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Case No: HP-2023-000036

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

Rolls Building  
Fetter Lane,  
London, EC4A 1NL

Date: 19 November 2024

Before :

**MR JUSTICE RICHARDS**

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Between :

**(1) LENOVO GROUP LIMITED**  
**(a company incorporated under the laws of**  
**Hong Kong, China)**

**Claimants**

**(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**

- and -

**(1) TELEFONAKTIEBOLAGET LM ERICSSON**  
**(publ)**  
**(a company incorporated under the laws of the**  
**Kingdom of Sweden)**

**Defendants**

**(2) ERICSSON LIMITED**

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**David Cavender KC, Kathryn Pickard and Thomas Lunt** (instructed by **Kirkland and Ellis International LLP**) for the **Claimants**  
**Meredith Pickford KC and Edmund Eustace** (instructed by **Taylor Wessing LLP** and **Pinsent Masons LLP**) for the **Defendants**

Hearing dates: 22 – 24 October 2024  
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## **Approved Judgment**

This judgment was handed down remotely at 10.30am on 19 November 2024 by circulation to the parties or their representatives by e-mail and by release to the National Archives.

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**Mr Justice Richards:**

1. The Claimants and Defendants (**Lenovo** and **Ericsson** respectively) own standard-essential patents (**SEPs**) which have been declared to various cellular standards promulgated by the European Telecommunications Standards Institute (**ETSI**). Pursuant to ETSI's policy on intellectual property rights (the **ETSI IPR Policy**) both Lenovo and Ericsson have given undertakings (the **FRAND Commitment**) to offer licences of those SEPs to implementors on terms that are fair, reasonable and non-discriminatory (**FRAND**). In the jargon, the SEPs of both Lenovo and Ericsson that are relevant to this dispute are "FRAND-encumbered".
2. Both Lenovo and Ericsson need to work patents and inventions of the other group. Lenovo uses Ericsson's patents in its business of making and selling smartphones, tablets and notebook computers (**User Equipment**). Ericsson uses Lenovo's patents in its infrastructure business. Accordingly, both groups recognise that they need a cross-licence on FRAND terms to enable them to work SEPs owned by the other group (a **FRAND Cross-Licence**). However, to date they have not been able to agree the terms of such a cross-licence. Moreover, since October 2023 both groups have sought injunctions and similar orders that seek to restrain the exploitation of each other's SEPs in a number of jurisdictions.
3. Ericsson sought injunctions first with a number of applications from October 2023 to December 2023 in Brazil, Colombia, the US International Trade Commission (**ITC**) and the courts of the Eastern District of North Carolina (**EDNC**). Lenovo has retaliated with applications of its own in the EDNC, the ITC and the UK.
4. In parallel with litigation that alleges infringement, and seeks injunctions, there are proceedings current both before the English courts and the EDNC that could culminate in either or both courts deciding the terms of a FRAND Cross-Licence.
5. Against that background Lenovo seeks a declaration (the **Declaration**) that a willing licensor and a willing licensee in the situation of the parties would agree to, and actually enter into, a short-term cross-licence (the **Short-Term Licence**), in a form annexed to Lenovo's application, that would expire once either the English court or the EDNC fixes the terms of a FRAND Cross-Licence. Although this is a declaration as to how hypothetical persons might be expected to act, Lenovo sees real benefit in it. Lenovo itself is happy with the terms of the Short-Term Licence and the significant royalty which it would be obliged to pay to Ericsson under it. If the court makes the Declaration, Lenovo hopes that Ericsson would actually enter into the Short-Term Licence which would result in injunctions that Ericsson has already obtained falling away on the basis that Lenovo is licensed. If, by contrast, Ericsson is not prepared to enter into the Short-Term Licence, Lenovo hopes that courts overseas would decline to grant or continue any injunctions restraining Lenovo from using Ericsson's SEPs on the basis that Ericsson is an "unwilling" licensor.
6. Lenovo places Ericsson's FRAND Commitment at the heart of its application. It is common ground that this FRAND Commitment forms part of a contract between Ericsson and ETSI which is governed by French law and that, under French law, Lenovo is entitled to the benefit of Ericsson's contractual promise to grant a licence of its SEPs on FRAND terms. It is also common ground that French law requires Ericsson

to act in good faith in connection with its FRAND Commitments, although the scope of this obligation is disputed.

7. Finally by way of introductory remarks I note that the declaration that Lenovo seeks is in virtually identical form to the declaration that was granted in *Panasonic Holdings Corporation v Xiaomi Technology UK Limited and others* [2024] EWCA Civ 1143 (*Panasonic CA*), although obviously the terms of the Short-Term Licence are different from those of the licence in *Panasonic CA*. However, the parties are not agreed on the principles that emerge from *Panasonic CA* or how those principles should be applied to the present case.

## **PART A – APPLICABLE PRINCIPLES**

### **The correct approach to Lenovo’s application**

8. The following propositions applicable to the grant of declarations were common ground between the parties:
  - i) The court has a discretion to grant relief in the form of a declaration. It should have regard to the well-known seven principles set out by Aikens LJ in *Rolls-Royce plc v Unite the Union* [2009] EWCA Civ 387 when deciding whether to exercise that discretion.
  - ii) I should not grant the Declaration unless (i) I am satisfied to the relevant standard (as to which see below) that the Declaration is correct in both fact and law and (ii) that making the Declaration would serve a useful purpose.
  - iii) It would not be appropriate for the court to make a declaration for the sole purpose of influencing a foreign court’s decision on an issue governed by the law of that foreign court (*Teva UK Ltd v Novartis AG* [2022] EWCA Civ 1617 at [51]).
  - iv) I must have a “high degree of assurance” on particular matters before I make the Declaration. That said, the parties were not agreed as to (i) which specific matters require a “high degree of assurance” and (ii) what a “high degree of assurance” means.
9. I agree with Lenovo that its application is not for an interim declaration pursuant to CPR 25.1(1)(b). Lenovo is not asking for a declaration that will be revisited at trial. Rather, it is asking the court to declare that a willing licensor and licensee would, in the light of circumstances currently prevailing, enter into the Short-Term Licence. It is true that either the English court or the EDNC might ultimately determine that the final FRAND Cross-Licence has terms that are materially different from the Short-Term Licence. However, in that case, the court would not need to revisit the terms of the Short-Term Licence. Rather, amounts already paid under the Short-Term Licence would be taken into account in determining what remains due in the light of the court’s determination of the final FRAND Cross-Licence. More generally, it is conceptually quite possible that parties would enter into some form of Short-Term Licence recognising that it is likely to have different terms from any final FRAND Cross-Licence. I note that, in *Panasonic CA* the Court of Appeal concluded that the virtually identical declaration sought by Xiaomi was not an “interim” declaration (see the [28] of

Arnold LJ's judgment for the majority and his endorsement at [73] of Panasonic's analysis of that declaration summarised at [72]).

