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Claim No. HP-2018-000030 /

Claim No. HP-2018-000031

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

The Rolls Building
7 Rolls Buildings
Fetter Lane
London EC4A 1NL

Date: Friday, 10 May 2019

Before:

MR. JUSTICE BIRSS

Between:

IPCOM GMBH & CO KG
(a company incorporated under the laws of Germany)

Claimant

- and -

(1) VODAFONE GROUP PLC
(2) VODAFONE LIMITED
(3) VODAFONE UK LIMITED

Defendants

DR. BRIAN NICHOLSON QC (instructed by **Bristows LLP**) appeared for the **Claimant**.

MR. JAMES ABRAHAMS QC, PROF. JONATHAN HARRIS QC (Hon) and SOPHIA HURST (instructed by **Hogan Lovells International LLP**) appeared for the **Defendants**.

Approved Judgment

Transcript of the Stenograph Notes of Marten Walsh Cherer Ltd.,
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MR JUSTICE BIRSS :

1. This dispute relates to standard essential patents and FRAND. IPCom holds patents which it contends are essential to various telecommunications standards, including 2G, 3G and 4G (aka GSM, UMTS and LTE).
2. Vodafone operates a mobile telecom network in the United Kingdom and elsewhere. All three standards are implemented in Vodafone's network, as far as I understand it. IPCom contends that Vodafone's actions require a licence from IPCom under its patents. The dispute has existed for about 11 years. I think it began in 2008. Apparently, negotiations began in earnest in 2014. Nevertheless, the parties have not managed to agree. IPCom is no stranger to the Patents Court, but it has not litigated here for some years. Until recently, IPCom has been taking legal proceedings against companies in the Vodafone Group in Germany.
3. Earlier this year, IPCom served a claim form on two UK Vodafone companies for patent infringement of two patents, EP(UK) 2,579,666 ("666") and EP(UK) 2,378,735 ("735"). They also issued a claim for a declaration that an offer of a licence made by IPCom to Vodafone in 2018 was FRAND.
4. Vodafone challenged the court's jurisdiction in relation to both claims. That was to be heard yesterday first. However, the parties are confident that that challenge no longer needs to be dealt with, based on undertakings which have been given. The precise wording, at least as of yesterday afternoon, was still being worked out, but the substance was agreed and the legal teams were confident that the wording would be sorted out.
5. Essentially, the point on jurisdiction was that Vodafone argued that in Germany the issue of whether the 2018 licence was FRAND would fall to be decided in two infringement actions which were in existence in that country. The fact that they related to different patents did not matter, so said Vodafone, nor did the fact that the companies were different companies within the Vodafone Group. For one thing, the licence offered covered all the relevant patents and the whole group. The point was that under the German approach to FRAND, IPCom needed to have made a FRAND offer as a precondition to obtaining an injunction. Therefore, it was argued that that was a "related issue" to the issues in this action in the UK within the meaning of Article 30 of the relevant Brussels Regulation. Therefore, the discretion to stay the action here under the Brussels Convention arose under Article 30 and the risk of irreconcilable judgments meant that the court here should grant a stay.
6. In fact the position in Germany is that although there are two infringement cases which have not been decided, those actions were begun some years ago. Both were stayed for slightly different reasons to do with validity challenges, one in relation to the EPO and the other in the Federal Patent Court. Those validity challenges have now been resolved, I think in at least one if not both cases with amended claims. All the same, despite the fact that they have been resolved, IPCom has not reinitiated either of the infringement actions. The stay in one of them expired some years ago and the other one expired I think in March 2018.
7. The reason for the undertaking relating to the jurisdiction application is that Vodafone infers that IPCom does not really intend to reinitiate those actions, at least to claim an

injunction and certain other relief which might engage FRAND. Vodafone thinks the likely reason is that the result of the validity challenges and the consequential amendments mean that there is no longer a case of infringement. However there is no need to resolve any of that now because the parties have agreed on how to deal with it.

