



Neutral Citation Number: [2023] EWHC 3212 (Pat)

Case No: HP-2023-000031

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: Tuesday, 12th December 2023

Before:
HIS HONOUR JUDGE HACON
(Sitting as a Judge of the Chancery Division)

Between:

(1) LENOVO GROUP LIMITED
(a company incorporated under the laws of Hong Kong,
China)
(2) LENOVO (UNITED STATES) INC.
(a company incorporated under the laws of Delaware,
USA)
(3) LENOVO TECHNOLOGY (UNITED KINGDOM)
LIMITED
(4) MOTOROLA MOBILITY LLC
(a company incorporated under the laws of Delaware,
USA)
(5) MOTOROLA MOBILITY UK LIMITED

Claimants

- and -
(1) INTERDIGITAL TECHNOLOGY CORPORATION
a company incorporated under the laws of Delaware,
USA)
(2) INTERDIGITAL PATENT HOLDINGS, INC.
(a company incorporated under the laws of Delaware,
USA)
(3) INTERDIGITAL, INC.
(a company incorporated under the laws of Pennsylvania,
USA)
(4) INTERDIGITAL HOLDINGS, INC.
(a company incorporated under the laws of Delaware,
USA)

Defendants

MR. JAMES SEGAN KC, MR. RAVI MEHTA and MR. FEMI ADEKOYA (instructed by **Kirkland & Ellis International LLP**) for the **Claimants**

MR. MARK CHACKSFIELD KC and MS. JOANNE BOX (instructed by **Bird & Bird LLP**) for the **Defendants**

**Approved Judgment
(On Directions)**

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

1. There are three application notices before the court. I should give them some context. The defendants (collectively "InterDigital") are a US group of companies which own a large portfolio of patents granted around the world relating to digital wireless technologies.
2. The claimants (collectively "Lenovo") are a Chinese-based group of companies, which trade worldwide in mobile phones, tablets, laptops, desktop computers and related products. They market these products under the brand names Lenovo and Motorola.
3. Until the end of this calendar year Lenovo are licensed worldwide under certain standard essential patents, or SEPs, owned by InterDigital. The patents are in the field of cellular devices. The licence was entered into pursuant to the findings of Mellor J in his judgment dated 4th July 2023, following a FRAND trial. The FRAND rate settled by Mellor J was 17.5 US cents per device. I am informed that Lenovo has already paid just under US\$185 million under the licence.
4. The licence expires on 31st December of this year. The parties have entered into negotiations for a new licence to run for a five-year period from 1st January 2024 to 31st December 2028 but have not agreed terms.
5. On 22nd September 2023 InterDigital made a formal offer of a worldwide licence under its cellular SEP portfolio on its proposed terms. The offer has not been accepted by Lenovo. A principal sticking point is the royalty rate to be paid. InterDigital say that the bulk of the devices sold under the current licence were 3G and 4G devices; the bulk under the prospective licence would be 5G so that a higher royalty is appropriate. InterDigital have proposed a figure. Lenovo say this is too high and a licence with that high a royalty rate would not be FRAND.
6. Lenovo seek to have a new FRAND licence settled by the court. It has brought proceedings in Chinese courts to this end but now favours the new licence being settled by this court. Accordingly, the present proceedings were started by a claim form dated 24th September 2023.
7. Lenovo have given an unconditional undertaking to the court that they will enter into a licence agreement in the form which this court determines to be FRAND at the trial of the action. The scope of the licence sought by Lenovo is wider than that settled by Mellor J. It would encompass SEPs covering technology other than that relating to cellular devices and would cover patents which are not SEPs. Lenovo's entitlement to a licence of that scope is disputed by InterDigital, but for today's purposes it is enough that I consider only that part of the prospective licence that has the scope of the licence settled by Mellor J.
8. Lenovo wish to have the FRAND trial heard before any technical trials and that the hearing of the FRAND trial be expedited, to be heard within a year from now. There are proposed directions before me which include directions for a hearing on expedition. Whether the trial is expedited or not, there is plainly no prospect of a licence being settled by this court before the current licence expires. The question is what should happen in the meantime?

