the three cases. If so, Huawei Technology, and its German affiliates will suffer from irreparable damage, and the final judgment of the three cases regarding corresponding Chinese SEP licensing fees will be difficult to be enforced. Therefore, it is necessary to

prohibit Conversant from applying for enforcement of the Düsseldorf Court's injunction authorized by the judgment before the final judgment of the three cases is made.

The court's findings are as follows:

1. Proceedings in China

Huawei Technology Co., LTD., Huawei Terminal Co., LTD., and Huawei Software Co., LTD. (hereinafter collectively referred to as Huawei Technology and its Chinese affiliates) filed the three cases in Nanjing Intermediate People's Court of Jiangsu Province (hereinafter referred to as the Court of first Instance) on January 25, 2018. The court of first instance accepted and filed the case on the same day. The case numbers are (2018) Su 01 Min Chu No. 232, (2018) Su 01 Min Chu No. 233 and (2018) Su 01 Min Chu No. 234 respectively. Huawei Technology and its Chinese affiliates request to order that: (1) their actions of manufacturing, selling and offering to sell mobile terminal products in China do not infringe the invention patent No. ZL00819208.1, ZL200580038621.8, ZL200680014086.7 owned by Conversant. (2) all essential Chinese patents that are owned and could be legally authorized by Conversant, allegedly and actually conforming to 2G, 3G, 4G standards or technical specifications, and are actually implemented by Huawei Technology and its Chinese affiliates comply with the principle of fairness, reasonableness, and non-discrimination (FRAND) in the licensing terms for Huawei Technology and its Chinese affiliates' products, including rates.

On September 16, 2019, the court of first instance issued judgment (2018) Su 01 Min Chu No. 232, 233 and 234: (1) No approval shall be given to the claim of Huawei Technology and its Chinese affiliates to confirm that the actions of manufacturing, selling and offering to sell mobile terminal products in China do not infringe the invention patent No. ZL00819208.1, ZL200580038621. 8, ZL200680014086.7 held by Conversant. (2)The licenses of SEPs related to Huawei Technology and its Chinese affiliates and Conversant Shall be determined according to the following conditions: ①Licensed Patents: All essential Chinese patents that are owned and could be legally authorized by Conversant, allegedly and actually

conforming to 2G, 3G, 4G standards or technical specifications and are actually implemented by Huawei Technology and its Chinese affiliates. ②Licensed products:

Mobile terminal products of Huawei Technology and its Chinese affiliates, namely mobile phones and tablet computers with cellular communication functions.

③Licensing activities: Manufacturing, selling, offering to sell, importing licensed products and using licensed patents on licensed products. ④License rate: In the

above licensing behavior, the fee rate that Huawei Technology and its Chinese affiliates need to pay to Conversant: for single-mode 2G or 3G mobile terminal products, the license rate of Chinese patent package, namely SEPs of China, is 0; In the single-mode 4G mobile terminal products, the license rate of Chinese patent package, namely SEPs of China, is 0.00225%; For multi-mode 2G/3G/4G mobile terminal products, the license rate of the Chinese patent package, namely SEPs of China, is 0.0018%. In addition, Huawei Technology and its Chinese affiliates only need to pay the above license rate to Conversant for 4G mobile terminal products containing No.ZL200380102135.9 patented technology solutions.

Conversant appealed against the original judgment. This court accepted and filed the case on November 18, 2019. The case numbers are (2019) Zui Gao Fa Zhi Min Zhong No.732, (2019) Zui Gao Fa Zhi Min Zhong No.733 and (2019) Zui Gao Fa Zhi Min Zhong No.734. Currently, the three cases are under trial.

2. Proceedings in Germany

On April 20, 2018, Conversant filed a lawsuit against Huawei Technology and its German affiliates for infringement of the SEPs in the Düsseldorf Court. The patents involved are European patents No. EP1797659, No.EP1173986, No.EP1878177 which are the Chinese counterpart patents No. ZL200580038621.8, ZL00804203.9, ZL200680014086.7 respectively. Conversant requested the Düsseldorf court to prohibit Huawei Technology and its German affiliates from selling, using, importing or owning the relevant mobile terminal products, order Huawei to disclose relevant infringing and selling behaviors, compensate for the infringement damage, destroy and recall the infringing products, and bear the litigation costs.

On August 27, 2020, the Court of Düsseldorf issued a first-instance judgment,

concluding that Huawei Technology and its German affiliates infringed Conversant's European patent No. EP1797659, and ordered Huawei Technology and its German affiliates to be prohibited from providing, selling, using, or importing or holding related mobile terminals for the above-mentioned purposes, to be prohibited from providing or delivering mobile phones and tablets with UMTS standard functions to customers, to provide relevant infringement and sales information, to destroy and recall infringing products and to bear litigation costs. The judgment can be temporarily enforced after providing 2.4 million euros. The judgment found that Conversant's offer of SEP license rates to Huawei Technology did not violate the FRAND principle. The SEP licensing rate for the multi-mode 2G/3G/4G mobile terminal products in Conversant's aforementioned offer is approximately 18.3 times the Chinese SEP licensing rate determined in the original judgment of the three cases.