8. I will say only this. The argument that the issues were related seemed to me to be a strong one. I am not persuaded that the fact that there were different group companies made a material difference since FRAND licences generally do operate at a group level, for sensible reasons. The point is that, in essence, the FRAND obligation operates as an international contract enforceable by any relevant implementer -- let us say, Vodafone -- against the party giving the undertaking. Part of the problem is that the contract has no choice-of-forum clause, so it is at least possible for closely related actions to arise in different courts around the world. After all, the FRAND obligation itself is entirely international. There is, therefore, an obvious potential risk of irreconcilable decisions. However, in this case, there would have been a real issue on discretion because in practice it was clear that today it was highly unlikely that the issue would in fact have fallen to be decided in Germany. That low likelihood has become no likelihood as a result of the undertakings and no more needs to be said in relation to jurisdiction.
9. The issue I have to decide now that these actions are going ahead in this jurisdiction is as follows. IPCom has proposed that there should be three trials -- a technical trial for each of the two patents and a FRAND trial. There is nothing controversial about that. The controversial issue is timing. IPCom contends that the trial for the first patent, '666 (which is in the same family as other earlier patents that have been litigated both here and elsewhere) should be fixed for 14 October 2019 as a trial of four days in court with one day reading, then the FRAND trial for five days in court with two days' reading should be fixed for 25 November, and then the second patent trial should be fixed for 25 May 2020.
10. The reason for the urgency is the expiry of the patents. A table of ten relevant infrastructure patents, which IPCom contends are essential and relevant, was provided, which shows the expiry dates of those patents. Two of them expire in October 2019; 15 February 2020 is the expiry of the '666; 3 June 2020 is the expiry of a patent called EP 236,5707; the '735 patent expires on 19 September 2020. There are then in the portfolio four further patents which expire on dates ranging between 19 September 2020 to 14 November 2020, and then the tenth patent expires on 2 February 2021.
11. IPCom argues that it needs the '666 trial and the FRAND issue to be determined before '666 expires. The problem is that otherwise, following an approach similar to the approach taken in *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2018] EWCA Civ 2344, as upheld in the Court of Appeal -- and I bear in mind that the Supreme Court have given permission to hear an appeal from that. As things stand IPCom contends that unless Vodafone undertakes to take whatever licence the court decides is FRAND, and so far Vodafone has declined to enter into any such undertaking, IPCom needs the injunction remedy to be available at the FRAND trial in order to put Vodafone to a choice to either enter into a FRAND licence or be enjoined under the relevant patent, always assuming, of course, that IPCom wins on the '666 patent. I say "wins" in terms of validity, infringement and essentiality.

