



Neutral Citation Number: [2022] EWHC 2846 (Pat)

Case No: HP-2022-000011

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: Tuesday, 8th November 2022

Before:

MR. JUSTICE FAN COURT

Between:

KIGEN (UK) LIMITED	<u>Claimant</u>
- and -	
THALES DIS FRANCE SA	<u>Defendant</u>
(also known as GEMALTO SA)	
(a company incorporated under the laws of France)	

MR. IAIN PURVIS KC and MISS KATHRYN PICKARD (instructed by **Reed Smith LLP**)
for the **Claimant**

MR. MARK CHACKSFIELD KC and MR. THOMAS JONES (instructed by **Kirkland & Ellis LLP**) for the **Defendant**

Approved Judgment
(On Application)

Transcript of the Stenograph Notes of Marten Walsh Cherer Ltd.,
2nd Floor, Quality House, 6-9 Quality Court, Chancery Lane, London WC2A 1HP.
Telephone No: 020 7067 2900. DX 410 LDE
Email: info@martenwalshcherer.com
Web: www.martenwalshcherer.com

MR. JUSTICE FAN COURT:

1. This is an application by the defendant, Thales Dis France SA, (which I will refer to as "Thales"), by an amended application notice dated 20th September 2022, for a determination that the court has no jurisdiction, or should not exercise its jurisdiction, or should grant a stay, in relation to part of the claimant's claim.
2. The claimant, Kigen, is a UK limited company carrying on business in Northern Ireland. Both companies are active in digital technology, in particular, with reference to this claim, eSIM and iSIM technology and software for internet of things manufacturers and others.
3. Thales has a large global portfolio of patents, some of which are standards essential patents ("SEPs"), relating to eSIM technology. SIM technology is standardised by, among others, the GSM Association and some of Thales's patents are claimed to be essential to GSM standards. Both parties are members of the GSM Association and Thales is willing to grant licences to companies such as Kigen and has done so to most of its other competitors
4. By letter dated 29 March 2021, Thales asserted that it owned several SEPs relating to GSM specifications and identified business activities of Kigen that were making, using or selling software said to be compliant with those specifications. It enclosed technical claim charts and invited Kigen to respond in relation to the grant of licences. Four patents were identified at that stage as being mapped to the relevant specifications, including the two UK patents in suit. Correspondence, discussions and some negotiations took place, but no resolution was reached.
5. On 12 January 2022, Thales offered Kigen a licence on confidential terms, said to be on terms substantially similar to licences with three major competitors. In April 2022, Kigen made a confidential counter-offer. The claim form was issued on 24 May 2022. In it, Kigen claimed declarations that the two UK patents were invalid and orders for revocation, alternatively declarations that they were not essential to the relevant standards and (not "or") a declaration that it was entitled to licenses of Thales's essential intellectual property rights ("Essential IPR") including the patents in suit, on FRAND terms, and a determination of those terms.
6. The particulars of claim plead the relevant terms of the GSM IPR Regulations, including by clause 5.1, the member will have given an undertaking that it is prepared to grant licences on FRAND terms to all of its Essential IPR associated with a particular activity. Both the member who has given the undertaking and anyone wishing to implement deliverables to which the Essential IPR relates agree that they will act in good faith in order to negotiate a relevant licence agreement.

Kigen pleads that it infers from the letter of 29 March 2021 that Thales considers that, without a licence, Kigen's activities are infringing. No case of non-infringement is pleaded. Rather, Kigen pleads that it is entitled to a FRAND licence but that terms cannot be agreed, and that it is entitled to enforce in court the obligation on Thales to act in good faith by seeking a determination of FRAND terms. Paragraph 19 of the particulars of claim reads:

"Accordingly, the Claimant seeks the following by way of declaratory relief:

(a) a declaration that the Claimant is entitled to licences to the Essential IPR including the Patents on Fair, Reasonable, and Non-Discriminatory ('FRAND') terms; and

(b) a declaration as to the terms of such licences."

