

Case No: HC05C02026

**Neutral Citation Number: [2006] EWHC 802 (Pat)**  
**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 12<sup>th</sup> April 2006

**Before :**

**THE HONOURABLE MR JUSTICE PUMFREY**

-----  
**Between :**

**NOKIA CORPORATION**

**Claimant**

**- and -**

**INTERDIGITAL TECHNOLOGY  
CORPORATION**

**Defendant**

-----  
**Roger Henderson QC and James Abrahams (instructed by Bird & Bird) for the Claimant**  
**Antony Watson QC, Colin Birss and Geoffrey Pritchard (instructed by Wragge & Co)**  
**for the Defendant**

Hearing dates: 3<sup>rd</sup> – 5<sup>th</sup> April 2005  
-----

## **Approved Judgment**

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

.....

THE HONOURABLE MR JUSTICE PUMFREY

**Mr Justice Pumfrey :**

1. This is an application by the Defendant, InterDigital Technology Corporation ("InterDigital"), to set aside service of the Claim Form and Particulars of Claim upon it on the ground that the court has no jurisdiction to decide the whole of the Claimant's claim, or in the alternative for an order striking out the claim or giving judgment pursuant to CPR 24 against the Claimant. The Claimant, Nokia Corporation ("Nokia"), is the well-known manufacturer of mobile telephone handsets and other equipment, and InterDigital is a research and patent licensing company particularly concerned in mobile telephony.
2. This case is a further instalment in a dispute between Nokia and InterDigital about the scope of InterDigital's patents, and in particular the extent to which the use of the inventions claimed in InterDigital's patents is essential to any mobile telephone system complying with the so-called 3G standard. I have already heard an action between the same parties concerning three patents alleged by Nokia to be invalid and to be inessential to 2G/2.5G mobile telephony, but have not yet given judgment.
3. The standard-setting authority for 3G is called the Third Generation Partnership Project (3GPP) of which a number of standard-setting organisations are partners. Among those partners is ETSI (the European Telecommunications Standards Institute). All standard-setting bodies in a highly technological field in which manufacturers participate must have a policy to deal with the intellectual property rights of those who are proposing standards. Nothing would be pleasanter for a patentee than to participate in the setting of a standard compliance with which would inevitably involve infringement of his patent. ETSI has a policy of requiring its members to reveal the existence of such intellectual property rights or IPRs. Paragraph 1 of the November 2004 edition of the ETSI Guide on Intellectual Property Rights explains the purpose of the policy as follows:

"The purpose of the ETSI IPR Policy is to facilitate the standards making process within ETSI. In complying with the Policy the Technical Bodies should not become involved in legal discussion on IPR matters. The main characteristics of the Policy can be simplified [summarised?] as follows:

- Members are fully entitled to hold and benefit from any IPRs which they may own, including the right to refuse the granting of licences.
- Standards and Technical Specifications shall be based on solutions which best meet the technical objectives of ETSI.
- In achieving this objective, the ETSI IPR Policy seeks a balance between the needs of standardisation for public use in the field of telecommunications and the rights of the owners of IPRs.

- The IPR Policy seeks to reduce the risk that investment and the preparation, adoption and application of standards could be wasted as a result of an Essential IPR for a standard or technical specification being unavailable.
- Therefore, the knowledge of the existence of Essential IPRs is required as early as possible within the standards making process, especially in the case where licences are not available under fair, reasonable and non-discriminatory (FRAND) terms and conditions.

The Policy is stated to be intended to ensure that IPRs are identified in sufficient time to avoid wasting effort on the elaboration of a Deliverable [i.e. a portion of a technical specification] which could subsequently be blocked by Essential IPR."

4. Turning to the formal statement of the ETSI IPR Policy, which is Annex A to the Guide, the obligation of disclosure is stated in paragraph 4 as follows:

"Each MEMBER shall use its reasonable endeavours to timely inform ETSI of Essential IPRs it becomes aware of. In particular, a MEMBER submitting a technical proposal for a STANDARD or TECHNICAL SPECIFICATION shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER'S IPR which might be essential if that proposal is adopted."

5. Paragraph 6 of the Policy requires that:

"When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory terms and conditions under such IPR . . ."