12. That cannot be done if the FRAND trial is scheduled for later than the expiry of the '666 patent, but in order to schedule the FRAND trial before the expiry of '666, one needs to put the trial of the '666 patent itself even earlier. IPCom contends that the timetable is entirely feasible. The technology in this case is difficult to some, but to an experienced legal team -- and, for that matter, experienced patent judges -- this technology can be dealt with and IPCom submits it can be done. Also IPCom contends that the FRAND trial, with proper case management, can be accommodated, making the point that there is a tendency to allow FRAND trials to grow, but really, says IPCom, they are not that complex.
13. The relevant authority in relation to this sort of expedition issue is the well-known *WL Gore & Associates GmbH v Geox Spa* [2008] EWCA Civ 622 decision of Neuberger J where he summarised the four topics that need to be considered. In the end, of course, it is ultimately a matter of the court's case management discretion, applying the overriding objective. The four topics are as follows.
14. First, good reason for expedition. IPCom says that is demonstrated by what I have just explained.
15. Second is the question of whether it would interfere with the good administration of justice. Clearly any expedition always does interfere with it to some extent because it involves a degree of queue jumping, but IPCom submits that is not such a serious difficulty here.
16. Third, prejudice to the other party. IPCom says there is no prejudice because really what is happening is that Vodafone has been holding out for years without taking a licence. IPCom also says that Vodafone's attitude to this case itself, not engaging with directions and other matters, and refusing to give the undertaking that I have referred to, also shows that Vodafone is not a willing licensee. It will require brisk preparation, but that is not a relevant form of prejudice. Vodafone can do it.
17. Fourth is special factors, and IPCom contends that there are no special factors here.
18. Vodafone's case is to the contrary. It strongly disagrees with the characterisation that it is an unwilling licensee. It says the real problem in this case is that IPCom has an overinflated view of the value of its own portfolio, and in fact, says Vodafone, despite years of litigation against Vodafone in Germany and others here and elsewhere, IPCom has never achieved a substantial victory showing that it has a patent which is valid and relevantly essential. I will come back to what "relevantly essential" means.
19. Therefore, says Vodafone, this portfolio is actually full of invalid or irrelevant inessential patents. To an extent that the patents are in force today, they are members of families, many of which have already been found to be invalid or inessential.
20. The one caveat is the family of which '666 is a member. That family contains a patent which in this jurisdiction was held to be valid and was held to be essential. However, there is a sting in the tail. The particular patent relates to an invention which in fact implementers of mobile phones, user equipment or handsets, (depending on which word you want to use), do not need to use in order for the phone to be intra-operable with the relevant standard and the relevant network. As a result, for example, the English court did grant a declaration that the patent was essential but also granted

declarations of non-infringement for various phones which work in the relevant networks. Therefore, although the patent is essential in a formal sense, in practice implementers do not necessarily need a licence, because they can work around it readily. Vodafone says that that is the best IPCom has managed to do in years of litigation.

21. The undertaking IPCom suggests that Vodafone should enter into is, says Vodafone, vague and would prevent Vodafone from running the arguments it wishes to run in these proceedings at the FRAND trial, including arguments arising from any consequences of the Supreme Court's judgment. I am told that the Supreme Court has listed the appeal to be heard in October 2019 and so one could anticipate the judgment of the Supreme Court coming later in the autumn of this year.
22. Vodafone also says that the timing of all this is all down to choices made by IPCom. It chose not to litigate in the UK for a number of years and now it has come back due to the *Unwired Planet* litigation decisions and the subsequent cases. IPCom could have issued these claims earlier, even after the decision in *Unwired Planet* was given.
23. Vodafone also refers to the fact, to bear out its point, that we know that IPCom issued but did not serve a Claim Form for patent infringement in July 2018 which included those two patents. That Claim Form expired and the Claim Forms in the action before me were issued in October 2018 but not served until February 2019.
24. Also Vodafone contends that if IPCom really needs -- and I emphasise the word "needs" -- this arrangement of the trials, that must be because the only good patent it has is the '666. I should say now that I do not accept that submission. IPCom has made it clear that it recognises that it was never going to get expedition of more than one patent. It has chosen '666 because, in IPCom's language, that is "battle hardened". What IPCom means by that is that a patent in the same family has been found to be valid and essential in the formal sense that I have referred to before. That does not mean that IPCom is conceding anything about its other patents.
25. I should say that the '666 patent itself is also more focused on claims for infrastructure than the patent which had been upheld in this jurisdiction before. That may make a difference; it may not. There are also other points arising out of the '666 patent which are different from the previous decisions, including a reference to SIM cards and the fact that it has been declared essential to the 4G LTE standard rather than to UMTS.
26. Vodafone also says that it is simply not possible for either the '666 patent trial or the FRAND trial to be ready by the dates proposed. For the patent trial, much needs to be done. From today there are five months to trial. It needs to work through infringement and validity, statements of case, some disclosure will no doubt be necessary and there will be particular work to be done on infringement, particularly if there is any issue of workarounds. They will need to instruct experts, and it all just cannot be done in time. The fact that '666 is related to earlier patents might cause some saving in time, but it is different for the reasons I have just mentioned.
27. In terms of the length of the trial, Vodafone contend that the trial should be one day longer than that proposed by IPCom. In that respect, I agree with Vodafone, but it really makes no material difference to the issue I have to decide.