7. The relief claimed in the prayer entirely mirrors the relief claimed in the claim form, so that the claim to a FRAND licence is not in the alternative to the claims for revocation and declarations of non-essentiality.
8. The grounds of invalidity served with the particulars of claim allege lack of novelty and inventive design, having regard to the state of the art, and particulars of the art are given.
9. The application notice states that since Kigen's claim is one of invalidity, there is no issue before the court that requires a FRAND determination and further that there is no allegation of infringement if the patents are found to be valid. It also asserts that there is no jurisdiction to grant declaratory relief in respect of Essential IPR, as there is no jurisdiction asserted in relation to patents other than the two UK patents in suit. Alternatively, it is said that England and Wales is not *forum conveniens* given Thales's offer to mediate the dispute through the WIPO.
10. Finally, by way of amendment, there is added:

"Further or alternatively, unless and until the Claimant gives an unqualified commitment and undertaking to enter into any licence determined by this court to be FRAND, no further steps should be taken in these proceedings which should be stayed pursuant to CPR Part 3, any further progress in the action being a disproportionate use of the Court's and the Defendant's resources and otherwise contrary to the Overriding Objective."
11. Thales's case is that the real issue in dispute is the global FRAND terms, since Kigen has claimed a free-standing licence. As a result of the decision of the Supreme Court in *Unwired Planet v Huawei* [2020] UKSC 37, the court will have jurisdiction to set terms of a FRAND licence applying to a global portfolio of related patents, even though it would not have jurisdiction in relation to the validity of foreign patents. The pleaded claim is a contractual claim for a FRAND licence, not a defence to an infringement action.
12. However, in recent correspondence and in Kigen's skeleton argument, its position appears to have changed somewhat. On 22 September 2022, Kigen's solicitors wrote:

"So that Kigen's position is clear, Kigen is prepared to take a FRAND licence from Thales on any patent found to be valid and essential by the English courts in these proceedings (after the conclusion of all potential appeals), such licence to be on whatever terms are then determined by the Court."

13. The same position was taken in argument, with Mr. Purvis KC, on behalf of Kigen, saying that it was not offering an undertaking to take a licence of all essential IPR regardless, because the position might arise in which essentiality was not established at trial, in which case Kigen might decide to take the risk of not taking a licence. But if the court took a different course, i.e. if the patents were held valid and essential, then it was prudent to have the FRAND proceedings on foot.
14. That is clearly a different position from that pleaded, as Mr. Chacksfield KC, on behalf of Thales, submitted: there a free-standing right to claim a licence was relied upon as a claim, not as a defence. Kigen, it seems to me, is now effectively running the claim to a licence as a defence to an anticipated infringement counterclaim. Mr. Purvis expressed considerable scepticism at Mr. Chacksfield's suggestion that there might be no such counterclaim. He said that it was anyway implicit in the background to the claim of invalidity and non-essentiality that there would be infringement if any patent was held to be invalid and non-essential.
15. Even in relation to patents that are held at trial to be valid and essential, Kigen is not now prepared to undertake that it will take a licence. That, again, was because Kigen wished and said that it is entitled to consider the position at the time when infringement is established and when it is put to its election. The bottom might have fallen out of the market, Mr. Purvis said, in which case Kigen might submit to an injunction and walk away.
16. Thales is very concerned that considerable expense could be incurred in litigating the patents issues and the FRAND terms in circumstances in which Kigen has no obligation to take a licence once the terms are determined. Kigen's recent position is changed so that it may (and probably will) take a licence, but only once it has established that there is infringement.
17. Kigen has rejected an open offer for a licence to the end of 2025 for €4 million, and Kigen's confidential counter-offer is for a very much lower value, so it appears that the value of the licences contemplated are low by FRAND standards. Given that there is no finding of infringement, Kigen cannot be required to elect on that basis whether to submit to an injunction or give a FRAND undertaking. That leaves it able to force Thales to litigate, at risk of costs and forgone licence fees.
18. Thales submits it is an abuse of process for Kigen to cause the parties and the court to expend significant time fighting possibly two trials, which may lead nowhere. Thales's evidence establishes that it has offered ADR as a more proportionate means (it says) of resolving the FRAND terms, including by arbitration or mediation at the WIPO, but the offer has not been accepted by Kigen. Kigen says that it fundamentally disagrees about the basis on which the royalties should be payable and that mediation is unnecessary because the parties can always negotiate in parallel with the litigation.
19. Thales frankly says that if Kigen gives an undertaking to enter into a licence on terms determined by the court, its objection to the claim proceeding will disappear, despite the cost. It submits that if that undertaking were only in relation to patents found to be valid and essential, then Kigen should be required to amend its claim so that it is clear that it is only claiming a FRAND licence to that extent. Thales says that if a full undertaking, consistent with the currently pleaded case, is given, the FRAND trial

