



Neutral Citation Number: [2019] EWHC 3074 (Pat)

Case No: HP-2019-000031

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

Royal Courts of Justice
The Rolls Building
7 Rolls Buildings
London, EC4A 1NL

Date: Tuesday, 12th November 2019

Before:

HIS HONOUR JUDGE HACON
(sitting as a Judge of the High Court)

Between:

IPCOM GMBH & CO. KG (a company incorporated under the laws of Germany)	<u>Claimant</u>
- and -	
(1) XIAOMI TECHNOLOGY (UNITED KINGDOM) LIMITED (a company incorporated under the laws of England and Wales)	
(2) XIAOMI TECHNOLOGY FRANCE (a company incorporated under the laws of France)	
(3) MYTECH RETAIL DISTRIBUTION LIMITED (a company incorporated under the laws of England and Wales)	<u>Defendants</u>

MR. ANDREW LYKIARDOPOULOS QC (instructed by **Bristows LLP**) for the **Claimant**.

MR. JAMES ABRAHAMS QC (instructed by **Powell Gilbert LLP**) for the **Defendants**.

Approved Judgment

Transcript of the Stenographic Notes of Marten Walsh Cherer Ltd.,
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HIS HONOUR JUDGE HACON:

1. This is an application by the claimant ('IPCom'), for an interim injunction. IPCom is the owner of EP (UK) 1,841,268, which I will call EP '268.
2. The first and second defendants are part of the Xiaomi Group, which has its headquarters in Beijing. The Group manufactures electronic devices, including mobile phones. The third defendant is an authorised distributor of Xiaomi handsets in the UK. Although the third defendant is not part of the Xiaomi Group, for convenience I will call the defendants collectively 'Xiaomi'.
3. Andrew Lykiardopoulos QC appears for IPCom, James Abrahams QC for Xiaomi.
4. EP '268 claims a method of awarding differing priorities to devices seeking access to a mobile phone network. IPCom has declared to the relevant standards setting organisation, ETSI, that EP '268, along with other of IPCom's patents granted worldwide, is essential to a standard used by 3G mobile phones. The standard is known as the UMTS standard. IPCom has also undertaken to offer licences under EP '268 and its equivalent patents on a FRAND basis.
5. There has been litigation in this country in relation to EP '268 for over a decade, reaching the Court of Appeal twice. On both occasions the Court of Appeal held that EP '268 is valid and essential to the UMTS standard. EP '268 expires on 14th February next year.
6. Xiaomi launched on to the UK market the devices alleged to infringe EP '268 in November 2018. There followed negotiations between IPCom and Xiaomi. In April 2019, IPCom made a global offer which it said was FRAND. There was a counter offer from Xiaomi in July 2019 which Xiaomi said was FRAND. IPCom did not agree and the claim form in these proceedings for infringement of EP '268 was issued on 2nd August 2019.
7. Xiaomi has disputed the jurisdiction of this court. I am told that the question of the court's jurisdiction over the substantive action is due to be heard in January of next year.
8. I note in passing, and it is not in dispute, that pursuant to Article 35 of Regulation (EU) 1215/2012 and the Civil Jurisdiction and Judgments Act 1982, this court has jurisdiction to grant interim relief whether or not the court has jurisdiction over the substantive action.
9. IPCom seeks an order until trial in the following terms:

"An Order for an interim injunction (pursuant to the Court's powers under Article 35 of the Brussels Regulation (recast) (EU Regulation 1215/2012) notwithstanding the 1st and 3rd Defendants' outstanding challenge to the Court's Jurisdiction) to prevent the 1st and 3rd Defendants disposing of or offering to dispose of UMTS mobile devices in the United Kingdom unless the said Defendants undertake, if found to infringe the Patent, to take a FRAND licence on terms agreed between the parties or settled by the Court."

