

EIP

Failure to serve US company

The US member of an international group of companies has successfully disputed that it has been duly served via the office of its UK subsidiary.

Background

This case is a patent action against two defendants:

(a) Zebra Technologies Europe Ltd ("**ZTEL**"), an English company with an office in Bourne End, Buckinghamshire (the "**Bourne End Office**"); and

(b) Zebra Technologies Corporation ("**ZTC**"); a Delaware corporation with a registered address in Illinois. ZTC is the ultimate parent company of the international Zebra group of companies (the "**Zebra Group**"), including ZTEL. ZTC is listed on the NASDAQ stock market.

The Claimants served ZTEL via its UK solicitors, who were instructed on behalf of ZTEL and ZTC but were only authorised to accept service on behalf of ZTEL. On behalf of ZTC, the UK solicitors specifically stated that ZTC refused to submit to the jurisdiction of the English Courts and served notice on the Claimants to serve the claim form (outside the jurisdiction) by a specified date pursuant to CPR 7.7(1).

The Claimants attempted to serve ZTC at the Bourne End Office on the basis that this is a place of business of ZTC, or a place where ZTC carries out its activities (CPR 6.9(2)). However, ZTC disputed that it had been duly served in time and filed an application seeking to have the claim dismissed pursuant to CPR 7.7(3).

The law

CPR Part 6

Part 6 of the CPR concerns service of documents. In particular, CPR 6.9(2) case 7 provides that where a defendant does not give an address for service a company or corporation may be served any place within the jurisdiction where the corporation carries on its activities or any place of business of the company within the jurisdiction.

CPR Part 7

Part 7 of the CPR concerns the procedural steps for starting proceedings. In particular, once a claim form has been issued it must be served on a defendant, within the jurisdiction, within four months (CPR 7.5(1)).

Where a claim form has been issued against a defendant, but has not yet been served, the defendant may serve a notice on the claimant requiring him to serve the claim form or discontinue the claim within a specified period (CPR 7.7(1)) failing which the defendant may apply to have the claim dismissed (CPR 7.7(3)).

Judgment

Had ZTC been duly served?

In summary, the Court concluded that ZTC had not been duly served but it did not dismiss the Claimants' claim against ZTC. Instead, the Court granted permission for the Claimants to serve ZTC outside the jurisdiction.

To determine whether or not ZTC had been served Nugee LJ had to consider the two limbs of CPR 6.9(2) case 7; where a defendant does not give an address for service a company or corporation may be served (i) any place within the jurisdiction where the corporation carries on its activities (the "**Activities Limb**") or (ii) any place of business of the company within the jurisdiction (the "**Place of Business Limb**").

Place of Business Limb

The leading authority on the Place of Business Limb is *Adams v Cape Industries plc* [1990] 1 Ch 433 ("**Adams**"). In this case, the Court considered that a corporation incorporated in one country would be likely considered present in another if:

(a) it had a fixed place of its own there (i.e. a "branch office") or a representative had been

carrying out the overseas corporation's business at or from some fixed place of business;
and

(b) it could be fairly said that the overseas corporation's business has been transacted at or from the fixed place of business.

The Court also considered in Adams that it is necessary to examine all the facts of the case before reaching a conclusion.

At the hearing, the Claimants put forward six heads of evidence to establish that the Bourne End Office was a place of business of ZTC:

(i) Google maps – A search for “Zebra Technologies” in Google Maps brings up the Bourne End Office with a pin for “Zebra Technologies Corporation”. Nugee LJ found that this was insufficient to show that ZTC had a place of business at the Bourne End Office;

(ii) The Zebra Experience Centre – The Court was referred to press releases announcing the opening of the Experience Centre in the context of “Zebra Technologies (NASDAQ: ZBRA)”. The Court was also directed to a quote from ZTC's CEO referring to “our” Experience Centre facilities. Nugee LJ found that there was nothing surprising about ZTC promoting the activities of its subsidiaries and there was nothing inconsistent with the stated position that the Experience Centre is run by ZTEL. This was therefore insufficient to establish that ZTC had a place of business at the Bourne End Office;

(iii) Press releases – The Claimants referred to various other press releases which also took the format “Zebra Technologies (NASDAQ: ZBRA)” with the by-line of “Bourne End”. Nugee LJ rejected that these press releases established that ZTC had a place of business at the Bourne End Office for the same reasons as given in relation to the Experience Centre;

(iv) Shared Services – It was explained during the hearing that ZTEL receives support from other Zebra Group services for shared services, such as for facilities management. Employees who perform support functions are employed locally but report globally. Nugee LJ also rejected this as sufficient evidence to find that ZTC had a place of business at the Bourne End Office. He, again, found it unsurprising that a global corporate group, such as Zebra Group, finds that there are benefits for having a group-wide team reporting globally in relation to certain functions;

(v) Job advertisements – Two examples of job advertisements were given for vacancies with ZTC at the Bourne End Office. However, the evidence provided at the hearing confirmed that although the advertisements referred to ZTC, the positions advertised were in fact with ZTEL. Nugee LJ found that the wording of the job advertisements were

“imprecise”, but this was no reason to conclude that ZTC is carrying on business or activities at the Bourne End Office;

(vi) Declarations of conformity – Mr Marco Belli, an employee of ZTEL, signed declarations of conformance at the Bourne End Office on behalf of ZTC. These declarations were required in order for products manufactured by ZTC to be put on the market in the UK by ZTEL. This action of Mr Belli was not considered to be sufficient to amount to the carrying out of ZTC’s business at the Bourne End Office. Nugee LJ found that the signing of the declaration was something that needed to be done by ZTC, as the manufacturer, to support ZTEL’s business. This act was done in support of ZTEL’s business and was not in the course of ZTC’s business.

