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Case No: HC 08 C02525,  
HC 08 C02526, HC 08 C02527,  
HC 08 C02528, HC 08 C02530  
and HC 08 C0 3143

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**PATENTS COURT**

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 08/05/2009

**Before:**

**MR. JUSTICE FLOYD**

**Between:**

<b>NOKIA GMBH</b>	<b><u>Claimant</u></b>
<b>- and -</b>	
<b>IPCOM GMBH &amp; CO KG</b>	<b><u>Defendant</u></b>
<b>IPCOM GMBH &amp; CO KG</b>	<b><u>Counteraction</u></b>
<b>- and -</b>	<b><u>Claimant</u></b>
<b>(1) NOKIA UK LIMITED</b>	<b><u>Counteraction</u></b>
<b>(2) NOKIA OYJ (NOKIA CORPORATION)</b>	<b><u>Defendants</u></b>

**MR. RICHARD MEADE QC** and **MR. JAMES ABRAHAMS** (instructed by Messrs. Bird & Bird) appeared for Nokia.

**MR. BRIAN NICHOLSON** (instructed by Messrs. **Bristows**) appeared for **IPCom**.

**Approved Judgment**

Transcript of the Shorthand/Stenographic Notes of Marten Walsh Cherer Ltd.,  
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**MR. JUSTICE FLOYD :**

1. This is an application by IPCom, who are the defendants to revocation proceedings and by counteraction the claimants in infringement proceedings, for a preliminary issue in this substantial piece of litigation. As it was originally formulated, there were actions by Nokia to revoke some 15 IPCom patents. Shortly before the directions hearing, IPCom sued for infringement of three of those patents. At the stage of the directions hearing, the defence of Nokia to the infringement allegation had not been served.

2. The defence raises, in addition to a denial of infringement, a large number of contingent or alternative defences. Paragraph 33 of the defence reads as follows:

"If, contrary to the Defendants' primary contentions above, any of the Patents is held to be valid and its claims are construed sufficiently broadly to be held to be infringed, the Defendant will contend that it is Essential IPR and will rely upon the following facts and matters by way of defence to this claim and/or to the remedies claimed by the Claimant."

3. Essential IPR is a reference to the ETSI IPR policy which defines certain intellectual property as being essential in certain circumstances to the operation of particular standards in mobile telecommunications.

4. Nokia's position is set out in some detail. At paragraph 43 of the defence Nokia plead this:

"In the premises, the Defendants have the right to implement the GSM and UMTS Standards under the Patents. The Defendants cannot have infringed the Patents or any of them. Insofar as it is held that the Defendants or either of them have used the alleged invention claimed in any of the Patents, the Claimant is entitled to claim only FRAND compensation for such use of such invention."

5. "FRAND" is short for "fair, reasonable and non-discriminatory. In paragraph 56 onwards, Nokia allege breaches of both articles 81 and 82 of the EC Treaty. In paragraph 60, under the heading "Article 62 EC", Nokia say:

"The Claimant has abused and by this action seeks to abuse its said dominant position contrary to Article 82 EC by demanding royalties for the use of its Essential patents, including the Patents which are (a) discriminatory and (b) excessive and unfair".

Paragraph 61:

"The Claimant seeks to licence a portfolio of patents (the 'Bosch portfolio') acquired from Bosch, including the Patents. Bosch had previously licensed the Bosch portfolio to Samsung in or about 2002. Samsung is the Defendants' nearest

competitor in the market for the supply of mobile telecommunications equipment and therefore the licence granted to Samsung is a close comparable for the purpose of evaluating the licence terms which the Claimant is demanding from the Defendants. Bosch granted Samsung a licence for its mobile telecommunication portfolio for the sum of US\$12.5 million. The Claimant is aware of the terms of this licence, and has been aware at all relevant times. There is no reason to believe that this was anything other than a reasonable commercial royalty for the use of the Bosch portfolio."

Paragraph 62:

"On 22nd November 2007, in the context of the Mannheim II proceedings, the Claimant set out the compensation it required from the Defendants for use of the Bosch portfolio of patents. This comprised a complex schedule of royalty rates amounting, for the Essential patents, to ongoing royalties of some 5% of the net sales price of equipment sold. For comparison purposes, this would lead to total royalties payable by the Defendants in respect of the portfolio as a whole of the order of 12 billion euros, according to the Claimant, compared with the US\$12.5 million paid by Samsung. Even allowing for larger sales volumes of the Defendants products compared with Samsung (of the order of 1.5 times), the compensation sought by the Claimant in respect of the Essential patents within the portfolio is plainly discriminatory."