10. The prospective undertaking by the Defendants referred to has been set out in fuller terms by IPCom and is as follows:

“In circumstances where the High Court of Justice of England and Wales has found European Patent (UK) 1,841,268 B2 to be valid, essential and infringed by the Defendants (or any of them) they will, without delay, enter into a licence covering all of the Defendants' past and future threatened acts of infringement on terms deemed to be FRAND either by agreement of the parties or by determination of the High Court of Justice of England and Wales.”
11. IPCom says that the purpose of the order sought is to ensure that Xiaomi enters into a FRAND licence, at least in relation to EP '268, should Xiaomi be found to infringe. IPCom also reserves the right to argue for a global licence in this court under all the relevant patents relating to the UMTS standard.
12. IPCom asserts that to date the Xiaomi Group has engaged in what is called ‘hold-out’, that is to say, purporting to negotiate FRAND terms in good faith while, in reality, dragging its feet and meanwhile continuing its acts of infringement without having to pay anything.
13. IPCom's position is that the only way it can bring Xiaomi's hold-out to an end, at least in this country, is by seeking an interim injunction to force Xiaomi's hand. More specifically, IPCom say that Xiaomi are exploiting the short period between now and the expiry of EP '268. There will be no trial before expiry, so by refusing to undertake to take a licence settled by this court and continuing to infringe, in effect, Xiaomi benefit from a compulsory licence for the remainder of the life of the patent. In other words, the hold-out will continue until IPCom's monopoly ceases to exist.
14. Mr. Lykiardopoulos relies on the judgment of Henry Carr J in *TQ Delta LLC v ZyXEL Communications Limited*, [2019] EWHC 745 (Pat). In that case, the judge had found one of the patents in suit invalid, but the other valid and infringed. The latter patent was due to expire about three months after the hearing following judgment. The defendant argued that the grant of an injunction where there was so little time left until expiry of the patent would be disproportionate. Henry Carr J rejected this submission. He made a finding on the evidence that the defendant in that case had been engaging in hold-out. He said that if no final injunction were granted, it would amount to a compulsory licence granted to the defendant for the relevant three months in circumstances where the defendant had chosen not to enforce the undertaking by the patentee to grant a licence on FRAND terms. The judge said this was wrong in principle.
15. Turning to this case, the fact that this application arises in the context of a FRAND dispute does not remove it from the usual *American Cyanamid* approach which must be applied to any application for an interim injunction.
16. The first stage of that approach is whether there is a serious question to be tried regarding the alleged infringement of EP '268 by Xiaomi. Xiaomi do not argue to the contrary.
17. The next question I have to decide is whether IPCom will suffer irreparable harm between now and the trial if no injunction is granted. The way that Mr. Lykiardopoulos

characterised the potential irreparable harm was as follows. He said that if no interim injunction is granted, IPCom will lose the opportunity to seek a global licence settled by this court; alternatively, they will lose the opportunity to seek a licence under the portfolio of IPCom UK patents.

18. That opportunity depends on Xiaomi deciding to take a licence. If Xiaomi does not elect to take a licence, there will never be an opportunity for IPCom to obtain either a global or UK licence in this court. Xiaomi says that even if an interim injunction is granted, they will not undertake to take a licence. It is Xiaomi's prerogative to take that course. That being so, if this action goes to trial and Xiaomi is found to infringe, Xiaomi must pay damages. Normally there would also be a final injunction but that is unlikely given the expiry date of EP 268.
19. IPCom has no absolute right to force Xiaomi to enter into a licence. It has no absolute right to the royalties which would be due under any licence. It does not matter whether such royalties would amount to a sum the same as, larger or smaller than damages for infringement. The opportunity which IPCom says it will lose if there is no interim injunction does not exist.
20. Mr. Lykiardopoulos also put his argument on a broader basis. He said that it was IPCom's right to prevent others from encroaching on its monopoly. That right has been curtailed since it gave a FRAND undertaking, but only to the extent that implementers of the UMTS standard agree to take a licence once settled by a competent court. He argued that just as Henry Carr J recognised in *TQ Delta* that the absence of an injunction would amount to a compulsory licence, so too here: no grant of an interim injunction would give rise to a compulsory licence to Xiaomi for the remainder of the life of EP '268.
21. I do not accept the parallel between this case and *TQ Delta*. In that case there had been a finding of infringement of a valid patent. In any instance in which the court considers the relief to be granted following a finding of infringement of a patent, the starting point is that the patentee will almost always be entitled to a final injunction; only in exceptional cases will a final injunction be refused. It appears that in *TQ Delta* it was argued that there was an exceptional circumstance, namely that the patent had only three months to run. Having made the express finding on the evidence that the defendant had engaged in hold out, I can see entirely why the judge rejected that argument and did not allow the defendant to maintain the hold out until the patent expired.
22. In the present case, there is no starting presumption that IPCom is entitled to an interim injunction. Having established that it has an arguable case at trial, IPCom must show that it would suffer irreparable harm between now and the trial if there is no interim injunction. I am not satisfied that there would be any such irreparable harm for the reasons I have given. It is not enough for IPCom to say that without an interim injunction Xiaomi will benefit from a compulsory licence. That could be characterised as applying to every instance in which an IP rights holder wins at trial and where there has been no interim injunction in the meantime.
23. Mr Lykiardopoulos emphasised more than once that the FRAND process requires the implementer to be willing to take a licence. That may be true, but it depends on what is meant. The law as it has developed imposes a consequence on an implementer who