9. Lenovo have suggested that the best way forward is for the parties to enter into an interim licence to cover the period from 1st January 2024 until settlement of the new licence. The idea is that the current licence would be extended over the interim period on the same terms. If, later, this court were to settle FRAND terms at the trial of the action that are different to those governing the interim period, specifically with a higher royalty rate, Lenovo say it would undertake to compensate InterDigital, paying retrospectively from 1st January 2024 at the new rate.
10. InterDigital oppose the whole idea of an interim licence. InterDigital have also challenged the jurisdiction of this court to settle the terms of a new FRAND licence. This is on the ground that Lenovo brought an earlier action before the Chinese court to settle those terms. I should add that the parties are agreed that InterDigital's engagement with the issues arising from the current applications does not constitute submission to the jurisdiction.
11. I have mentioned proceedings in China between the parties which cover similar ground to those of the present proceedings. In fact, Lenovo have brought two claims in China, both in the Beijing Intellectual Property Court. The first concerned the settlement of a licence for China only in respect of the cellular SEP portfolio owned by InterDigital that was the subject of the worldwide licence settled by Mellor J. Those proceedings were overtaken by that worldwide licence and have been withdrawn.
12. The second Chinese action is for a determination of FRAND terms for a worldwide licence under InterDigital's cellular SEP portfolio for the same period as in issue in the present proceedings, namely 1st January 2024 to 31st December 2028. Since this second action constitutes the only relevant live proceedings in China, my reference hereafter to the Chinese proceedings will mean the second claim.
13. Lenovo have made an application to stay the Chinese proceedings and, before the start of this hearing, offered to withdraw them altogether provided InterDigital agreed to the terms of a FRAND licence as settled by this court. InterDigital declined the offer. However, during this hearing, Lenovo said that they would apply to withdraw the Chinese proceedings if InterDigital then withdraw their challenge to this court's jurisdiction with regard to settling FRAND terms in respect of InterDigital's cellular SEPs.
14. I have been told that InterDigital's position now is that if and once the Chinese proceedings are actually withdrawn, i.e. this is approved by the Chinese court, InterDigital will withdraw their challenge to this court's jurisdiction regarding the cellular SEPs.
15. On that basis, I think it is reasonable for me to assume for the remainder of this judgment that there will be no court time taken up with a challenge to the court's jurisdiction to settle new FRAND terms regarding the cellular SEPs. Of course, if the position changes, the parties will no doubt inform the court and steps will have to be taken accordingly.
16. There are also parallel proceedings in Germany. Companies within the InterDigital group have brought an action for patent infringement in the Munich Landgericht. The patent alleged to be infringed is EP 2 127 420 (EP 420), which is among InterDigital's cellular SEPs as granted in Germany. The trial is to be heard on 21st March 2024.

17. Both sides have filed expert evidence on German law. It seems that in principle there is a possibility that the Munich trial could go forward on one of two alternative ways. The first is the resolution of issues arising on alleged infringement of EP 420 and related matters, which I will come back to.
18. The second theoretical possibility arises from what is known as the Orange Book procedure. This is a procedure under German contract law, not patent law, but it seems to be common ground that it could apply in relation to patent FRAND agreements. Under this procedure, a party may offer a licence under what it considers to be equitable terms – here specifically FRAND terms. The offeree may accept the licence and having done so, may also apply to the German court to review and settle alternative terms. Both parties to what is then a binding licence will be bound by the court's finding on appropriate terms.
19. InterDigital say that they have made an offer in Germany under the Orange Book procedure. The offer is to grant a worldwide licence under InterDigital's cellular SEP portfolio, although the proposed scope is not the same as the scope of the proposed cellular SEP licence in these proceedings. In this hearing the difference in scope does not matter.
20. InterDigital's position is that Lenovo could enter into a licence under the Orange Book procedure at any time and, if they wish, have the German court settle FRAND terms for a worldwide licence under the cellular SEP portfolio.
21. There is, however, a significant feature of InterDigital's offer which may or may not be novel under German law. InterDigital's offer is contingent on Lenovo paying InterDigital a very considerable sum by way of an advance on royalties due. Only if Lenovo agrees to pay will there be a licence. As I understand the position, should Lenovo choose to ask the court to settle the terms of the licence, that would not include the court having jurisdiction to cancel the upfront payment. The payment would, of course, be deducted from royalties as settled by the court later falling due.
22. InterDigital also say Lenovo could agree to arbitration, but arbitration has not featured in argument today.
23. Lenovo's evidence with regard to the Orange Book procedure is up to a point similar. However, Lenovo's expert makes the following assertions, which I did not understand to be disputed.
24. First, the trial in the Munich court on 21st March 2024 will last one day. In dispute will be the willingness of InterDigital to grant a licence on FRAND terms, the willingness of Lenovo to accept FRAND terms, technical infringement issues and whether the terms proposed are FRAND. Lenovo's evidence is that so far as the FRAND issues are concerned, the court will only consider whether InterDigital's offer is not obviously unFRAND. The court will make no final finding on whether the offer is FRAND and will not settle FRAND terms, including any royalty rate. The court will give limited consideration to the validity of EP 420. Otherwise, the court will consider issues the usual arising on alleged infringement.
25. Another point made in Lenovo's expert evidence was that the Orange Book procedure could only begin if Lenovo were to start new proceedings in Munich to determine