10. That introduces the debate between the parties to which I have referred in paragraph 8.iv). Ericsson argues, by reference to the judgment of Butcher J in *British Airline Pilots' Association v British Airways Cityflyer Limited* [2018] EWHC 1889 (QB) that, before I make the Declaration, I must be satisfied to the summary judgment standard that all the propositions on which Lenovo relies are correct. Accordingly, Ericsson submits that if it has an arguable case against any of Lenovo's key propositions (for example whether Ericsson is in breach of its "good faith" obligation, or whether there is utility in making the Declaration), Lenovo's application must necessarily fail.
11. I do not accept Ericsson's argument which I consider to be contrary to the authority of *Panasonic CA*. In the *British Airline Pilots' Association* case, Butcher J was concerned with a truly interim declaration of contractual rights. The court was asked to declare, on an interim basis, what contractual rights were with the very determination of those contractual rights falling to be revisited at trial. It was because the interim declaration would be revisited at trial that Butcher J concluded that it should not be made unless the court was satisfied, to the summary judgment standard, that the rights were indeed as stated in the interim declaration.
12. However, that is not this case. As I have explained in paragraph 9 above, any declaration that this court makes will not be revisited at trial. I do not, therefore, accept that the *British Airline Pilots' Association* case sets out the approach that must be followed in this case. Moreover, there is Court of Appeal authority as to the correct approach to a declaration of the kind Lenovo seeks. At [73] of his judgment in *Panasonic CA*, Arnold LJ (with whom Moylan LJ agreed) accepted the analysis of the declaration that Panasonic advanced (summarised at [72]) which included the submission that Xiaomi did not have to establish its case "to the summary judgment standard".
13. For the reasons given by Arnold LJ, the application before me is not for an "interim declaration" that falls within CPR 25.1(1)(b). However, it is nevertheless an application that must be determined at an interim stage of proceedings by reference purely to written evidence and without the cross-examination that would take place at trial. In other contexts, applications determined at an interim stage require a judge to conclude only that there is a "good arguable case" on the merits (see for example the familiar *American Cyanamid* principle that governs applications for many interim injunctions). At [73] of *Panasonic CA*, Arnold LJ was rejecting an approach based on the presence of a "good arguable case" and instead endorsing the standard of a "high degree of assurance" which is a familiar test applied to applications made at an interim stage of proceedings (for example applications for interim injunctions that will in practice be conclusive of the position between the parties: see for example *Koza Ltd v Koza Altin Isletmeleri AS* [2020] EWCA Civ 1018, 1 WLR 170 at [77] per Poplewell LJ).

### **The essence of the FRAND Commitment**

14. In *Panasonic CA*, the Court of Appeal performed a comprehensive survey of the nature of the FRAND Commitment. I have borne in mind the entirety of the Court of Appeal's analysis but, in the interests of keeping this judgment to a manageable length, will refer

to aspects of that analysis that are of particular resonance for the purposes of the present application.

15. The wellspring of an implementer’s contractual right to an offer of a FRAND licence is Clause 6.1 of the ETSI IPR Policy (**Clause 6.1**) which is governed by French law. That requires a holder of a FRAND-encumbered SEP in specified circumstances to undertake to ETSI to grant a licence of that SEP on FRAND terms. Although that undertaking is given to ETSI, French law provides that it creates a “stipulation pour autrui”, namely an obligation which an implementer can enforce directly against the holder of the SEP. That contract, therefore, binds a holder of a FRAND-encumbered SEP to grant a licence of that SEP to any implementer who wants a licence on FRAND terms (see [20] of *Panasonic CA*).
16. The ETSI IPR Policy sets out some features that a FRAND licence must possess. However, it does not fill in all the blanks. Clause 6.1, therefore, envisages that the holder of the SEP and the implementer will negotiate a licence on FRAND terms (see [14] of the judgment of the Supreme Court in the joined appeals of *Unwired Planet International Ltd and others v Huawei Technologies (UK) Co Ltd* [2020] UKSC 37 [2021] 1 All ER 1141 (*UPSC*) and paragraph 4.4 of ETSI’s *Guide on Intellectual Property Rights*).
17. In theory, patentees could abuse the ETSI IPR Policy by engaging in “hold up”: using the threat of injunctions to restrain infringement to extract licence terms that are in excess of the reasonable market value of a licence of the invention. Conversely, implementers could abuse the ETSI IPR Policy by engaging in “hold out”: using the technical solution covered by a SEP without paying the reasonable market value for a licence. Clause 6.1 must be interpreted and applied in a manner which avoids both hold up by a SEP owner and hold out by an implementer (see [19] of *Panasonic CA*).
18. The importance of negotiation, and the need to avoid both hold up and hold out mean that Clause 6.1 mandates both a result and a process. The result is that the licence offered by a SEP holder must be FRAND. However, on the way to that result, both an implementer and a SEP holder must negotiate in good faith with a view to agreeing terms that are FRAND (see [21] of *Panasonic CA* and the judgment of the Court of Justice of the European Union in Case C-170/13 *Huawei Technologies Co Ltd v ZTE Corp* [EU:C:2015:477]). As Meade J noted in *Optis v Apple (Trial F)* [2021] EWHC 2564 at [128], negotiation towards a FRAND licence is “valuable in itself” because it facilitates a process that, if followed to its conclusion, can be expected to converge on a FRAND licence.
19. A further benefit of negotiation, and why it is integral to both the FRAND process and the outcome of that process, a FRAND licence, is that commercial practice in the relevant market is likely to be highly relevant to an assessment of what terms are FRAND (see [62] of *UPSC*). The SEP-holder and implementer can be expected to draw on their knowledge of that commercial practice during their negotiations.
20. The negotiations between a SEP-holder and an implementer that the ETSI IPR Policy considers so desirable could not be achieved if SEP-holders had an unfettered right to seek injunctive relief against implementers using SEPs. Accordingly, where a SEP-holder gives the undertaking to grant a licence to an implementer on FRAND terms, that operates as a contractual derogation from the SEP-owner’s right under general law

to obtain an injunction to prevent infringement ([14] of *UPSC*). However, that derogation does not apply in all cases. Paragraph 4.3 of ETSI's Guide on Intellectual Property Rights recognises that ultimately any dispute between a SEP-holder and an implementer will have to be resolved in the appropriate national courts. The balance which the ETSI IPR Policy seeks to strike between the rights of SEP-holders and the rights of implementers, means that a SEP-holder must remain free to seek an injunction if, for example, an implementer will not accept or honour a licence on FRAND terms ([61] of *UPSC*).

### **French law and the “good faith” requirement**

21. Many of the principles applicable to the FRAND Commitment set out in paragraphs 14 to 20 above involve statements of French law since they relate to the meaning of Clause 6.1 of the ETSI IPR which is contained in a contract governed by French law.
22. The parties are agreed that there is another facet to the FRAND Commitment that arises from Article 1104 of the French Civil Code. Pursuant to Article 1104, a contract must be negotiated, formed and performed in “good faith”. Since performance of Clause 6.1 of the ETSI IPR involves a SEP-holder and an implementer negotiating a FRAND licence, I took it to be common ground that Clause 6.1 requires both the SEP-holder and the implementer to negotiate that FRAND licence in “good faith”. I also took the parties to be agreed on the statements of what the “good faith” requirement involves quoted at [48] of *Panasonic CA*.
23. It follows from the parties' common position summarised in paragraph 22 that, if the effect of Ericsson's actions in negotiating (or declining to negotiate) a FRAND Cross-Licence is to frustrate its FRAND Commitment, that is likely to involve a breach of its “good faith” obligation (see [77] of *Panasonic CA*).
24. At [49] of *Panasonic CA*, Arnold LJ quoted Leech J's finding at first instance that:

in principle good faith in the performance of a contract can lead to the creation or modification of a party's rights as opposed to giving rise to a claim for damages or, perhaps, preventing a party from enforcing their own express obligations under the relevant contract.
25. Ericsson does not accept that to be a correct statement of French law. It relies on the opinions of its expert on French law, Professor Borghetti, as demonstrating the inaccuracy of the statement. By contrast, Lenovo relies on the opinion of its expert, Professor Stoffel-Munck, to establish the accuracy of the statement.
26. Lenovo argued that its approach to French law should prevail because it had served a notice under CPR 33.7(2) and s4(2) of the Civil Evidence Act 1972 (the **Civil Evidence Act**). As well as propositions of French law that were uncontroversial, paragraph (e) of that notice referenced the statement quoted in paragraph 24 above. The notice in the bundle did not have a date, but both sides were agreed that Lenovo served the notice together with its evidence in reply on 11 October 2024. That was less than 21 days before the hearing but, given that there were case-management directions that permitted witness statements to be filed, I conclude that Lenovo's notice was in-time by reference to CPR 33.7(3)(a).