6. The nature of an essential right is clearly defined. By the sixth definition of paragraph 15 of the Policy:

" "ESSENTIAL" as applied to IPR means that it is not possible on technical (but not commercial) grounds, taking into account normal technical practice and the state of the art generally available at the time of standardisation, to make, sell, lease, otherwise dispose of, repair, use or operate EQUIPMENT or METHODS which comply with a STANDARD without infringing that IPR. For the avoidance of doubt in exceptional

cases where a STANDARD can only be implemented by technical solutions, all of which are infringement of IPRs, all such IPRs shall be considered ESSENTIAL."

7. The standards for 3G mobile telephony are, as I understand it, substantially complete. Along the way, InterDigital have notified a number of patents to ETSI as "essential" in the sense in which that term is used in the IPR Policy. Nokia's contention is that certain of the English patents so notified, about 30 in all, which are of interest to Nokia because they concern the so-called frequency division duplex or FDD variant of 3G telephony, are not essential to the implementation of equipment complying with the standard. Nokia wish to have that question decided, and for this purpose they have commenced the current proceedings. The Particulars of Claim identify the various patents, and identify the entry on the ETSI database at which that patent is listed. The heading of the print-out from the database with which I have been supplied says this:

"The ETSI IPR database contains IPRs, particularly patents and patent applications, which have been notified to ETSI as being essential, or potentially essential, to ETSI standards. Unless otherwise specified, all IPRs contained herein have been notified to ETSI, with an undertaking from the owner to grant licences according to the terms and conditions of Article 6.1 of the ETSI IPR Policy . . .

The present database provides data that is based on the information received. ETSI has not checked the validity of the information, nor the relevance of the identified patents/patent applications to the ETSI Standards and cannot confirm, or deny, that the patents/patent applications are, in fact, essential, or potentially essential. No investigation, or IPR searches, have been carried out by ETSI and therefore no guarantee can be given concerning the existence of other IPRs which are, or may become, essential.

Potential Licensees should use the information in this database at their discretion and should contact the patent holder, for example to establish the status of a disclosed patent family, prior to making a patent licensing decision.

. . . "

8. The Particulars of Claim set out the notification to ETSI of the various patents, and in Particulars (ii), under paragraph 4, states that the Defendant has licensed the patents (and corresponding patents elsewhere in the world) to manufacturers of equipment falling within the 3G standards, on the basis that such licences are necessary for compliance with those standards. The Claimant, amongst others, has entered into such a licence. Paragraph 5 alleges that compliance with the FDD mode of operation of the 3G standard does not require infringement of the patents or any of them, so that the patents and each of them are not essential IPR. Paragraph 6 alleges that the

essentiality of the patents to the 3G standards is a relevant factor in the determination of any royalty rate under the Claimant's licence of the patents, and paragraph 7 states that when the present licence falls in, on 31<sup>st</sup> December 2006, the essentiality of the patents to compliance with the 3G standards is relevant to the requirement for and/or terms of any licence to be entered into on FRAND terms. The Particulars of Claim seek declarations that the importation, manufacture etc. of (i) mobile telephones and (ii) system infrastructure equipment compliant with the FDD mode of operation as set out in 3GPP TS 41.101 Release 5 or any revisions to this or later releases as at the date hereof without the licence of InterDigital does not require infringement of any of the patents, relief which can be summarised as a declaration of non-essentiality.