FRAND rates. If, but only if, Lenovo choose to do that, a first instance Orange Book determination on FRAND terms could happen 12-15 months after the new proceedings were started.

26. Finally, on parallel proceedings, there are actions in the United States, both before the International Trade Commission and the Court of the Eastern District of North Carolina. The United States proceedings are of no direct relevance, so I need say no more about them.
27. As I said earlier, there are three application notices before the court. I will take them in chronological order. The first is Lenovo's application notice dated 19th October 2023. Lenovo seek an order that InterDigital state whether they are willing to give an unconditional undertaking to the court that they will enter into a licence on FRAND terms settled by this court or, failing that, that this court declares that InterDigital are unwilling licensors. Lenovo also seek an order that the FRAND trial be heard in the Michaelmas term of 2024, although this has been overtaken by a more general application for expedition and can be left to one side. Indeed, I need not deal with the principal application under this notice either, because the parties have agreed that hearing on InterDigital's willingness to be a licensor on FRAND terms be stayed.
28. The second application notice is dated 22nd November 2023, filed by InterDigital. InterDigital seek a declaration that this court has no jurisdiction in the claim against them in these proceedings. As I have indicated above, given the state of agreement between the parties, I think it is very unlikely that that challenge to jurisdiction will go ahead in respect of cellular SEPs.
29. The third application notice is that dated 28th November 2023, filed by Lenovo. The principal relief sought comes under the heading "Interim Licence Application". Lenovo seek an order that the court declares that an interim licence would be FRAND. This would be an interim licence pending final settlement of FRAND terms by this court with the existing terms rolled over and with an undertaking to make up any lost royalties once the court has settled the final FRAND terms. The application notice further seeks a declaration that Lenovo is a willing licensee in respect of InterDigital's cellular SEPs by reason of having given a FRAND undertaking. Finally, Lenovo also seeks expedition of the FRAND trial.
30. As I have said, the parties have agreed directions for a hearing on expedition, so I need say no more about that. The parties have also agreed that the application for a declaration that Lenovo is a willing licensee should be stayed. I think this may be meaningless since Lenovo's status as a willing licensee is liable to arise anyway if there were to be an interim licence application.
31. The matters to be resolved today have come down to how the court should deal with InterDigital's interim licence application. Lenovo's proposal is that a two-day hearing should be listed, to be heard as soon as possible after the start of the next term and, in any event, soon enough for a decision to be given before 21st March 2024. The significance of the date is that this court would issue a decision before the date of the trial in Munich. InterDigital's proposal is that Lenovo's interim licence application should be generally stayed. Today's hearing is really about whether the interim licence application should be stayed.