27. More generally, I conclude that Lenovo's notice complied with CPR 33.7. That notice referred to the judgment of the Court of Appeal in *Panasonic CA* rather than the judgment of Leech J at first instance in which he reached the relevant conclusion of French law. However, I do not consider that Lenovo's notice is defective on the basis that it refers to the "wrong" judgment. CPR 33.7(4) requires only that the notice specifies the "question on which the finding was made", which it did. While it needs to enclose "a copy of a document" (CPR 33.7(4)(b) with my added emphasis) in which the court's conclusion on that question is reported or recorded in citable form (see s4(2)(a) of the Civil Evidence Act), I do not consider that Lenovo was obliged to refer to Leech J's judgment at first instance as distinct from *Panasonic CA*.
28. I conclude, therefore, that Lenovo has served a valid notice under CPR 33.7 (2). That results in the consequence specified in s4(2) of the Civil Evidence Act. I must take the proposition of French law set out in paragraph 24 as established unless Ericsson proves the contrary. In my judgment, Ericsson's evidence does not do so as it simply demonstrates a disagreement between Professor Borghetti and Professor Stoffel-Munck without demonstrating that either expert's view should be preferred to the other. Therefore, I accept the proposition of French law summarised in paragraph 24 although, as will be seen from the remainder of this judgment, that has little effect on the outcome.
29. I accept that the time limit specified in CPR 33.7(3)(a) could in theory operate harshly. The effect of a notice under CPR 33.7 is to demonstrate conclusively a disputed proposition of foreign law unless the contrary is proved. However, if the notice is given on the latest date on which witness evidence can permissibly be served, the recipient of it will by definition not have an opportunity to serve further witness evidence to prove the contrary. However, that point is more theoretical than real in the present case. As I have noted, Ericsson had in any event served expert evidence from Professor Borghetti seeking to disprove the statement. If, on receipt of Lenovo's notice, it thought that further expert evidence was needed it could always have applied for permission to adduce such evidence.

### **The English court's approach to disputes involving SEPs**

30. Paragraphs 14 to 20 above set out conclusions drawn by the Court of Appeal on the nature of the FRAND Commitment. I did not understand Lenovo and Ericsson to disagree with those conclusions.
31. Those conclusions have implications for the way in which an English court approaches applications for injunctions made by holders of FRAND-encumbered SEPs. In his judgment in *Panasonic CA*, Arnold LJ conducted a detailed survey of those principles. I bear in mind the totality of that survey and in the paragraphs that follow simply highlight particular aspects of it.
32. As noted, it is preferable that SEP owners and implementers agree the terms of a FRAND licence by negotiation between themselves. However, SEP-holders are not absolutely precluded in all circumstances from seeking injunctions against implementers. Therefore, situations do arise where a SEP-holder seeks injunctive relief in the English courts for infringement of a UK patent with the implementer pleading, as a defence, that it is entitled to a licence on FRAND terms. Such litigation gives rise to difficult issues of jurisdiction. However, following *UPSC*, it has been established that,



in such a case, the English court has jurisdiction to determine the terms of a global cross-licence of all FRAND-encumbered SEPs and not just a licence of the particular UK SEPs said to be infringed.

33. However, the English court in such a situation lacks power to compel the parties actually to enter into the licence on terms determined to be FRAND. The only leverage that the English court has comes from its discretionary power to grant, or withhold, injunctions. As Arnold LJ put it in *Optis Cellular Technology LLC v Apple Retail UK Ltd* [2022] EWCA Civ 1411, [2023] RPC 1 at [73]:

...it is necessary, in the absence of agreement between the parties, for the national court to be able to enforce its determination against both parties. The national court can only enforce its determination against the SEP owner by withholding an injunction from the SEP owner if it is unwilling to abide by its ETSI Undertaking by granting a licence on the terms determined to be FRAND. The national court can only enforce its determination against the implementer by granting an injunction against the implementer if it is unwilling to take a licence on the terms determined to be FRAND.

34. At [25] of *Panasonic CA*, Arnold LJ described those as the powers that a national court has in the “ordinary case”. At [26], he suggested that the facts of *Panasonic CA* were different because both Panasonic and Xiaomi had given undertakings to the English court to enter into such licence as the English court determined to be FRAND. In the section that follows, I consider the dispute between parties as to the principles that emerge from *Panasonic CA*. At this stage, I simply note that I do not read [26] of *Panasonic CA* as stating that the principles the Court of Appeal sets out are applicable only where both sides have given an undertaking to the same court to accept that court’s determination of a FRAND licence. The point in [26] is much more limited: normally the English court cannot force either side actually to enter into a licence (see [25] of *Panasonic CA* and the quote from *Optis v Apple*) but where both parties have given an undertaking, it clearly can hold the parties to that undertaking.

#### ***Panasonic CA* – a new statement of principle or a judgment on its facts?**

35. The facts of *Panasonic CA* were stark. Panasonic had initiated proceedings before the English courts for the determination of a FRAND licence of its own SEPs. Both it and Xiaomi had given undertakings that they would enter into a licence on whatever terms the English court decided to be FRAND. Therefore, the FRAND trial in England would inevitably result in the parties entering into a licence on FRAND terms. The FRAND trial was just a few months away, but Panasonic was seeking injunctions in Germany that could have the effect of precluding Xiaomi from selling its goods there. It was against that background that the Court of Appeal decided, disagreeing with Leech J at first instance, that the court should make a declaration to the effect that a willing licencee or licensee would enter into a cross-licence.
36. Ericsson characterise *Panasonic CA* as a judgment rooted firmly in the stark facts of that particular case. Ericsson stresses the numerous references in Arnold LJ’s judgment (for example [26], [37], [45], [81], [83] and [87]) to the fact that the cross-undertakings of both Panasonic and Xiaomi meant that it was inevitable that both parties would enter

into a licence on terms the English court decided to be FRAND. Ericsson points out that this is not a feature of the present case. It has not committed to take or grant a cross-licence on terms that the English court decides to be FRAND. It reserves the right to offer a cross-licence on terms decided by the EDNC. Moreover, since Lenovo has not undertaken unconditionally to accept any licence that the EDNC decides to be FRAND, it is not certain that either court's formulation of a FRAND Cross-Licence will be entered into. Ericsson therefore submits that *Panasonic CA* has little to say about how I should approach Lenovo's application for the Declaration.

37. By contrast, in his opening submissions on behalf of Lenovo, Mr Cavender KC characterised the judgment in *Panasonic CA* as "a significant advance [that] involves the English court innovatively creating an interim remedy for a short-term FRAND licence to hold the ring pending the final FRAND trial". Lenovo argues that two particularly important statements of principle are to be found in [79] and [80] of the Court of Appeal's judgment as follows with those statements resonating beyond situations in which both a patentee and an implementer have both agreed to be bound by an English court's determination of FRAND terms:

79. Xiaomi's argument begins with two important preliminary points, neither of which Panasonic attempted to refute. The first is that SEPs differ in a key respect from other patents. Normal patents are monopoly rights, and the primary remedy for infringement is an exclusionary injunction so as to preserve the monopoly. This is not true of SEPs, because they are subject to the SEP holder's obligation to grant licences to any implementer who desires a licence on FRAND terms. An implementer is entitled to such a licence as of right. Thus SEPs are not property rights of the same status as other patents. In effect, the SEP regime is a liability regime in which the SEP holder's remedy is a financial one. The only role for an injunction in this regime is to enforce the SEP holder's entitlement to that financial remedy.