6. In paragraph 66, Nokia allege that in the Mannheim proceedings the second defendant, that is to say Nokia OYJ, Nokia Corporation, has formally offered to the claimant and/or Bosch to take a licence under the Bosch portfolio in the same terms as the Samsung licence but with a one-off payment of US\$ 19.74 million. The pleading explains that that sum was calculated by reference to the Samsung licence. It goes on:

"This was an offer of non-discriminatory compensation and is if anything more generous to the Claimant than a FRAND royalty. This offer was not accepted."

7. The pleading goes on to assert that the claimant (IPCom) is in breach of Article 82 by refusing to licence its patents on FRAND terms and by demanding discriminatory, unfair and grossly excessive royalties.
8. The application for a preliminary issue was first formulated as an application for the court to determine the principles and methodology for the determination of a FRAND licence. As the application has progressed, the issue has been refined.
9. In the draft order which was handed up to me at the hearing, it is provided that there be a preliminary issue to determine (a) what the fair, reasonable and non-discriminatory licence fee would be for a worldwide licence to Nokia in respect of IPCom's entire telecommunications patent portfolio and (b) said preliminary issue to apply the principles applied when licensing a patent portfolio containing patents

alleged by the proprietor to be essential to the ETSI standards and belonging to a proprietor with an obligation under the ETSI IPR Policy to issue licences on fair, reasonable and non-discriminatory terms.

10. The draft order for directions also contains an undertaking which had been ventilated in the course of the evidence. The undertaking is that the defendant (IPCom) will within 14 days of final determination of the preliminary issue offer the defendants Nokia, that is to say the claimants in the counter action, a worldwide licence in respect of IPCom's licensable telecommunications patent portfolio for such fee as the court on the hearing of the preliminary issue shall determine as being fair, reasonable and non-discriminatory, the said offer being open for acceptance for a period of 14 days.
11. The objective of the preliminary issue which is sought is quite plain. What is at stake between parties in portfolio patent litigation of this kind is usually the sum of money which will enable the grant of a worldwide licence under the entire portfolio. The preliminary issue seeks to get to the heart of that question, without the need to try the validity of 15 patents and the infringement of 3 of them, and a variety of ancillary defences.
12. The actions by Nokia to revoke 15 patents will not achieve finality in the same sense. Those actions are in respect of 15 out of a total of a great deal larger number of patents which exist in the portfolio. The patents in question have been chosen by Nokia, albeit from a so-called "Proud List" which IPCom have identified elsewhere. Nevertheless, they are not the whole of the portfolio, or anything like it. IPCom have responded by suing on three of those patents in respect of Nokia's telephones, but again judgment in relation to infringement of those three patents is not, at least in some scenarios, necessarily the end of the story.
13. The parties' positions can really be described in this way. IPCom say that what is really at dispute between these parties is how much Nokia is going to have to pay for a licence. Nokia say that the portfolio as a whole is of extremely dubious value. What is more, the clearing out of the way of the allegations of infringement, which on the current timetable could be as early as April of next year, will be the greatest impetus to a settlement of the overall dispute.
14. At an earlier stage of the litigation, it was certainly IPCom's position that validity and infringement proceedings would be a way of securing a resolution of the dispute.. At the directions hearing before Kitchin J, IPCom said both in evidence and in oral submissions of counsel that the thing which will produce a settlement of this case would be a finding of validity and infringement of one of the patents. That is something which might be available to IpCom as early as the judgment following the first trial in November of this year.
15. IPCom say that that position has now changed, given the raising of the alternative defences, that is to say the defence which I have quoted *in extenso* above which it sets out to raise.
16. I approach the question of ordering a preliminary issue with the usual caution. The cases are full of warnings about the attractiveness of preliminary issues which later turn out to have been a mistake.