3. The status regarding the validity of the Chinese counterpart patent

No. EP1797659 European patent is the counterpart patent of No. ZL20058008621.8 Chinese patent. On August 8, 2018, the State Intellectual Property Office made a review decision on No. 36922 request for invalidation, announcing that the No. ZL200580038621.8 Chinese patent rights are invalid overall. Conversant refused to accept this decision and filed an administrative lawsuit with the Beijing Intellectual Property Court. At present, the administrative case of validity confirmation of the involved patent right is under trial.

Upon review, the court found that Huawei Technology's application to prohibit Conversant from enforcing the judgment of the Düsseldorf court before the final judgment of the three cases is in the nature of an application for act preservation. For act preservation applications that prohibit the enforcement of judgments of extraterritorial courts, before reaching a comprehensive evaluation, consideration should be given to the impact of the respondent's application for enforcement of judgments of extraterritorial courts on Chinese litigation, whether it is truly necessary to take act preservation measures, and whether the damage to the applicant caused by failure to take such act preservation measures exceeds the damage caused by the act preservation measures to the respondent, whether the act preservation measures harm

the public interest, and whether the act preservation measures conform to principles of international comity and other factors.

1. The effect of the respondent's application for enforcement of judgments of an extraterritorial court on litigation in China

If the applicant applies for act preservation measures to prohibit the respondent from applying for enforcement of an extraterritorial court's judgment, the people's court should first examine whether the respondent's enforcement of the act will have a substantial impact on the trial and the enforcement of the judgment of the people's court. If the relevant behaviors of the respondent may hinder the trial of the case or make the judgment of the case difficult to enforce, prohibitive preservation measures may be taken against such behaviors. Specifically in the three cases, first of all, from the perspective of the subject of the lawsuit, the litigants in the three cases are Huawei Technology and its Chinese affiliates and Conversant, while the litigants in Germany are Conversant and Huawei Technology and its German affiliates. The litigants in the two countries are basically the same. Secondly, from the perspective of the trial objects, Huawei Technology and its Chinese affiliates in the three cases request to determine the licensing rate for the Chinese SEPs of Conversant. In the German lawsuit, Conversant argues that Huawei Technology and its German affiliates infringe the SEP of Conversant, and requests the Düsseldorf court to order Huawei Technology and its German affiliates to stop the infringement. The Düsseldorf court's injunction is based on the premise that the license fee offer made by the patent holder Conversant in the process of negotiation with Huawei Technology is consistent with the FRAND principle. Therefore, although there are differences in the nature of disputes between the three cases and the German litigation, there is a partial overlap in the objects of the trial. Finally, from the point of view of the behavioral effect, once Conversant applies for the enforcement of the Düsseldorf court's judgment of injunction and obtains the permission, it will cause interference to the hearing of the three cases, and it is likely to render the hearing and judgment of the three cases meaningless. In conclusion, Conversant's application for enforcement of the Düsseldorf Court's injunction will have a substantial negative impact on the trial

progress and the enforcement of the judgment of the three cases. Huawei Technology's application to this court for prohibiting Conversant from carrying out the above behavior meets the prerequisite for the preservation of such behavior.

2. Is it truly necessary to take act preservation measures?

In order to review whether it is necessary to take act preservation measures, the court should focus on examining whether failure to take act preservation measures will cause irreparable damage to the applicant's legitimate rights and interests or render the enforcement of judgment difficult to enforce, etc. In principle, prohibitive preservation measures can only be taken when they are truly necessary. In the three cases, the Düsseldorf court's decision to stop the infringement has been made. Once Conversant files an application and the injunction is enforced, in this emergency situation, Huawei Technology and its German affiliates will have only two options: either be forced to withdraw from the German market, or be forced to accept Conversant's price and reach a settlement with it. In the former case, the market losses and the lost business opportunities to be suffered by Huawei Technology and its German affiliates as a result of exiting the German market cannot be compensated by money afterwards. In the latter case, Huawei Technology and its German affiliates will be deterred by the pressure of the injunction and are likely to accept Conversant's price that is 18.3 times the SEP license rate determined by the original court, and might be forced to forgo the opportunities of obtaining legal remedies in the three cases. No matter how the Chinese rates are determined in the three cases, the judgments in the three cases will in fact be difficult to enforce. No matter which of the above-mentioned circumstances occurs, the damage to be suffered by Huawei Technology will be difficult to be compensated. It is necessary for the three cases to take act preservation measures, and the situation is indeed urgent.