80. The second point is that the implementer is entitled to a licence from the first day it implements the standard provided that it is willing to take a licence on FRAND terms. This is the corollary of the points I made in *InterDigital v Lenovo* at [187]-[188] (see paragraph 23 above). Furthermore, the implementer is entitled to a licence which is continuous and not subject to interruption by injunctions obtained by the SEP holder.

38. In my judgment, both parties' approaches overlook important points that emerge from *Panasonic CA*.
39. Lenovo is right to stress that [79] and [80] of Arnold LJ's judgment set out important matters of principle. I do not agree that these principles were formulated for the first time in *Panasonic CA*. The English courts have recognised the point in [79] for a while now as that point has influenced the approach of the English courts to the granting, or withholding, of injunctions for asserted infringement of FRAND-encumbered SEPs (see paragraph 33 above). However, I do agree with Lenovo that, when the Court of Appeal was considering whether Panasonic had complied with its "good faith"

obligation it applied the important statements of principle in [79] and [80]. I also agree with Lenovo that those statements of principle concern the FRAND Commitment and obligations imposed by the ETSI IPR. They are not, therefore, qualified as applying only to situations where both a SEP-holder and an implementer have given undertakings to the English court to be bound by its determination of a FRAND licence. Paragraphs [79] and [80] do not refer to undertakings at all.

40. However, in my judgment, Ericsson is right to emphasise that the statements of principle in [79] and [80] are necessarily statements as to the approach of the English courts to the FRAND Commitment and its implications. *Panasonic CA* itself acknowledges that the courts of different jurisdictions may take a different approach. At [51], the Court of Appeal noted that the approach of the German courts is different. In part that difference arose because, under the approach of the German courts, an implementer raising a “FRAND defence” is not analysed as asserting a contractual right, but rather as arguing that, in pursuing infringement proceedings, the SEP-holder is abusing a dominant position contrary to Article 102 of the Treaty on the Functioning of the European Union. In part the difference arose from a procedural rule of the German courts (*Streitgegenstand*) which means that, in proceedings brought by a SEP-holder for infringement, a German court is likely to make limited determinations as to the validity of any FRAND defence that is raised.
41. It was for that reason that the statements of principle at [79] and [80] did not represent the end of the Court of Appeal’s analysis. Recognising that the approach of the German courts was different from that of the English courts, the Court of Appeal went on to address important questions of comity and the utility of Xiaomi’s requested undertaking. Ericsson is correct to submit that the considerations of comity and utility were closely linked. The principle of comity required the Court of Appeal to respect the ability of the German courts to decide issues within their competency and to be cautious about granting relief which might interfere, or be perceived as interfering, with their exercise of their jurisdiction ([94]). The question of “utility” required a consideration of whether there was any purpose to the requested undertaking beyond its potential effect on overseas court proceedings.
42. The Court of Appeal concluded first that the declaration had a utility that stood separate from any effect it had on the outcome of proceedings in Germany (see [90] and [95]). That utility consisted of forcing Panasonic to reconsider its position. I agree with Ericsson that it was the stark facts of the case that drove the Court of Appeal to that conclusion. Having initiated proceedings in England and Wales to determine a FRAND rate, and with both sides having committed to take the English court’s determination of a FRAND licence, Panasonic engaged in activity, seeking injunctions in Germany and the UPC that could only be explained by a wish to extract terms from Xiaomi that would be in excess of the terms the English court determined to be FRAND ([83] and [86]). This was a finding that Panasonic was seeking to extract supra-FRAND rates. The Court of Appeal rejected Panasonic’s apparent submission that, because a “range of terms may be FRAND”, it was not necessarily seeking to obtain supra-FRAND rates ([82]). Since all sides had agreed that the English court was to be the final arbiter of what terms were FRAND, the full “range” of possible FRAND terms would be factored into the English court’s determination.
43. Given those stark facts, the Court of Appeal concluded that there was utility in making a declaration that would require Panasonic to reconsider its position. In reaching that

conclusion, the Court of Appeal rejected Panasonic's assertion that, even if the declaration were made, Panasonic would ignore it ([89]). It might be added that the Court of Appeal's conclusion was vindicated by the fact that, after the declaration was made, Panasonic did change its mind.

44. In my judgment, the significance of *Panasonic CA* is not limited to the statements of principle in [79] and [80]. Rather, a core conclusion of *Panasonic CA* is that, despite the fact that the German courts had a different approach to the enforcement of the FRAND Commitment, and the declaration was sought to influence proceedings in Germany, it was nevertheless not contrary to comity for the Court of Appeal to make the declaration. That was because there was an additional utility of the declaration that stood separate from any effect in the German proceedings, namely the possibility that making the declaration might cause Panasonic to change its behaviour.

### **The significance of Lenovo's undertaking to the English court**

45. Lenovo and Ericsson were also not agreed on the significance of Lenovo's undertaking to the English court to accept a licence on whatever terms it determined to be FRAND (see paragraph 61 below). Ericsson argues that this undertaking is of no significance. Ericsson reasons by analogy with the judgment of Meade J in *Nokia v OPPO* [2024] RPC 1 and argues that, in circumstances where Lenovo faces proceedings for infringement before the ITC, the EDNC and courts of Brazil and Colombia it is not sufficient for Lenovo to seek to stave off the implications of those proceedings by offering an undertaking only in Lenovo's chosen venue of the English courts.
46. Lenovo's position is the polar opposite. It argues that the fact that it gave the undertaking to the English court in October 2023, represented a new "ground zero" in the dispute which resulted in any further applications for injunctions that Ericsson made thereafter necessarily being in breach of Clause 6.1.
47. I do not accept either side's position on this matter. Authority does not compel me to treat the undertaking as having either no significance (as Ericsson argues) or conclusive significance (as Lenovo argues).
48. I consider that Ericsson's analogy with *Nokia v OPPO* is misplaced. That was a case where there had already been findings by the English court at first instance that Nokia's SEPs were valid, essential and infringed. A "non-technical trial" was listed before the English court to determine FRAND terms for Nokia's global portfolio of SEPs. That non-technical trial had not taken place at the time of Meade J's judgment. Moreover, OPPO had not given any undertaking to the English court that it would accept a global licence on terms the English court decided to be FRAND. Rather, OPPO's position was that it would accept the Chongqing court's determination of FRAND terms (which determination had, like the English court's determination, not been made at the time of the hearing before Meade J).
49. The issue before Meade J was what, if any, injunctive relief he should grant in those circumstances. OPPO's position (summarised at [264] of *Nokia v OPPO*) was that, having committed to taking the Chongqing court's determination of FRAND terms, it was entitled to the benefit of Nokia's FRAND Commitment and the English court should make no injunction pending the Chongqing court's determination of FRAND terms.

50. Meade J rejected OPPO's position and made the injunction. However, in my judgment, the basis for his conclusion was not that, as a matter of construction of Clause 6.1, Nokia had the sole right to determine where a determination of FRAND terms should take place and that, if OPPO declined to accept that, it was in breach of the requirement to negotiate FRAND terms in good faith. Rather, Meade J's judgment simply involved the exercise of the judicial discretion to make, or withhold, the grant of an injunction in the case before him. That is clear from [299] of *Nokia v OPPO*.
51. However, nor am I able to accept Lenovo's submission that the giving of an undertaking to the English court in October 2023 necessarily, and as a matter of principle, represented a new "ground zero". That submission is at odds with [61] of the Supreme Court's judgment in *UPC SC*:

The IPR Policy imposes a limitation on a SEP owner's ability to seek an injunction, but that limitation is the irrevocable undertaking to offer a licence of the relevant technology on FRAND terms, which if accepted and honoured by the implementer would exclude an injunction.