9. Similar relief is sought in the 2G action to which I have referred. Although I have not given judgment in this action, and although question of the propriety of granting any declaratory relief has been adjourned to a subsequent hearing, the technical question whether compliance with the relevant 2G standard requires infringement of any one of the 2G patents with which I was concerned in that case has proved possible to try. The standard required a certain system architecture, and a certain manner of employing that architecture, and the question whether a system having those characteristics would fall within the claims was straightforward to formulate.
10. A large amount of evidence has been filed on the current application, much of it directed to demonstrating that, contrary to appearances, the participants in ETSI understand clearly that a declaration of essentiality does not have the categorical nature which one might infer it possesses from the material I have set out above. InterDigital seek their relief upon the footing, first, that the pleaded complaint both in relation to the ETSI declaration and in relation to the assertion I have referred to above, that representations of essentiality have been made to third parties, is incapable of amounting to an "assertion of a claim of right", so depriving the court of any jurisdiction to grant declaratory relief. Alternatively, InterDigital submits that the discretion will not be exercised in favour of making a declaration in favour of Nokia, for six reasons. In summary, these six reasons are as follows:
  - a) There is no finality in any of the declarations sought, since a conclusion that operating a standard does not require infringement of a given patent does not mean that there will be no infringement of that patent. Accordingly, no question can be decided without considering the actual implementations to be used by Nokia;
  - b) Section 71 of the Patents Act 1977 provides a clear statutory route to deal with uncertainty in the special situations that patents present;
  - c) Accepting this jurisdiction has the potential to open the doors of the court to a mass of similar actions;

- d) Nokia do not *need* any of the declarations sought: they plainly consider them to be inessential and do not feel themselves to be threatened with litigation in this jurisdiction;
  - e) The suggestion that a decision of this court in relation to the essentiality of any of the patents will have a material effect on licensing negotiations between Nokia and InterDigital is "far-fetched"; and
  - f) Finally, the risk of litigation would be a powerful disincentive to make declarations of non-essentiality at all, which is plainly contrary to ETSI's policy.
11. Nokia's riposte to this has two limbs. The first is that the effect of the decision of the Court of Appeal permitting the application for declarations of non-essentiality to go forward to trial is binding upon InterDigital, either by way of some form of estoppel or simply by way of the doctrine of *stare decisis*, and the point should not now be reargued. The time to argue the point will be after the trial either of the hearing in the 2G action relating to essentiality, if one or more of the patents at suit in that action are found both to be valid and inessential, or at the trial of the present proceedings. The second limb of the argument is that the application misunderstands the nature of the jurisdiction to grant declaratory relief and that, whether or not this case is distinguishable in a relevant way from the 2G case, every one of the points advanced is sensitive to the facts of the case or, where they relate to wider issues such as the "floodgates" objection, simply wrong.

## Principles

12. The present application has really three aspects, one of which is unusual. The principles applicable to applications under CPR 3 to strike out a claim and under CPR 24 to grant summary judgment are well-known. In either case, where there is a genuine dispute of fact, it must be assumed that the respondent's factual allegations are true. An application of this description is not the opportunity to hold a mini-trial on the documents, and it is not an opportunity to conduct disproportionately long investigations of contestable legal principle. In other words, the jurisdictions are there to deal with clear cases. I accept, of course, that this principle must be viewed through the prism provided by the complexity and difficulty of the action as a whole and that complex cases involving complex considerations may nonetheless be clear for the purposes of the rule, and I accept also that the court is not bound to accept unthinkingly everything said by a party in its statement of case, which may be obviously devoid of substance. Without in any way wishing to add to the volume of commentary on summary judgment, it may be perhaps best said that summary judgment will be given when the outcome of the proceedings is known, not merely predictable.