refuses to undertake to take a licence on FRAND terms settled by a court. The consequence is that there will be a final injunction granted against the implementer if there is a finding of infringement at trial. The consequence is not that the owner of an SEP has an automatic right to an interim injunction pending the trial. That will depend on the principles set out in *American Cyanamid*.

24. Under the *American Cyanamid* principles, I need go no further. There will be no interim injunction because IPCom will suffer no irreparable damage in the absence of an injunction. However, since potential irreparable harm to Xiaomi if I were to grant an injunction was argued, I will say something about that.
25. Mr. Abrahams at one point argued that Xiaomi's position on the undertaking, i.e. that it will not undertake to take a licence at least until after there is a finding of infringement by the court, made the question of such an undertaking irrelevant to whether irreparable harm would be suffered by Xiaomi. That does not necessarily follow. If I were satisfied that Xiaomi is free to avoid any irreparable harm by giving the undertaking, that freedom would be relevant to this stage of the *American Cyanamid* analysis.
26. However, I accept it is possible that giving the undertaking sought could have negative consequences for Xiaomi. It appears that Xiaomi fear that if they give such an undertaking, it will in effect provide IPCom with the thin end of a wedge. The fat end of the wedge, as Xiaomi see it, is an attempt by IPCom to have this court settle a global licence for the entirety of its global portfolio. There may also be a concern that it would in practice make Xiaomi's challenge to the jurisdiction of the court otiose.
27. It seems to me that Xiaomi are entitled to take a view as to the jurisdiction in which they would prefer to have a global FRAND licence settled, if that were to happen. I cannot assume that the settlement of FRAND terms must be done in this court; nor can I assume that it could never be to Xiaomi's advantage to have a global licence settled in some other jurisdiction. It therefore seems to me possible that the Xiaomi Group, including the present defendants, could be commercially disadvantaged if Xiaomi were to give the undertaking sought by IPCom. The point I draw from this is that I cannot assume that Xiaomi could avoid any irreparable harm simply by giving the undertaking sought.
28. Mr. Abrahams also submitted that the Xiaomi Group fear that if they were to give the undertaking sought, it would lead to the settlement of terms which they would be required to take without having had the opportunity to know before marketing their devices. As I understand the argument, by the time of settlement of the terms all the devices which would attract royalties would have been marketed.
29. Xiaomi argue that an interim injunction would cause them irreparable harm. There is a witness statement from Rupert Cowling, who is the account sales director of the first defendant. Mr. Cowling says that the gatekeepers to the mobile phone market are what he calls Tier 1 operators. These are the main operators of mobile phone networks, namely O2, Vodafone, EE and Three. He said that the Tier 1 operators are sensitive to allegations of IP infringement and that an injunction would damage Xiaomi's relationship with them since Xiaomi would have to withdraw its smartphones from the market. Mr. Cowling also said that Xiaomi would be forced off the market in the run-up to Christmas which would be particularly damaging. He also referred to the new market in 5G phones. It is common ground that the injunction sought today would affect all

phones, including 5G phones. Mr. Cowling said that Xiaomi's opportunity to gain an early market share in this new market would be lost. There was also a further opportunity which Mr. Cowling referred to and which he said would be lost if I were to grant an injunction. This was in a confidential passage of Mr. Cowling's witness statement.

30. So far as the losses referred to by Mr. Cowling concern loss of sales, it may be possible, if Xiaomi were to succeed at trial, to calculate appropriate damages on IPCom's cross-undertaking consequent upon lost sales. However, I accept that there is a real risk that an interim injunction would damage Xiaomi's trading relationship with Tier 1 operators and that it would be difficult to assess such damage in hard financial terms, such that it could be accurately and adequately compensated on the cross-undertaking. I also accept that early development of Xiaomi's share of the 5G market and possibly other opportunities would be adversely affected and, likewise, that such losses could not be compensated in damages.
31. In any event, because there would be no irreparable harm suffered by IPCom in the absence of an interim injunction, the application is dismissed.