52. The Supreme Court did not formulate the limitation on a SEP-owner's ability to seek an injunction by reference to the implementer giving an undertaking to accept any particular court's determination of FRAND terms. Indeed, a formulation of the restriction in those terms would be at odds with the ETSI IPR's focus on negotiation between the parties as the preferable means of fixing a FRAND licence.
53. I therefore conclude that Lenovo's undertaking to the English court is a matter for me to weigh in the balance when considering whether I have a "high degree of assurance" that Ericsson's actions in seeking injunctive relief are contrary to its FRAND Commitment. If, as in *Panasonic CA*, Lenovo's undertaking was mirrored in an undertaking from Ericsson, that would mean that the English court would necessarily be determining FRAND terms and that would be a factor of considerable weight. However, the weight to be attached to Lenovo's undertaking can be less when Ericsson has declined to give a similar undertaking. I perform the requisite balancing exercise in Part C below.

## **PART B – THE RELEVANT FACTUAL BACKGROUND**

### **The legal proceedings between the parties in various jurisdictions**

#### **Proceedings in the Eastern District of North Carolina (the EDNC Proceedings)**

54. I provided an overview of the EDNC Proceedings in my earlier judgment reported at [2024] EWHC 846 (Ch) (the **Jurisdiction Judgment**) and the summary below represents an addition to, rather than a replacement of, that overview.
55. At [55] to [66] of that earlier judgment, I explained why I considered there to be a risk that the EDNC might ultimately not determine a FRAND Cross-Licence. In its skeleton argument, Ericsson said it was happy to make it clear that, if the case reaches the EDNC, it would be asking the EDNC to address the issue of whether Ericsson's offer including its financial terms is FRAND. Accordingly, it is submitted that there is no risk of the EDNC not ultimately determining a FRAND Cross-Licence. I was not,

however, shown any firm proposal for dealing with the lacuna and Lenovo's submissions proceeded on the basis that, while the EDNC might well ultimately determine a FRAND rate, there remained a risk that it would not. In those circumstances, I will proceed for the purposes of the present application on the basis that the position remains as set out at [55] to [66] of the Jurisdiction Judgment.

56. Ericsson has undertaken to the EDNC that it will take whatever FRAND rate the EDNC sets.
57. Lenovo submits that it too has given an undertaking to take any FRAND rate set by the EDNC. I do not, however, accept that. The undertaking on which Lenovo relies was set out in paragraph 68A of its Amended Particulars of Claim filed in May 2024. That paragraph set out "proposed" undertakings to be given to the English court. One such proposed undertaking was indeed that Lenovo would enter into a FRAND Cross-Licence on such terms as the EDNC may determine. However, the undertaking was expressed to be on condition that Ericsson would refrain, until the execution of that licence, from seeking and/or enforcing any patent injunctions or exclusion orders against Lenovo anywhere in the world. That condition precedent remains unsatisfied and, accordingly, as matters stand Lenovo has given no undertaking to take the FRAND licence on terms set by the EDNC.
58. Lenovo has applied to the EDNC for an anti-suit injunction precluding Ericsson from seeking injunctions against Lenovo for alleged infringements of SEPs on the basis that there are proceedings before the EDNC which could lead to the determination of a FRAND Cross-Licence. The EDNC has dismissed that application although an appeal is pending.
59. I have been shown nothing that alters the conclusion expressed in the Jurisdiction Judgment to the effect that a trial of the EDNC Proceedings is unlikely before late 2026.

#### Proceedings in England

60. The nature of the infringement and FRAND proceedings between the parties in England and Wales is set out in the Jurisdiction Judgment. For present purposes it is sufficient to note that there was no appeal against my conclusion that the courts of England and Wales had jurisdiction to determine the terms of a FRAND cross-licence of Cellular SEPs between Lenovo and Ericsson. Following the Jurisdiction Judgment, at a CMC, I ordered that the FRAND trial be expedited and it is now listed to be heard in April/May 2025. The Court of Appeal refused permission to appeal against that order, and my related order not to expedite the "technical trial" concerning the validity and infringement of Lenovo's patents which is now listed to take place in October 2025.
61. In October 2023, Lenovo undertook to the English courts that it will enter into any licence agreement that the English court determines to be FRAND. Originally, that undertaking was expressed to apply only following determination of any appeals against the court's determination. However, its position now is that it is prepared to undertake to enter into whatever licence the High Court determines to be FRAND on completion of the High Court proceedings with any adjustments necessary following an appeal to follow in due course.

62. Ericsson has given no undertaking that it will enter into the English court's determination of the FRAND Cross-Licence. Its position is that it is obliged only to offer a FRAND licence, is not bound to offer what the English court determined to be FRAND, and so could satisfy its obligations by offering a licence on terms that the EDNC determined to be FRAND.
63. Lenovo applied for a preliminary injunction seeking to restrain Ericsson from infringing its patents in the United Kingdom. Bacon J refused that application following a hearing on 22 May 2024 and the Court of Appeal has dismissed Lenovo's appeal against that decision.
64. As well as the infringement and rate-setting proceedings in England, Lenovo and Ericsson are involved in litigation in the English court (the **2011 Licence Proceedings**) seeking a determination of the correct construction of an existing cross licence (the **2011 Licence**) between Ericsson and Motorola Mobility. Lenovo's position is that the 2011 Licence already permits it to use Ericsson's Cellular SEPs for the purposes of various of Lenovo's 4G-enabled devices. Lenovo also argues that the 2011 Licence means that it is also entitled to pay a lower rate than it would otherwise have to for a licence of Ericsson's 5G SEPs. There is to be a trial of a preliminary issue in the 2011 Licence Proceedings in January 2025.
65. Lenovo's position is that the 2011 Licence Proceedings are worth hundreds of millions of dollars. While Ericsson has not formally accepted that description, it is common ground that the amount at issue in those proceedings is significant although each side says that their case is almost bound to succeed.

#### The International Trade Commission (ITC)

66. The ITC is not a court. It operates as an autonomous, non-partisan entity within the executive branch, as distinct from the judicial branch, of the US federal government. Its remit includes the conduct of investigations (**Section 377 Investigations**) that focus on addressing claims of unfair competition by imported products that allegedly violate US intellectual property rights.
67. The ITC conducts Section 377 Investigations relating to alleged breaches of intellectual property rights in two phases. In its initial "violation phase", an Administrative Law Judge (**ALJ**) considers whether a breach has taken place following evidentiary hearings. The ITC Commissioners have the power to review the ALJ's determination with the decision of the ITC Commissioners constituting final determination of the violation phase.
68. If the conclusion following the violation phase is that there is indeed a violation of US intellectual property rights, the ITC is required to consider the appropriate response to those violations. For the purposes of the present application, the relevant remedies are:
  - i) a "limited exclusion order" (**LEO**) that bars specified persons from importing infringing articles; and
  - ii) a "cease and desist" order (**CDO**) that prohibits activities specified in the CDO (for example the sale and distribution in the US of infringing articles).