32. As I have mentioned, Lenovo say that they want the interim licence application heard before 21st March 2024. They do not seek an order that InterDigital be required to enter into an interim licence in the event that it were to be declared FRAND. It is the declaration that the interim licence would be FRAND which Lenovo are pursuing.
33. The reasons given by Lenovo for seeking the declaration are first, that they do not wish to have a temporal gap in their licence and secondly, that the declaration would help to demonstrate before the German court on 21st March 2024 that Lenovo are willing licensees.
34. Lenovo's concern about the March trial is that unless they can satisfy the Munich court that they are willing licensees, InterDigital may obtain an injunction. This, Lenovo say, would have the effect of closing the German market to the sale of a range of their products and would put them under unfair pressure to agree InterDigital's proposed licence terms going forward. Lenovo say there is nothing radical about the concept of an interim licence, pointing out that such a licence has been granted in the Copyright Tribunal. Actually, it is not unusual for an interim licence to be granted in that tribunal, in the form of an interim extension of an existing licence, generally by agreement. This, I think, is of limited relevance here, but it is correct, at least, to say that the concept of an interim licence is not of itself radical in English procedure.
35. I will return to Lenovo's more detailed arguments. In the meantime, the foregoing sets up the arguments advanced by InterDigital in support of their proposed stay of the interim licence application. They are these.
36. First, InterDigital say that it is well-established that where a defendant challenges the jurisdiction of the court, the court should be hesitant to make an order requiring the defendant to take procedural steps before the question of jurisdiction is resolved. Since, as I have said, I am assuming that the jurisdictional challenge will fall away, this part of InterDigital's challenge equally falls away.
37. Secondly, InterDigital say that it would be wrong in principle for this court to make a declaration or order that would pre-empt or improperly influence a decision by the German court. InterDigital point out that the court in Munich will consider the issues before it and will reach a fair judgment accordingly. If an injunction to restrain infringement by Lenovo is appropriate, there will be an injunction. If not, there will be no injunction. Pre-empting the judgment of the court in Munich would amount to this court wrongly seeking to influence the outcome in the Munich court.
38. I was referred to *Teva UK Limited v Novartis AG* [2022] EWCA (Civ) 1617. Arnold LJ considered four authorities and said this:

"51. The conclusion I reach having considered these cases is that, as a matter of principle, it is wrong for an English court to make a declaration solely for the purpose of influencing a decision by a foreign court on an issue governed by the law of the foreign court. It is not the function of the courts of England and Wales to provide advisory opinions to foreign courts seised of issues which fall to be determined in accordance with their own laws. The English courts have no special competence to determine such issues. If anything, it is likely that they have less

competence than the local courts. It makes no difference that the English court and the foreign court are applying the same basic law. Furthermore, comity requires restraint on the part of the English courts, not (to adopt Floyd LJ's graphic phrase) jurisdictional imperialism. Otherwise the English courts would be enabling forum shopping.

52. In saying this, I am assuming that the parties have full and unimpeded access to the foreign court. I recognise that the position might possibly be different if that were not the position; but it is not necessary to consider this further for the purposes of the present case, since there is no suggestion that either of these parties lacks full and unimpeded access to the courts of Germany or Country A."

39. The third argument raised by InterDigital is that Lenovo could avoid the risk of any injunction in Germany by seeking resolution of worldwide licence terms under the Orange Book procedure. It is entirely within their control to do that.
40. Fourthly, Lenovo say it would not be possible to timetable a hearing before 21st March 2024 in this court, given the evidence that would be required.
41. Fifthly, the interim licence application is really an attempt to seek an anti-suit injunction without having to bother with all the safeguards which apply to such injunctions. I was referred to the judgment of Evans-Lombe J, sitting as a judge of the Court of Appeal, in *Royal Bank of Canada v Cooperative Centrale Raiffeinsen-Boerenleenbank*, [2004] EWCA Civ 07. Evans-Lombe J quoted with approval submissions that had been made by counsel in that case as follows:

"9. Mr Malek for Rabobank made the following further submissions of law developing the judge's summary which, again, were not challenged. Those submissions are set out between paragraphs 16 and 19 of his written submissions to this court as follows:-

'16 First, the fact that there are concurrent proceedings does not in itself mean that the conduct of either party is vexatious or oppressive, nor does it justify the grant of an injunction. The court cannot grant an injunction only on the basis that it is undesirable for there to be parallel trials or a competition for judgment. See the *Aerospatiale* case at page 894C the *Airbus Industrie* case at page 132H and 133 G and the *Credit Suisse* case at page 781.

17. Secondly where the foreign proceedings are in breach of contract an injunction is ordinarily granted, provided that it is sought promptly and before the foreign proceeding are too far advanced. See the *Angelic Grace* [1995] 1 Lloyd's Rep. 87 at page 96 per

Millet LJ; *Donohue v Armco* [2002] 1 Lloyd's Rep 425 at page 433.

18. Thirdly where the foreign proceedings are not in breach of contract, then the English court may intervene only if the pursuit of foreign proceedings would be vexatious and oppressive. There are three conditions that generally have to be satisfied:

(a) First the English court must be the natural forum for the trial of the action.

(b) Secondly the injunction must not unjustly deprive the respondent of advantages in the foreign forum.

(c) Thirdly, the conduct of the respondent must be vexatious or oppressive. See the *Aerospatiale* case at 896 F-G.