An important point that Nugee LJ raised in addressing the above points is that, in economic terms, a global group of companies, such as the Zebra Group, may be a single company. It would be natural for those in ZTC to think of the Bourne End Office to be “our English office” and the business being carried out at this address as being “our EMEA business”. Nugee LJ acknowledged that, from an economic perspective, activities being carried out at the Bourne End Office are ZTC’s as ZTC is the parent of the group and is ultimately able to control what its subsidiaries, including ZTEL, do. In other words, everything ZTEL does at the Bourne End Office is done for the benefit of ZTC. However, the position from an economic perspective is very different to the legal position. In legal terms the distinct identity of companies is fundamental. Each company in a group of companies is a separate legal entity, even if they are subsidiaries that are “in one sense the creature of their parent”.

Activities Limb

Under this limb Nugee LJ only had to consider whether or not Mr Belli’s act of signing the conformity declarations meant that the Bourne End Office is “any place within the jurisdiction where [ZTC] carries on its activities”.

Nugee LJ concluded that this limb is primarily intended to be the counterpart for non-trading corporations of Place of Business Limb. In reaching this conclusion Nugee LJ compared CPR 6.9(2) case 7 with cases 5 and 6 which have similar language. Nugee LJ did clarify that this does not mean that trading companies, such as ZTC, can never qualify under the Activities Limb but that “in order to qualify under [this limb] the corporation has to be doing things analogous to those that a company has to do for a place in the jurisdiction to be a place of business of the company, making due allowances for the fact that the activities are not confined to trading activities. In other words the tests in Adams equally apply, mutatis mutandis.” On this basis, Nugee LJ concluded that Mr Belli’s signing of the conformity declarations did not make the Bourne End Office somewhere

where ZTC carries on its activities.

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Submission to the jurisdiction

The Claimants also argued that by serving a notice under CPR 7.7(1) ZTC had irrevocably submitted to the jurisdiction of the English Courts.

There are two circumstances in which a defendant will be considered to have submitted to the jurisdiction (i) statutory submission (which does not apply in this case) or (ii) common law waiver (*Deutsche Bank AG London Branch v Petromena ASA* [2015] EQCA Civ 226 ("**Petromena**"). For common law waiver to apply the defendant must do "an act inconsistent with maintaining a challenge to the jurisdiction. Such a waiver must clearly convey to the claimant and the court that the defendant is unequivocally renouncing his right to challenge the jurisdiction" (*Petromena*).

Nugee LJ found that ZTC's notice under CPR 7.7(1) did not amount to a common law waiver to the jurisdiction. The letter from ZTC's solicitors contained a clear statement that it was not to be construed as a submission and that although ZTC was calling to be served (or for the claim to be discontinued) such service would have to be outside the jurisdiction.

Nugee LJ did not have to consider what the position would have been had ZTC simply served a notice under CPR 7.1(1) without making it clear that ZTC's position was that it needed to be served outside the jurisdiction (if at all) but commented that he could see that the position might then have been different.

Requirement to use CPR 11

The Claimants also raised an argument that as ZTC was disputing the Court's jurisdiction on the grounds that there has been non-service or defective service, the correct procedure would have been to rely on CPR 11 (rather than CPR 7).

Nugee LJ rejected this argument on the basis that, in the case of a defendant who wishes to raise the issue of the validity of service then it must be open to them to use CPR 7.7(3) as the structure of the rules does not make sense otherwise.

Conclusion

For the reasons outlined above Nugee LJ accepted ZTC's submissions that it was not duly served. However, rather than dismissing the claim against ZTC, Nugee LJ gave the Claimants an opportunity to apply for permission to serve outside the jurisdiction. The Claimants have indicated that they will be seeking permission to appeal the decision that

ZTE was not duly served.

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A few key points have come out of this judgment:

(i) when considering whether or not an overseas company has a place of business (or is carrying out activities) in the jurisdiction particular consideration must be given to the specific facts;

(ii) although from an economic perspective companies which are part of a global group may be seen as one, each company is still a distinct legal entity; and

(iii) if a defendant is disputing jurisdiction it is important that this is expressly stated in any correspondence to avoid inadvertently providing a common law waiver.

Hand Held Products, Inc & Anor v Zebra Technologies Europe Limited & Anor [2022]
EWHC 640 (Ch)