69. Even if it finds that there is infringement following conclusion of the violation phase, the ITC is entitled to decline to make either an LEO or a CDO if it concludes that to do so would conflict with statutory public interest factors. Those factors include competitive conditions in the US economy and the impact on US consumers.
70. Both sides' experts (Mr Pinkert on behalf of Lenovo and Mr Cass on behalf of Ericsson) agree that a Section 377 Investigation involving alleged infringement of SEPs will involve the ITC considering whether the SEP holder has violated its applicable commitment to license its SEPs on FRAND terms. That said, neither expert identified a single case in which, following a finding that a SEP was infringed at the violation phase, the ITC declined to make an exclusion order because of a SEP-holder's failure to comply with its FRAND Commitment.
71. Both Lenovo and Ericsson have brought proceedings before the ITC in relation to each other's SEPs. Ericsson brought its proceedings first, in October 2023. Lenovo commenced its proceedings later, in December 2023. Both Ericsson and Lenovo seek LDOs and CDOs enforceable against the other, and the other's imports of goods.
72. In cases of complexity or novelty, the ITC is entitled to obtain a brief from the US Office of Unfair Import Investigations (**OUII**). The OUII has delivered such a brief in connection with Ericsson's proceedings against Lenovo. Mr Pinkert and Mr Cass disagreed on the weight that a brief from the OUII is given in the course of ITC proceedings. Since there has been no cross-examination of the experts, I am unable to resolve this disagreement. I therefore proceed on the basis of matters on which the experts appeared to be agreed namely that:
  - i) The OUII is independent of both the parties, the ALJ and the ITC Commissioners.
  - ii) The OUII's function is to provide its own institutional perspective on the issues under consideration.
  - iii) The ALJ and the ITC Commission accords the OUII's views at least as much weight as they give to the views of the parties, but are not bound by the OUII's views and there have been cases in which they disagree with those views.
  - iv) Before issuing its brief, the OUII was entitled to, and did in this case, participate in the evidentiary hearing before the ITC and question witnesses.
73. Following its participation in evidentiary hearings on 10-12 and 15-17 July 2024, the OUII delivered its brief (the **OUII Brief**). It was not suggested that the OUII Brief was inadmissible evidence and I have therefore considered its contents. I will assess later the significance of some of the conclusions in the OUII Brief and for the time being simply note that the OUII concluded that imposing a remedy in connection with Ericsson's complaint would not raise FRAND-related public interest concerns. Its overall recommendation was that Ericsson's complaint to the ITC should be resolved by the ITC making LEOs and CDOs against Lenovo and products it sought to import.
74. I agree with Lenovo that the ITC, whether it agrees with the OUII Brief or not, will not ultimately determine the terms of a FRAND Cross-Licence. It will, when considering the public interest defences, consider whether an offer Ericsson made to Lenovo in



October 2023 (the **October 2023 Offer**) was in the FRAND range. It will also consider whether Ericsson's behaviour, including its behaviour in seeking exclusion orders and injunctions, is consistent with its FRAND Commitment. However, neither of these determinations will involve the ITC fixing the actual terms of a FRAND Cross-Licence.

#### Proceedings in Brazil

75. As noted in the Jurisdiction Judgment, Ericsson obtained preliminary injunctions in November 2023 in Brazil prohibiting Lenovo from infringing two of Ericsson's SEPs. Those preliminary injunctions do not, as matters stand, prohibit Lenovo from selling devices in the Brazilian market. However, the injunctions do put Lenovo at risk of significant fines if Lenovo is ultimately found to be infringing Ericsson's Cellular SEPs. Recently, Ericsson has been taking steps in Brazil with a view to adding force to the preliminary injunctions by requiring Lenovo either to cease using 5G technology and its products or to deposit significant sums by way of security for its potential obligation to pay fines.
76. Lenovo sought to appeal against the imposition of the preliminary injunctions but on 7 August 2024, by a majority of 2 to 1, the Court of Appeal of the State Court of Rio de Janeiro dismissed that appeal.
77. I conclude from the evidence Mr Camara and Mr Barreto, Lenovo's and Ericsson's respective solicitors in Brazil that, in Brazilian proceedings, Lenovo has been advancing arguments to the effect that no injunctions should be imposed because Lenovo is a "willing licensee" seeking to hold Ericsson to its FRAND Commitment. However, those arguments have largely failed in the Brazilian courts.

#### Proceedings in Colombia

78. During November 2023 and early December 2023, Ericsson filed 31 applications or preliminary injunctions in Colombia all on an *ex parte* basis. Lenovo's position, supported by a witness statement from its Colombian lawyer, Mr Juan Pablo Cadena Sarmiento is that it was improper to file these applications in multiple courts, without cross referring to the other applications made. Ericsson's Colombian lawyer, Mr Carlos R. Olarte does not accept this, maintaining that the various Colombian courts were made aware of other pending actions "to provide the relevant context in specific situations". More generally, he denies that there was any obligation to tell the Colombian courts about other pending actions. I am unable to resolve that dispute in circumstances where the hearing before me was short and there was no cross-examination of either Colombian lawyer. I therefore simply record the present position which is that Lenovo is subject to two preliminary injunctions in Colombia, with its distributors being subject to a further two more.
79. I conclude from the evidence of Mr Sarmiento and Mr Olarte that, in the Colombian proceedings, Lenovo has sought to argue that, because of Ericsson's FRAND Commitment, no preliminary injunctions should be granted. That argument has been successful in some actions, but unsuccessful in others.

## Negotiations between the parties

80. In its skeleton argument, Ericsson submits that “Lenovo is a world leading exponent of hold-out”. It asserts that Lenovo has been infringing Ericsson’s SEPs for 16 years, during which time other significant competitors of Lenovo such as Apple, Samsung, Xiaomi and OPPO have all taken a licence from Ericsson. It suggests that Lenovo’s intransigence in negotiations with Ericsson has led to it obtaining unfair advantage over its competitors who have been paying Ericsson royalties while Lenovo has been working the SEPs without payment. Lenovo denies the allegation and blames Ericsson for the failure of negotiations over the past 16 years.
81. While both sides stand by their allegations against each other, I did not understand either Lenovo or Ericsson to be seeking my decision on an apportionment of blame for the 16 years of failed negotiations. Certainly, neither side took me through the entire course of those negotiations in their submissions. I will, therefore, start the discussion in this section with the October 2023 Offer.
82. The October 2023 Offer contained a “5G proposal” and a “4G proposal”. Key terms of the October 2023 Offer were:
- i) A cross-licence would be granted until 2028 under which Lenovo could use Ericsson’s 4G and 5G SEPs in connection with its User Equipment and Ericsson could use Lenovo’s 4G and 5G SEPs in connection with its infrastructure equipment.
  - ii) In relation to 5G smartphones or tablets, Lenovo could choose between paying (i) a royalty of \$5 per 5G smartphone or tablet or (ii) 1% of net sales of 5G smartphones or tablets capped at \$4 per unit.
  - iii) In relation to 4G smartphones and tablets, Lenovo would make a net payment under that cross-licence equal to 0.8% of net sales of relevant units, with an option for Lenovo to pay the fixed sum of \$0.65 per unit. However, no royalty would be due for 4G equipment that is already subject to the 2011 Licence.
  - iv) The licence fee payable by Lenovo for use of Ericsson’s 4G and 5G SEPs in other standards compliant equipment (such as notebooks and non-cellular H.26X tablets) was assumed to be equal and opposite to the licence fee payable by Ericsson for the use of Lenovo’s SEPs in connection with Ericsson’s infrastructure equipment. Therefore, the cross-licence would require a net payment from Lenovo to Ericsson equal to the sum of the two figures set out in paragraph ii) and iii) above.
  - v) It appears to be common ground between Lenovo and Ericsson that the 5G proposal would cost Lenovo around \$1.50 per 5G device.
83. In her witness evidence filed on behalf of Lenovo, Ms Dagg, a partner at Kirkland & Ellis, Lenovo’s solicitors, explained why, in her view the October 2023 Offer was supra-FRAND. Ms Dagg is not an expert in the determination of FRAND terms for cross-licences of SEPs. Nor indeed is she sufficiently independent to tender expert opinion evidence such as this. In paragraph 51 of its skeleton argument served in advance of the hearing, Lenovo rowed back from an invitation that I decide that the

October 2023 Offer was supra-FRAND saying that it “is not a point that the Court needs to determine at this stage”.