should take place first, since the terms are then plainly the principal issue that divides the parties.

20. Dealing first with the argument that there is no issue before the court that gives the court jurisdiction to determine FRAND terms, I am unable to accept that. As pleaded, paragraph 3 of the prayer pleads a claim on a free-standing contractual basis to a licence on FRAND terms and asks the court to determine those terms. To my suggestion in argument that there is no issue as to entitlement to a FRAND licence, Mr. Chacksfield submitted that that was not necessarily the case if Kigen was seen as an unwilling licensee. In any event, taken at face value, the pleaded case raises a proper basis to bring the disagreement on terms of a FRAND licence before the court. The terms of the licence have to be determined by the national court if the parties cannot agree otherwise. It is not only following a determination of infringement and an undertaking by the implementer to take a licence that a dispute about terms can be brought before the court.
21. The question, in my judgment, is not one of jurisdiction but, first, whether there is any abuse of the jurisdiction by Kigen proceeding with a FRAND claim without giving an undertaking to take a licence; and, second, whether if there is no abuse, the court ought nevertheless to stay the FRAND claim until an undertaking is given. Thales argues that there is an abuse in Kigen requiring it to invest substantial funds and the court to provide substantial resources for determination of an issue that may be a waste of time if Kigen does not like the terms determined and walks away at a much later stage. Kigen is clearly unwilling to bind itself to taking a licence without knowing what the terms will be.
22. In circumstances where infringement has been determined and an implementer is put to its election, the Court of Appeal has held that the implementer is not permitted to decline to give an undertaking and resist an injunction pending determination of the FRAND terms, *Optis v Apple, Trial F*, [2022] EWCA Civ 1411. The reason is that given that the terms are required to be fair, reasonable and non-discriminatory, and the well-advised implementer is well able to work out roughly what the terms will be.
23. The situation here is not the same, because there has been no finding of infringement. Kigen does not have to elect. But the argument that Kigen can be expected to have a reasonably good idea what the FRAND terms will be, subject to the question of validity of the patents, is the same, even if partial invalidity may affect the value of the licence. It is therefore not persuasive for Kigen to submit that it should not be required to decide whether it wants a licence until it knows what the terms are. That is particularly so as Kigen has issued a claim for a declaration that it is entitled to a licence of all Thales's Essential IPR on FRAND terms.
24. The argument that Kigen should not be required to give an undertaking until it knows which patents are valid and essential is different, and it is the case that Kigen is now asserting but not the case that is pleaded. I accept that there is a real issue raised in the evidence as to the commercial impact of a finding that one or both of the patents in suit are invalid or non-essential.
25. What is of particular concern in this case is the difference between the position on Kigen's pleaded case and the position that it has taken in correspondence and in argument. I accept Mr. Chacksfield's submission that Kigen's position is now

equivalent to that of an unwilling licensee defendant, rather than a claimant who asks for a licence of all essential IPR.