28. Relating to the FRAND trial Vodafone argues that there is a host of issues. Vodafone points out that the directions proposed by IPCom have no provision for a technical expert or for a licensing expert to give evidence, and Vodafone contends there will need to be, for example, in order to challenge IPCom's assertion which is made in a table in its FRAND statement of case.
29. The table sets out numbers as follows:

	Unwired Planet's infrastructure SEPs	Claimant's Infrastructure SEPs	Total Infrastructure SEPs	Unwired Planet's share	Claimant's share
2G	1	10	134	0.75%	7.5%
3G	2	21	390	0.51%	5.4%
4G	7	12	684	1.02%	1.75%

30. It is a strange table because it compares in the first full column what is said to be Unwired Planet's infrastructure SEPs, but which I understand are the SEPs found to be treated as truly essential rather than just being declared to be essential in the *Unwired Planet* case, against numbers in the second full column which are IPCom's list of numbers of patents asserted to be essential rather than found to be treated as truly essential either directly or by using some other method.
31. Vodafone's point is essentially that although IPCom may have declared a number of patents to be essential, the truly essential numbers are zero, or as near as makes no difference given the workarounds for the only patent ever said to be formally essential. There is also an issue about comparables. IPCom relies on one comparable. Vodafone says there will need to be disclosure relating to that and there may be other licences granted by IPCom or, for that matter, from Vodafone, which may need to be disclosed.
32. I asked Mr. Abrahams (who appears for Vodafone) how long he said the trial would require. He said it was impossible to say. Vodafone's case in relation to *Gore v Geox* is that balancing all those factors is firmly against expedition.
33. Another factor to bear in mind, which seems to me to apply on any view, is the timing of the appeals in the *Unwired Planet* and *Conversant* cases, which are coming, as I said, to the Supreme Court in October 2019. Of course, the outcome of those appeals may or may not change the way FRAND litigation is currently being done in the United Kingdom, but it might be thought not to be sensible to schedule a FRAND trial for almost exactly the same instant that the Supreme Court was going to be handing down judgment, which would be, one might imagine, autumn 2019.

Assessment

34. In my judgment, the timing, to a significant extent, is down to choices that have been made by IPCom. They could have brought the claim for '666 infringement earlier. As to the evidence that there was a breakdown in negotiations only in February and that is what precipitated the claim form (that was IPCom's evidence), that may be, but it does not alter the fact that IPCom has been litigating for years against companies in the Vodafone Group, and it does not alter the fact that the '666 patent was granted in

2016. Of course, IPCom have always known when it would expire, so they could have sued after it was granted in 2016. Even after the Unwired Planet decision was given in 2017, they could have started proceedings. If they had wanted to take the approach they now say, they could have sued in early 2018.