84. The OUII Brief described in paragraph 73 reached the following conclusions on the October 2023 Offer and Ericsson’s conduct more generally:
- i) Ericsson was not in breach of its FRAND obligations in seeking exclusion orders or injunctions in relation to SEPs for which Lenovo was claiming an entitlement to a FRAND licence.
  - ii) Ericsson’s offer of October 2023 was “within the FRAND range”. It did not involve Ericsson seeking a royalty for matters already covered by the 2011 Licence. Moreover, the October 2023 Offer would be within the FRAND range even if Lenovo is correct in its views as to the implications of the 2011 Licence for 5G smartphones. Since the 2011 Licence Proceedings involve a significant sum of money, the OUII has therefore concluded that the October 2023 Offer was comfortably within the FRAND range.
  - iii) The conclusion in paragraph ii) above was as to the pricing for a licence of Ericsson’s 4G and 5G SEPs for use in Lenovo’s handsets and tablets. The OUII also considered whether it was appropriate for the October 2023 Offer to provide for the licence fee for Lenovo’s portfolio of SEPs to be netted off against what Ericsson considered to be a broadly equal licence fee due to it for use of other aspects of its patent portfolio (see paragraph 82.iv)). The OUII’s conclusion on this issue was more limited: it concluded that “the cross-license component of [the October 2023 Offer] is not so unreasonable as to indicate bad faith”. The OUII noted that Lenovo had not presented any expert testimony on the value of its own portfolio of 5G SEPs or on the value of Ericsson’s cellular patents for PCs. Accordingly, the OUII expressed the view that “Lenovo has not shown that the cross-license component of [the October 2023 Offer] is not FRAND”.
85. In February 2024, Lenovo made a counter-offer (the **February 2024 Offer**). In his Fifth Witness Statement on behalf of Ericsson, Mr Thomas Foster, one of the solicitors advising Ericsson, characterised the February 2024 Offer as having an “Ericsson component” and a “Lenovo component”. Mr Foster’s evidence is that, for Ericsson to obtain a full licence to sell equipment that exploits the Lenovo SEPs, it would have to pay 0.465% of services revenue generated by network carriers (i.e. network operators such as Vodafone that use Ericsson’s equipment). Ms Dagg in her reply evidence on behalf of Lenovo does not suggest that this characterisation of the February 2024 Offer is inaccurate and so I accept Mr Foster’s characterisation of it. Lenovo’s position in the February 2024 Offer was that it would be a net recipient of royalty from Ericsson.
86. The OUII Brief was critical of the February 2024 Offer. The OUII concluded that during the evidentiary hearing, Mr Mulgrew confirmed that the component of that offer that would entitle Ericsson to “make use and sell” products that exploited Lenovo’s SEPs would cost Ericsson \$1.4 bn per year. The OUII concluded that Mr Mulgrew later retracted that testimony but, even following that retraction, Lenovo had not made clear how much Ericsson would have to pay for the “right to sell”. The OUII stated that this uncertainty left only a “make and internally use” component of the February 2024 Offer which, since it did not give Ericsson “sell” rights, did not comply with the ETSI IPR Policy.

87. In her Tenth Witness Statement on behalf of Lenovo, Ms Dagg stated that Lenovo disagrees with the OUII's conclusions. However, while I acknowledge that the OUII's conclusions are not binding on me, I have no secure basis in the evidence for a conclusion that the February 2024 Offer is within the FRAND range.
88. I do not understand Lenovo to dispute Ericsson's understanding, set out in paragraph 76 of Mr Foster's Fifth Witness Statement, that the February 2024 Offer has been withdrawn. Lenovo has since made an August 2024 Offer which Mr Foster describes as having the following features:
- i) a cross-licence based on \$1.50 per unit, the rate said to be implicit in the 5G component of the October 2023 Offer;
  - ii) an adjustment to reflect the outcome of the English court's ruling on the 2011 Licence;
  - iii) the royalty payments for each side's SEPs to "follow a consistent methodology that utilises the same metrics for each party's portfolio";
  - iv) a provision for termination of the licence of Lenovo's SEPs if any mobile network operator that uses Ericsson's equipment sued Lenovo for patent infringement.
89. I was not referred to any aspect of Lenovo's evidence that suggested that Mr Foster's understanding of the August 2024 Offer was incorrect. Nor have I been shown evidence that contradicts Mr Foster's assertion that the August 2024 Offer contains no express calculation of how much Ericsson would have to pay for a licence of Lenovo's SEPs. In a similar vein, I have not been shown any evidence contradicting Mr Foster's evidence that the termination right referred to in paragraph 88.iv) is incompatible with the requirement of the ETSI IPR Policy that FRAND licences be irrevocable. This, and Lenovo's similar position in relation to the February 2024 Offer, was not taken by oversight. I understood Lenovo's position to be that the detail of its offers did not matter given what it submitted to be the conclusive significance of its undertaking to the English court (see paragraph 51 above). However, I have rejected the argument based on conclusive significance and in the circumstances I have no secure basis on which to conclude that Lenovo's August 2024 Offer was of a cross-licence on FRAND terms.
90. Lenovo does not agree with the conclusions in the OUII Brief and made some criticism of the accuracy and cogency of some of its reasoning. I am in no position to decide following a two-day hearing without expert evidence or cross-examination whether the OUII's conclusions are correct or not. However, it is quite clear that the OUII reached its conclusions after considering a significant amount of evidence at a 6-day hearing. Some of the evidence and argument at those evidentiary hearings was similar to the material deployed before me. However, the OUII has also considered expert evidence on licensing and valuation matters which is not available to me.
91. Lenovo characterises the OUII Brief as setting out a "high-level" view intended only to establish whether a particular threshold of FRAND behaviour has been reached or not. I do not consider that to be accurate. The OUII Brief does not just set out a "behavioural analysis" of how the parties have acted, but reaches a considered view that the October

2023 Offer is in the FRAND range following an analysis of comparables. In any event, “high level” or not, I have no better evidence than the OUII Brief as to what rates may, or may not, be FRAND.