13. Accordingly, the first question which confronts me is whether the facts of the present case are materially different from the 2G case as it came before the Court of Appeal. Mr Henderson QC submitted with considerable force that there was indeed no material difference. The differences identified by Mr Watson QC depended for much of their effect upon the fact that two events had taken place in the 2G action which have no parallel in this one. The first is that during the course of the corresponding argument to strike out the claim for a declaration of non-essentiality in the 2G action, I had put the then leading counsel for InterDigital under considerable pressure to come off the fence and tell me which of the three patents in suit were considered by InterDigital to be essential for the practice of 2G mobile telephony according to the relevant standard. Counsel had taken instructions, and had identified two patents. Subsequently, a statement of case on essentiality had been delivered. Mr Watson QC submits that the decision of the Court of Appeal would have been otherwise had the only representation relied on by Nokia been the "ETSI declaration". Second, Mr Watson QC submits that the foregoing point is reinforced by a failure of counsel to cite *Unilever Plc v. Procter & Gamble Company* [2000] FSR 344, and in particular the observations of Robert Walker LJ (as he then was) at page 360. Accordingly, he submits that I ought again to consider the whole case.
14. Examination of the grounds of appeal and of InterDigital's skeleton argument in the 2G action suggests most strongly that every one of the points relied upon by Mr Watson in the present case were raised as reasons why the application for declarations of non-essentiality should be struck out of those proceedings. The bullet points in paragraph 51 of the skeleton argument, summarising the principal contentions in relation to that branch of the case, are strikingly similar to those advanced before me by Mr Watson QC.
15. I was shown the argument that took place in the Court of Appeal and the judgment of Jacob LJ, with whom Rix and Mummery LJ agreed. It is far from clear to me, looking both at the judgment and the transcript, that the fact that Mr Burkill QC had made an assertion of essentiality in court was at the forefront of the Lords Justices' mind when holding that the relief sought was appropriate to the assertion of essentiality. But if I assume that to be the case, I am confronted simply with a lively factual dispute as to the understanding in the trade of a declaration of essentiality made to ETSI. Unless I was satisfied that the material before me cannot support the pleaded suggestion, then the position is, legally, the same as it was in the Court of Appeal, because I must notionally resolve disputed questions of fact in favour of the respondent.
16. Mr Watson QC was also anxious to emphasise that InterDigital's case was that the duty of a member of ETSI was to declare patents that were essential or potentially essential in compliance with the standard. The element of uncertainty introduced by the word "potentially" rendered the declaration of uncertain scope, and certainly did not amount to an assertion that the patent was in fact essential.
17. There are a number of aspects to this. A patent, or patent application, is "potentially" essential only while either the form of the claims or the content of the standard

remain so uncertain that the technical content of the question "essential or not" cannot be formulated. Thereafter, there is no ambiguity and the word "potentially" is no longer appropriate. Either the standard insists the invention is used, or it does not.

18. The two-fold purpose of making a declaration of essentiality to ETSI in this form is clear from the evidence: ETSI must be confident that its members have announced their intention to grant licences in respect of potentially essential patents to users before the standard is fixed. If ETSI's members do not reveal their hands, the standard is potentially vulnerable to a blocking patent. Users of the standard, once it is adopted, still wish to know if they need the licence that is on offer: the degree of "essentiality", on Nokia's evidence, affects the price. The form of the declaration of essentiality plainly suggests that these are the patents under which a licence needs to be taken. If the patentee is unwilling either to affirm or deny that these patents are in the present state of things essential, that fact alone indicates the existence of a relevant issue.
19. In any event, I consider that an assertion that would be understood as meaning "may well be essential" would be sufficient to found a properly constituted action for declaratory relief.
20. My reason, put shortly, is as follows. A line of authority running from *Guaranty Trust Company of New York v. Hannay & Co* [1915] 2 KB 536 through *Messier-Dowty Ltd v. Sabena SA* [2001] 1 All ER 275, culminating in the judgment of Neuberger J in *Financial Services Authority v. Rourke* (unreported) 19<sup>th</sup> October 2001, establishes three relevant principles:
  - i) The correct approach to the question of whether to grant negative declarations was one of discretion rather than jurisdiction.
  - ii) The use of negative declarations should be scrutinised and their use rejected where it would serve no useful purpose, but where such a declaration would help ensure that the aims of justice were achieved, the court should not be reluctant to grant a negative declaration.
  - iii) Before a court can properly make a negative declaration, the underlying issue must be sufficiently clearly defined to render it properly justiciable.
21. The last of these problems caused considerable concern to the Court of Appeal in the 2G case, and would have caused me concern, had I not, as I have indicated, heard that action and had I not been taken through one of the patents in the present action, together with the corresponding (or apparently corresponding) part of the relevant standard. I am satisfied that I can properly consider that the issues in this action are well enough defined on the Claimant's particulars of non-essentiality to enable a proper determination to be done.