3. A reasonable balance of the interests of the applicant and the respondent

In judging whether it is appropriate to take act preservation measures that prohibit the respondent from performing specific behaviors, it should also weigh the damage to the applicant caused by not taking act preservation measures and the damage caused to the respondent by taking act preservation measures, taking into

account the interests of both parties. If the damage to the applicant caused by the failure to take act preservation measures exceeds the damage caused to the respondent by the act preservation measures, it can be determined that the act preservation measures are reasonable. Moreover, the higher the degree of damage to the applicant caused by not taking act preservation measures than the damage to the respondent caused by taking act preservation measures, the stronger the rationality of taking act preservation measures. In the three cases, as mentioned above, once Conversant applies for the enforcement of the court's injunction and obtains permission, if this court does not take corresponding act preservation measures, Huawei Technology will suffer from irreparable damages in terms of being forced to withdraw from the German market or being forced to accept the license asking price and give up the legal relief of Chinese courts, etc. On the contrary, if the court takes act preservation measures, the damage to Conversant will only be the suspension of enforcement of the first-instance judgment of the Düsseldorf court. The judgment of the Düsseldorf court is not a final judgment, and the suspension of enforcement of the judgment does not affect Conversant's other litigation rights in Germany. Meanwhile, Conversant is the right holder of the SEP and its core interest in the German litigation is to obtain monetary compensation. The suspension of enforcement of the Düsseldorf court's injunction will cause limited damage to Conversant. Weighing the two scenarios, the damage to Huawei Technology caused by not taking act preservation measures obviously exceeds the damage to Conversant by taking act preservation measures, so it is reasonable to take act preservation measures. Meanwhile, the Shenzhen Huawei branch of Industrial and Commercial Bank of China Co., Ltd. provided corresponding guarantees for the act preservation application of Huawei Technology, which can protect the interests of Conversant under the law.

4. Whether taking act preservation measures will harm the public interest

In order to determine whether an act preservation measure that prohibits the respondent from conducting a specific behavior can be taken, it should also be examined whether the act preservation measure will harm the public interest. The three cases and related German lawsuits mainly involve the interests of Huawei

Technology and Conversant. Meanwhile, in the three cases, the object of act preservation is to prohibit Conversant from applying for enforcement of the Düsseldorf Court's cessation of infringement judgment before the final judgment of this court is made, without affecting the public interest. In summary, the act preservation measures adopted in the three cases will not harm the public interest.

5. Consideration of international comity factors

International comity factors should also be taken into account when examining an application for act preservation that prohibits a party from applying for enforcement of judgments of an extraterritorial court or from seeking judicial relief outside the jurisdiction. When considering the factor of international comity, a court can examine the time sequence of case acceptance, whether the case jurisdiction is appropriate, whether the impact on the trial and judgment of extraterritorial courts is moderate, etc. In terms of the time of acceptance, the court of first instance accepted the three cases in January 2018, and the Court of Düsseldorf accepted the related German lawsuit in April 2018. The three cases were accepted first. Meanwhile, to prohibit Conversant from applying for enforcement of the Düsseldorf court's relevant judgment before the issuance of final judgment in these three cases neither affects the subsequent trial on the German case nor detract from the legal validity of the German judgment, only suspending the enforcement of it, and the impact on Düsseldorf court trial and the judgment is within a moderate extent.

Because of the urgency of the three cases and the need to reach a decision within 48 hours, the Court had not previously heard from Conversant. Upon receipt of this ruling, Conversant shall have the right to apply for reconsideration.

In sum, Huawei Technology's application for act preservation has factual and legal basis, which is approved by the court. In accordance with the provisions of Article 100, Article 102, Article 111 (1) (6) and Article 115 (1) of the Civil Procedure Law of the People's Republic of China, the ruling is as follows:

Conversant shall not apply for the enforcement of the first-instance injunction judgment made by the Düsseldorf District Court of the Federal Republic of Germany on August 27, 2020 before the court's final judgment on the three cases.

In case of violation of this ruling, a daily fine of RMB 1 million shall be imposed from the date of violation, which shall be accumulated on a daily basis.

The case application fee of RMB 5,000 shall be borne by Huawei Technology.

This ruling shall commence with immediate effect.

If the respondent is not satisfied with this ruling, it can apply for reconsideration to the court once within 5 days from the date of receiving the written order. The enforcement of the order shall not be suspended during the period of reconsideration.

Presiding judge: Wang Chuang

Judge: Zhou Xiang,

Judge: Zhu Li,

Judge: Jiao Yan,

Judge: Xu Zhuobin

Supreme People's Court of the People's Republic of China

(seal)

August 28, 2020

The judge assistant: Liao Jibo,

The judge assistant: Bin Yuecheng

Clerk: Zhang Hua