35. I do agree with Vodafone that the fact that a claim form was issued in July 2018 is relevant. It bears out the idea that the timing has been down, at least to a significant extent, to choices made by IPCom. If that had happened, there would be no need to expedite '666 in order for it to be determined before expiry. As a rule, the Patents Court tries to have patents tried within 12 months after the claim form is served. It does not always succeed in that, and there can be good reasons why not, but that is the basic approach. All IPCom would have had to have done was serve in October 2018, roughly around the time this claim form was actually issued, and it would have been entitled to expect a trial in about October. Expediting will have an effect on other litigants, so I do wonder why a patentee should be able to jump the queue in these circumstances, as Vodafone says.
36. However, it is also true that the need for expedition arises from thinking through what happens if, as of course IPCom hope, they win the '666 case. Let us say, for example, that the case was decided in October, normally an injunction would follow and, as the litigation in the *TQ Delta v ZyXEL* case has shown, when a patent which is declared essential and found to be essential is close to expiry, it is not necessarily so that it is the right thing to do to stay an injunction pending appeal.
37. Nevertheless, of course, the point is that the patent is covered by a FRAND undertaking. If Vodafone had given an undertaking to enter into a licence declared to be FRAND -- and, of course, despite what seemed to be argued before me, a critical point of that is that it never requires a company to enter into a licence which is not FRAND -- then there would be no timing problem. The companies know and the court will know that a licence will be entered into. Only the terms have to be resolved, but there is not the same urgency. But if there is no undertaking, then the only remedy available to the patentee is an injunction but the patent does expire in February 2020 and at that point the remedy ceases to be available. That is why there is also force in IPCom's point that there is a need for something to be resolved before February 2020.
38. In my judgment it is not a question of blaming Vodafone for not giving the undertaking. Nevertheless the point is that the timing issue arises as a consequence of the fact that no undertaking is in place.
39. In relation to the terms of the undertaking, I was not at all persuaded by Vodafone that the undertaking is vague or that the undertaking precludes Vodafone from taking any point it wishes to take on the basis of either the current law relating to FRAND in the UK or in relation to whatever the Supreme Court decides to do. The only coherent point which was put to me was that Vodafone wishes to argue -- and it is perfectly entitled to argue, in my judgment, either on the facts as they are or as supported by a decision in the Supreme Court -- that in a case like this the court should hold that there are two licences which are FRAND and in addition that it is the defendant who is entitled to choose which one to enter into. From Vodafone's point of view, one licence would perhaps be patent-specific or national and the other would be global and portfolio-wide. As I said, it seems to me that Vodafone are entitled to do that. It

does not mean that they are necessarily going to win that argument, particularly in relation to the current authorities, but there is no reason why they should not be entitled to argue if they wish, and certainly -- and this is the critical point -- there is nothing in the undertaking which would prevent them from even advancing the submission.

40. In my judgment, the issue which Vodafone wants to argue is really a question of fact based on all the circumstances. I will say that I can see that on the basis which Vodafone contends would represent the right characterisation of this portfolio of patents, there is an issue as to what willing licensors and willing licensees would do in these circumstances. I do not know, but maybe they would not insist on a global portfolio licence but rather something else. This is all a question of fact.
41. What none of this shows is that there is any real flaw in the undertaking. At best, there might be a minor wording adjustment which could deal with the alleged point about two FRAND licences. That could have been sorted out if Vodafone had engaged with the offer from IPCom to discuss the wording. At the minute it seems to me that Vodafone is at risk of being properly characterised as an unwilling licensee, but I do not have to resolve that question now.
42. Turning to the patent trial, with the best will in the world, given the validity issue; the scope of the infringement issue, which may turn out to narrow considerably I rather think, but it has not yet; and particularly given the summer vacation, I cannot see how it could be done by mid-October. It is too close to the vacation. It may not need many more weeks than that, but in my judgment mid-October is really awfully tight. I should say that I am looking at it on the basis that it started in February and ignoring the delays caused by the abortive jurisdiction challenge, which, as I have already explained, I am doubtful would have ever really succeeded. It does not really make any difference to the analysis.
43. I do note that the fact that Vodafone do not seem to have engaged with Annex III to the FRAND Statement of Case is some indication of a degree of foot-dragging. Mind you, if I thought the only problem was due to delay from February until now (May), I might take a different view. Standing back, looking at it either way, either counting from today or counting from February, I think a trial in mid-October is a tall order.
44. Looking at the FRAND trial, I think the estimate of five days is too short. I reject the absurd suggestion of counsel for Vodafone that one cannot provide an estimate at all. The estimate may be rough, but, in my judgment, two weeks should be ample for the case, having seen what is likely to be in issue. That does of course assume that there is active case management of the FRAND trial, which there should be, and that will allow many of the issues to be kept under control. Nevertheless it will need some technical and licensing evidence, I think. Truly, these cases are nothing like as complex as they are made out to be or as they could be allowed to be without careful management.
45. A point arises on a so called merits argument. Vodafone say that it is or would be precluded from challenging the number of patents to be regarded as truly essential down from the asserted number in the table referred to above. Of course Vodafone should not be precluded from challenging that and I do not believe IPCom actually seriously suggest that it should be.