22. The emphasis on *Unilever v. Procter & Gamble* really arises because of the reference in that case to a brief dictum of Hoffmann J in *Barclays Bank v. Homan* [1993] BCLC 680, where he made the following observation (at page 693):

"There are occasions on which a declaration of non-liability is a useful way of resolving a dispute between the parties. But in this case the administrators have not threatened Barclays with any proceedings under s.239. They say that they are still investigating the facts and want to be able to continue to do so without being prematurely forced to litigate the question. Accordingly, they apply to strike out the claim for the first declaration. In my judgment *Re Clay, Clay v. Booth* [1919] 1 Ch 66 is authority for the proposition that a party against whom no claim has been formulated cannot sue for a declaration of non-liability. Subject to limitation periods and laches, the prospective plaintiff is entitled to decide for himself when he will bring his action. This claim for a declaration must therefore be struck out."

This passage was relied on by Robert Walker LJ in the *Unilever* case in urging caution when exercising the inherent jurisdiction of the court to grant declaratory relief, a consideration of particular force in patent actions where the facility for obtaining declarations of non-infringement under s.71 of the 1977 Act is available.

23. Mr Watson QC would not accept that a copy of the relevant parts of the standard would amount to an adequate description for the purposes of the section, and if this is right, this route is not one that can be used to answer the question, "essential to 3G or not?" If this is right, then the distinction drawn by ETSI's own definition between technical and commercial essentiality seems to be deprived of much of its content.
24. In my judgment, to approach an international standards body and suggest that the use of a particular invention is essential in the sense of the definition that I have set out above necessarily involves a "formulated claim" against potential users of the standard. I think it is an error to assume that the degree of specificity that might be appropriate in a statement of case is what is meant by "formulation" for these purposes. In my judgment, it is wrong for a member of ETSI who has made a declaration of essentiality to suggest that it is either unprepared or unwilling to have the substance of the declaration tested. There is no clear evidence that any investigation of the kind to which Hoffmann J referred is necessary in this case: the technical issues must by now be known to the technical people, even if they are not known to the lawyers involved. I do not think that this is a case of forcing an unwilling plaintiff who has not formulated his case into court. On the contrary, the case is formulated.
25. This consideration is reinforced by considering the presentations made to Nokia and forming the subject matter of exhibits JMM5 and JMM6, which are confidential to InterDigital. These presentations demonstrate that an assertion of essentiality, together with the necessary analysis, can be, and is, made by InterDigital. These

presentations are of some age, and I doubt that they have not been added to by now, but in any event they demonstrate the point quite straightforwardly. I am quite unpersuaded that there is any material point of distinction between the facts before the Court of Appeal in the 2G and the present case.

26. There is one further matter to which I should refer. Mr Watson QC emphasised that a finding of non-essentiality did not preclude the possibility that a particular apparatus supplied, or a particular method used, by Nokia did in fact infringe. This possibility is, I think, not a real one. These patents have been notified as technically essential to the standard: this means they will have been notified on the footing that avoiding their infringement is not possible. They relate to required features of the standard. If apparatus in accordance with the standard does not infringe, that will be the end of it unless there is a relevant "implementation-specific" feature of a compliant system. But nothing can be notified as technically essential if it relates merely to implementation-specific features. In any event, nobody has pointed to any of the patents in the present case and indicated why this is a live possibility in respect of that patent. This is not an appropriate case for striking out.
  
27. I can now turn to the six discretionary grounds advanced by InterDigital. It seems to me that each of these grounds is quite inappropriate to be decided at this stage in the action. Indeed, they each have a flavour of the grounds that were advanced before me and the Court of Appeal in the 2G action for staying that action. The assertions that the action is disproportionate for a single jurisdiction which involves only 5% of the global market, or that it is tactical only, that it will not assist negotiations, that it opens the floodgates to similar applications, or that it is merely a skirmish, are only suitable for raising now if either separately or together they indicate at this stage that the action is properly to be described as an abuse of process. I am quite satisfied that the action is not an abuse of process. There are properly defined issues and, as I have indicated, I consider that the jurisdiction exists.

## **Conclusion**

28. It follows that this application fails. I should, however, record that I was unimpressed by InterDigital's complete refusal to indicate whether or not they now considered any of the notified patents to be essential for the practice of 3G mobile telephony. Mr Watson QC contended that they were not obliged to do so, and in this he is right. On the other hand, it is apparent to all that when the licence agreement presently enjoyed by Nokia comes to an end, there will have to be licensing negotiations, and those negotiations will have to encompass the patents in suit, whether expressly or impliedly.