19. Fourthly although the injunction is in form in personam affecting only the parties before the court, it is in substance an interference in the process of the foreign court. Where the ground relied on is unconscionable conduct in a foreign court the principle of comity requires that the jurisdiction be exercised only with great caution. See the *Angelic Grace* case at page 96; the *Airbus Industrie* case at page 133; *Turner v Grovit* at page 119, para 28.'

10. I accept Mr Malek's further submissions of law."

InterDigital argued that Lenovo had not satisfied any of the conditions there stated.

42. For their part, Lenovo make a preliminary point about timing. They submit that their interim licence application can comfortably be heard within two days. They say that there will be no need for lengthy evidence on appropriate FRAND terms, since the issue before the court will be simply whether the existing terms as settled by Mellor J, extended for the interim period together with their undertaking to compensate for any difference in the terms finally decided, constitute FRAND terms.
43. Lenovo's further arguments were these. First, they say a stay of the interim licence application would defeat the two purposes for which it has been bought; namely to avoid a temporal gap in the licence under InterDigital's cellular SEPs and also to demonstrate to the German court in March that they are willing licensees.
44. Secondly, they say Lenovo have offered to pay into court sums due under the interim licence which would form part of the interim terms.
45. Thirdly, they say an order granting the interim licence would not be equivalent to an anti-suit injunction. This is because it would not directly interfere with the parties'

conduct before the Munich court in the manner of an anti-suit injunction; it would simply be a factor that the Munich court could choose to consider, but there is nothing wrong with that, according to Lenovo.

46. Finally, Lenovo say there is no evidence or suggestion that InterDigital would suffer any significant harm if the application for an interim licence were to be heard.
47. In considering the balance of argument in relation to the stay application, it seems to me that an important matter which I should bear in mind is whether, as Lenovo contend, a stay of the interim licence application would effectively defeat, in large part, the point of the application. As I have said, Lenovo submitted that the point of their proposed application was primarily two-fold; to avoid a temporal gap in their licence and to demonstrate that Lenovo is a willing licensee.
48. I have some difficulty with the first of these. There is going to be a gap in the licence anyway and it is not clear to me what difference it would make if the gap extends until a new FRAND licence is settled.
49. As to the second, it may be that Lenovo could demonstrate that they are, indeed, willing licensees by evidential means before the Munich court. However, their evidence is that the declarations sought would make a significant difference to the chance of an injunction being granted in March and I cannot dismiss that as self-evidently wrong.
50. It follows therefore that a stay of an interim licence application may make such an application pointless or, if not pointless, then significantly reduced in value to Lenovo.
51. The related effect of a stay ordered now would be that it would be liable to obviate the decision of the judge hearing an application for an interim licence as to the merits of that application. It was not suggested before me that I have as much information now as would be made available to the judge hearing the application, or that I could or should decide now whether there should be an interim licence.
52. This tends to point towards not ordering a stay so that the full merits of the interim licence application can be properly argued out. However, although it points towards no order for a stay, there are the other arguments to consider, and I turn to those.
53. I think it should be possible to have the application heard within two days. InterDigital outlined two heads of evidence that would be required. First, expert evidence on French law as to whether an interim licence could, in principle, be FRAND. Secondly, expert evidence on German law as to the likely impact in the Munich court of a declaration that an interim licence is FRAND. Given the way that Lenovo propose to put their case for an interim licence, it seems to me that little, if any, evidence of fact will be required, as counsel for InterDigital broadly accepted. Given that, in my view, the issues which the court would have to resolve on an interim licence application could probably be heard within two days. An appropriate timetable for evidence should also be possible.
54. With regard to InterDigital's argument that this court should not make an order which interferes with the decision to be taken by the Munich court on 21st March, I accept that this may be an important issue. However, in my view it is a matter which has primary relevance to the hearing of the application for an interim licence, if there is to

be one, and not to this hearing. It will no doubt form a significant part of InterDigital's argument. I do not intend today to resolve that issue.

55. The same, it seems to me, applies to InterDigital's argument that the interim licence application would be an application for an anti-suit injunction by the back-door. That, too, will be for the judge at the hearing to decide.
56. Taking all the foregoing together, in my view the balance favours the refusal of a stay of the interim licence application. I will hear counsel on the directions that should follow.

(For continuation of proceedings: please see separate transcript)