26. In my judgment, if Kigen intends to maintain that position, it should amend its claim to make clear that it is seeking a licence only on the basis explained in the 22 September 2022 letter, which is to the extent that it is required to do so following a determination on validity and essentiality.
27. Until that amendment is made, or (in order to remove doubt as to Kigen's willingness to take a licence) it gives an undertaking that it will enter into a licence for all Thales's relevant Essential IPR, I will stay the claim for FRAND declarations. The stay will be lifted automatically if Kigen does either of those two things.
28. If Kigen does amend its claim, it is not, in my judgment, appropriate then for there to be a stay of the FRAND claim on any basis claimed in the application notice. It might be expected in those circumstances that a trial of the patent issues will precede the FRAND trial, but that is a matter for later decision.
29. It is perhaps unnecessary to decide whether Kigen's claim for a FRAND declaration is abusive or whether good case management requires a stay until Kigen's position is clarified, but I prefer to say that for Kigen to continue with its claim as pleaded, in the light of what has been said in recent correspondence and in court today, would be an abuse of process if Kigen did not either amend its claim in the manner indicated or give an undertaking in order to clarify and reinforce its pleaded case. That is particularly so, given the risk, which I accept, that the costs of these proceedings may exceed the value of the licence. Uncertainty costs money.
30. I make it clear that I am not deciding that in any case of a free-standing claim for a FRAND licence a claimant is required to offer such an undertaking. That is clearly not so, either in practice or in principle. There will be many cases where there is no reason to doubt a claimant's status as a willing licensee, and to require an undertaking regardless of what may eventuate, unknown to the parties, would be onerous.
31. It is clearly not an abuse for Kigen to raise and seek determination on the patent issues that it has pleaded and these must be determined if they are not agreed.
32. Whether, if Kigen amends its claim, the patent issues or the FRAND claim is seen as the priority, or both are to proceed in parallel, either entirely or to some extent, is a matter that, in my view, should be determined at the case management conference with the benefit of fully pleaded cases, costs budgets and likely litigation timetables. At that stage, it will be apparent whether or not Thales is alleging infringement in these proceedings. The judge hearing the CMC can consider whether, as I provisionally think, the ability of the parties to determine the commercial issues in this claim by agreement will be assisted by pleadings and disclosure on the FRAND claim, even if the patent issues are to be tried first. Thales can hardly complain about the cost of such steps, which would have been necessary for the WIPO mediation on FRAND terms that it wanted to take place.
33. I add, in relation to the *forum non conveniens* argument raised in the application notice, that the application was not pursued by Mr. Chacksfield, rightly, in my view, since WIPO mediation, whatever its other qualities, is not an alternative forum for these

purposes; nor was any other available forum put forward by Thales to support such an argument.

34. It follows that I accede to and grant part of the relief in the application notice on the terms that I have indicated.

(For continuation of proceedings: please see separate transcript)

35. The defendant in this case has been the successful party on the application, but it has only succeeded on one of five grounds on which it sought relief, which was introduced by way of amendment on 20th September 2022, very shortly before the initial evidence was filed in support of the application. All the grounds relating to jurisdiction and *forum non conveniens* have failed.
36. Mr. Chacksfield submits that relatively little extra costs were incurred in preparing the evidence to deal with those matters. I accept that is probably so, in relation to most of the evidence, but nevertheless the fact that those distinct grounds were raised in the application notice meant that the claimant had to consider them, address them and take advice on them, and prepare evidence, as needed, to deal with them.
37. It seems to me that the bulk of the evidence on both sides was dealing with general matters relating to the dispute which were as relevant to one ground as they were to other grounds, but in preparing, for example, skeleton arguments and preparing for this hearing, it is likely that significant time will have been spent addressing the additional grounds on which the defendant has failed.
38. Mr. Purvis submits that, given that those grounds failed, I ought to consider awarding the claimant its costs in relation to those matters. I do not consider that is right, given that the defendant has been the successful party overall, but it is a factor which I can take into account in deciding what I think is the right proportion of the defendant's costs to award them.
39. Therefore, although it may be that relatively little extra cost was involved in preparing the evidence to deal with the unsuccessful grounds, I do consider that a significant reduction should be made to reflect the amount of work that had to be done to deal with the grounds that were ultimately unsuccessful.
40. The costs incurred before the hearing today, and preparing for and at the hearing today, seem to me to be divisible approximately 50/50, given the brief fees and the costs of the other persons attending. Given the costs that the claimant will have incurred to address all argument, I consider that the right order to make in this case is that the defendants should receive two-thirds of their costs of the application.

(For continuation of proceedings: please see separate transcript)