46. Vodafone also says that it wants to argue what it calls "on a merits basis", in other words a close investigation of the validity and infringement of all the patents in the portfolio. I am bound to say that I am sceptical about that. I have never heard of any situation in a real commercial negotiation between willing parties that anyone has ever tried to do that. Importantly, whether that point gets off the ground or not, it is quite a different thing from saying that Vodafone should be precluded from calling evidence that the number of truly essential patents in the IPCom portfolio is a number anything like the number claimed by IPCom. Vodafone has already got material on which to run that case. As I say, it seems to me that it is a matter of case management. That is why I think a realistic estimate is two weeks. The fact that these cases have major ramifications does not mean that they need to absorb a huge amount of court time.
47. Could the FRAND trial really be ready for November? I very much doubt it. It is too soon, although not radically so.
48. Standing back, where does that all lead me? With no expedition from service in February, the '666 patent IPCom could have expected to be heard in February 2020. Given that is the month in which it expires, it would not be unreasonable, and it would be commonly done in the Patents Court, to put in a modest degree of expedition so that it was heard rather earlier than expiry -- not January, given the need for a judgment, but, let us say, December. However, looking at the lists, December is full. It would be a major disruption to other litigants for any other patent trial to go into the list in December. However, having spoken to the Listing Office, there is a slot available in the period between 18 to 29 November, where a patent trial of five days plus one day prereading could be accommodated. Looking at it the other way, late November is still tight, but it is more realistic for preparation than mid-October. In my judgment, it is much more realistic. It is much further away from the long vacation, and there is more time to find experts and so on.
49. I also bear in mind that Vodafone is opposing this patent in the EPO, so it does have an awareness of the validity issues. I have not forgotten that some recent amendments have been proposed to the claims by IPCom. However, the problem is then that it means that the FRAND trial really cannot be practically scheduled before expiry. Even if the FRAND trial was heard in January, with expiry in mid-February that gives no time for a judgment. That is with a patent trial hearing ending on about 29 November, given the judgment that would then have to be given. The absence of a FRAND trial before the expiry of the '666 patent is a price that IPCom has to bear and only has itself to blame for. At the end of the day, it could and should have brought the '666 case earlier if it had wanted to configure the hearings in that way.
50. However, I would also say this. In my judgment, although most of the responsibility for what has happened is IPCom's, some of the responsibility is Vodafone's. As a result of that, although it is likely that the '666 will be decided before expiry, no FRAND trial will be scheduled before that. It is not at all clear to me that in the event that IPCom wins the '666 case that the right thing to do in the circumstances in which no FRAND trial had happened would be to refuse the injunction. Vodafone has the means to agree to undertake to enter into a FRAND licence, and if that happened, of course, there would be no injunction.

51. If there was no such undertaking in place, then by then it seems to me that Vodafone is at serious risk that an injunction may be granted. That may involve, in so far as I can understand it, Vodafone being required to turn off its mobile phone network. I do not know, but at least it seems to me that that is possible. I should say now that the court is not likely to be sympathetic that Vodafone has not had time to prepare for that eventuality, and that is why I am making this point as clear as I can now in May 2019.
52. It is clearly one potential outcome of this case that the '666 patent will be upheld and there will be no FRAND undertaking in place before expiry. Woe betide Vodafone at that stage to suggest it needs more time to think through the implications of what has happened. With luck it will also be after the Supreme Court has given judgment and after a lot of work will already have been done on the FRAND matter.
53. It seems to me that the right time to schedule the FRAND trial is in about July 2020, which will be after the '735 trial but before its expiry.
54. That is my decision.

(For continuation of proceedings please see main transcript)