17. Mr. Meade, who appears on behalf of Nokia today, raises a number of points as to why I should not go down this road. First, he says it is wrong to approach questions which go to quantum before the question of liability is established. That is right as a general working rule, but the court should exercise its case management powers in such a way, amongst other things, as to promote settlement. There are many examples of the way in which the court does that, for example, on occasions making targeted orders for disclosure which go to quantum even if quantum is to be decided after liability. The purpose of doing so is to assist in the process of causing the parties to settle their dispute.
18. Secondly, Mr. Meade submits, with some force, that the preliminary issue here is potentially prone to disaster. He is concerned on behalf of Nokia that his clients should not be shut out from arguing questions going to the infringement and validity of the patents and to their essentiality for the purposes of the standard. Moreover, whilst neither side is particularly keen to commit itself on its ultimate case, there is a question which arises in actions of this nature as to the relative weight to be attached in licensing negotiations between patents which are essential and patents which are inessential. He says that if figures of the order of those mentioned on IPCom's case are to be in play at the preliminary issue, then his clients will wish to argue that essentiality or inessentiality of the patents should be gone into in some depth.
19. Thirdly, Mr. Meade submits that it is wrong to abort the existing schedule of trials. Those trials are to begin being heard in November of this year at regular intervals and continuing into the following year. He says there has been no seachange brought about by the defence, because IPCom should have anticipated questions of this kind and they nailed their colours to the infringement and validity way of resolving the dispute rather than suggesting this at a much earlier stage.
20. Fourthly, Mr. Meade submits that there is too short a period between now and the November hearing for this action to be tried at that time. The action will be a very substantial one and the period of two weeks currently allocated in November will be inadequate.
21. Fifthly, he submits that it is unlikely to produce a useful result. What is most likely in Nokia's submission to produce a useful result is a determination that there is infringement of a valid claim.
22. Sixthly, he says that a German court is already considering this. The position, as I understand it, is that the German court has been asked by Nokia to determine a more limited question in relation to the particular offer which Nokia has made, calculated by reference to the Samsung offer uplifted for the difference in sales. He says that if the German court is already seized, it would be wrong for this court to direct a preliminary issue which may in those circumstances have to be stayed pending the outcome of the German proceedings. I would add that the action before the German court has thus far been met with a resistance to accept what I may loosely call jurisdiction. An appeal is nevertheless pending.
23. Finally, Mr. Meade encourages me not to take this risky course when the existing course is set and is aimed in the same general direction.

24. Mr. Nicholson, who appeared on behalf of IpCom, points to the fact that the ultimate question between the parties is one of money. He also draws attention to the fact that Nokia do not appear to have any difficulty in identifying something as a FRAND royalty without complicated investigations of validity, infringement and essentiality as they have done in relation to their own offer of US \$19.74 million. He says it is inconsistent for Nokia to say that essentiality, validity and infringement only come into play if the sum at stake is greater.
25. He says that, in practice, the way in which parties agree a licensing fee is not on the basis of litigation as to validity, infringement and essentiality but on the basis of a much more rough and ready approach in which detailed technical investigations are not appropriate.
26. My concern is that the preliminary issue which is now sought to be directed is one which asks the court principally to determine what the licence fee would be for the Bosch/IPCom portfolio on a worldwide basis.
27. Despite the point well made by Mr. Nicholson that Nokia's position is somewhat inconsistent, the court at the end of the day will have to determine whether validity, infringement and essentiality of the patents is a factor which should be taken into consideration in arriving at the licence fee which it is being asked to determine. If the court comes to the conclusion that it cannot answer the question without making a determination, at least on some basis of the essentiality, validity and infringement issues, then it will not be able to answer the question.
28. Mr. Nicholson's response is to say, "Even that will be useful because then the court will know, and the parties will know, what further technical matters need to be investigated and those issues can be tried accordingly."
29. I am very conscious that in proceedings of this kind, it may on occasions be necessary to make what are unusual and perhaps imaginative case management orders. In the end, I have come to the conclusion that this is not an appropriate case in which to order the particular preliminary issue which is sought.
30. My reasons track to a certain extent those to which Mr. Meade has referred, but I would principally rest my decision on two matters. First, the trial of the first infringement action is only six months away. For whatever reason, and attaching no blame to either side, that is the course on which this case was originally set. To attempt now to give it a very different shape will involve a waste, or at least the risk of waste, of resources that have already been spent, together with a rather uncertain question about whether the existing slots are able to accommodate the differently structured action.
31. Secondly, I am concerned that the outcome of the preliminary issue may not be as useful as a number of discrete decisions about validity infringement of the patents which have been singled out. It is true that those decisions may not be the end of the litigation, but the parties at least originally took the view that the litigation presented a prospect of inducing a settlement in that way. I do not feel strongly enough that the alternative route of proceeding is so much more likely to produce that result to justify the radical change of course which is proposed.

32. There is some force in the concern which is raised concerning the German proceedings. To the extent that there is overlap, it may possibly be that to advance the determination in this country of issues relating to FRAND might ultimately result in having to stay those proceedings in favour of the German court. However, in the light of the fact that the German Court has up to now declined to engage with the issue, I did not regard this as a factor of very great weight.
33. For those principal reasons, I decline to order the preliminary issue sought.

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