92. The OUII’s conclusion that the October 2023 Offer set out pricing that was comfortably in the FRAND range is not binding on me. However, it is a significant finding by an independent body after a detailed evidentiary hearing, particularly given that Lenovo is not positively seeking to persuade me that Ericsson’s conduct is designed to achieve supra-FRAND rates (see paragraph 83 above).
93. I recognise that the OUII’s analysis focuses on the component of the October 2023 Offer relating to the price payable for a licence of Ericsson’s 4G and 5G SEPs for use in smartphones and tablets and offers a more limited opinion on what rate would be payable for a licence of Lenovo’s SEPs. Therefore, I acknowledge that there is a possibility that, even if the October 2023 Offer is comfortably within the FRAND range as the OUII concludes, Lenovo may establish before the English courts or the EDNC that it has to pay less than Ericsson suggests, or may even be a net recipient of a licence fee, because of the value of its own portfolio of SEPs.
94. However, I have no basis on which to gauge the value of Lenovo’s SEPs. The OUII considered that Lenovo had not put forward any expert evidence on this issue before the ITC and Lenovo certainly has not put forward any expert evidence on it before me. Such little evidence as I have suggests that Lenovo was over-valuing its portfolio of SEPs in the February 2024 Offer, given the OUII’s criticism of that offer. Moreover, Lenovo has not put forward any hard figure for the amount it considers would be due for a licence of its portfolio and has not contradicted the assertion that the provisions for termination in the August 2024 Offer do not comply with the ETSI IPR.
95. Putting all that together, I am not satisfied to a high degree of assurance that, in exerting pressure on Lenovo to accept the October 2023 Offer Ericsson is necessarily seeking supra-FRAND rates.
96. Nor am I satisfied to a high degree of assurance that, in exerting that pressure Ericsson is seeking necessarily to achieve a significantly better outcome than it would following a rate-setting process in the English court or in the EDNC. Such evidence as I have suggests that the October 2023 Offer is comfortably within the FRAND range. Therefore, for the English courts or EDNC to settle a FRAND Cross-Licence on significantly less favourable terms to Ericsson would require those courts to attribute significantly more value to the Lenovo portfolio of SEPs than Ericsson considers to be FRAND. I am in no position to evaluate the likelihood of the EDNC or English court reaching that conclusion. In my judgment, therefore, it is at least realistically possible based on the evidence I have seen that the English court or EDNC will determine a FRAND Cross-Licence on terms not significantly different from those in the October 2023 Offer.
97. Of course, logic suggests that Ericsson would not pursue expensive litigation for injunctive relief unless it thought it would benefit from that litigation to Lenovo’s detriment. I am quite prepared to accept that Ericsson believes it will obtain a good commercial result if it is able to exert pressure on Lenovo to settle at or around the terms of the October 2023 Offer. However, while the contrary is arguable, I am not satisfied to a high degree of assurance that the pressure is directed at securing supra-

FRAND rates, or even rates that are significantly in excess of what the English courts or EDNC will ultimately determine to be FRAND.

### **The Short-Term Licence**

98. Lenovo's proposed Short-Term Licence has the following features:
- i) It is a "one-way" licence of Ericsson's SEPs only for a term starting on 1 January 2024 and ending on execution of any "Court-Determined Licence", namely a FRAND Cross-Licence as determined by either the English court or the EDNC.
  - ii) It provides for Lenovo to make a single lump-sum payment (the **Lump Sum**) in two instalments. The Lump Sum is the same whatever the term of the licence.
  - iii) It contains a "true-up" mechanism by which its financial and non-financial terms are adjusted in line with the terms of the final licence determined by the English court or EDNC.
99. Ms Dagg explains in her Tenth Witness Statement that the Lump Sum has been calculated by reference to (i) Ericsson's valuation of its portfolio of SEPs and (ii) Ericsson's assessment of Lenovo's sales on which a royalty should be paid. She describes the Lump Sum as "indisputably generous" not least because it requires no licence fee in relation to Lenovo's portfolio of SEPs. However, Ms Dagg acknowledges that the Lump Sum does not incorporate Ericsson's views on all matters in dispute. For example, the Lump Sum is calculated on the assumption that Lenovo is correct in aspects of its interpretation of the 2011 Licence. It also proceeds on the basis that, as Lenovo argues and Ericsson denies, the 2011 Licence requires some reduction to what would otherwise be rate payable to Ericsson in relation to 5G SEPs.
100. Ericsson has provided no competitor figure for the Lump Sum it considers to be more appropriate. However, Ms Dagg has calculated that, if Ericsson's case on various matters in dispute were correct, the Lump Sum would be over three times greater than Lenovo's calculation.
101. Ericsson's unchallenged evidence is that the "true-up" feature means that it is not able to recognise any of the Lump Sum as earnings in its accounts. That is because, given Lenovo's position that ultimately Ericsson will be found to be a net payer to Lenovo pursuant to the FRAND Cross-Licence, accounting rules require Ericsson to recognise a contingent liability equal and opposite to the asset consisting of the Lump Sum recognising the risk that it will have to repay that Lump Sum.
102. Lenovo invites me to treat this accounting issue as of little significance. In submissions, Mr Cavender KC argued that, whatever the accounting position, the Lump Sum is still a significant amount of cash that would be available to Ericsson which it could use for working capital purposes. The difficulty with that submission is that it is unevicenced. Ericsson is a listed company and it is reasonable to suppose that its published accounts are of interest to a number of stakeholders including creditors, shareholders and potential investors. There is nothing obviously wrong with Ericsson's assertion that cash that it receives but it cannot recognise for accounting purposes is of little benefit to it on the basis that that cash will be "invisible" as far as key stakeholders are concerned.

If Lenovo wished to assert that there was a residual benefit to cash that could not be recognised it should have provided an evidential basis for that assertion.

## **PART C – DISCUSSION**

### **Does the FRAND Commitment require Ericsson to offer a Short-Term Licence?**

103. Lenovo argues that there is nothing special about the Short-Term Licence and that it is wrong to describe that as an “interim” licence. While the licence is potentially short-term, Lenovo argues that it is still a FRAND licence with the result that the basic obligation in Clause 6.1 obliges Lenovo to offer it. I do not have a high degree of assurance in that analysis for the following reasons.
104. First, in my judgment, the Short-Term Licence is very different from a “normal” FRAND licence. A normal licence will determine a price payable for the exploitation of intellectual property for a particular period. However, the “true-up” aspect of the Short-Term Licence means that it does not do this. Although ostensibly it results in Ericsson obtaining a royalty, Ericsson might have to repay that sum, with interest, and even make a true-up payment to Lenovo depending on the rate that is ultimately set by either the English court or the EDNC. I therefore do not accept the premise of the argument set out in paragraph 103.
105. If the Short-Term Licence were an interim licence designed to “hold the ring” until a final FRAND determination, I am prepared to assume, without deciding, that willing licensors and licensees might be prepared to adopt a more rough and ready approach to setting the rate recognising its interim nature. However, if the Short-Term Licence is to be analysed as a specimen of a “normal” FRAND licence, its terms would need to be FRAND. In order to be “non-discriminatory”, it would need not to be unduly generous to either Lenovo or to Ericsson.
106. I have no expert evidence that satisfies me that even the key terms of the Short-Term Licence are FRAND.
107. The effect of the Short-Term Licence is that Ericsson is likely to forgo any right to seek injunctive relief for any infringement by Lenovo until final FRAND terms are determined. However, the Lump Sum that Ericsson receives cannot be recognised as Ericsson’s revenue for accounting purposes. Lenovo obviously considers that this is a “fair” and “reasonable” outcome, but Ericsson does not. Having rejected Lenovo’s case that any pursuit of injunctive relief by Ericsson is necessarily un-FRAND (see paragraph 51 above), I am not satisfied to a high degree of assurance, following a two-day hearing with no live evidence, that Lenovo’s desired outcome truly is FRAND. I note that industry practice is significant in the determination of FRAND terms (see paragraph 19 above) but there is no evidence that short-term licences of the kind that Lenovo seeks are typical or prevalent. Ericsson’s position advanced in submissions is that the only short-term licence entered into in Lenovo and Ericsson’s chosen industry is the licence that Panasonic and Xiaomi concluded following *Panasonic CA*. Lenovo has not put forward evidence to displace that assertion.
108. Lenovo has calculated the Lump Sum on the basis of some assumptions that it considers favourable to Ericsson. However, even on those assumptions, Lenovo acknowledges that Ericsson’s approach would suggest a Lump Sum that is some three

times higher than the one proposed. Lenovo indicated through Mr Cavender KC that it would be prepared to pay a Lump Sum a third higher than the one it suggested. However, that would still leave a Lump Sum considerably lower than would be payable if Ericsson's entire case is accepted. Accordingly, even though Lenovo describes the Lump Sum as generous, particularly insofar as it makes no allowance for a royalty for Lenovo's SEPs, it remains the case that it has been prepared on the basis of some assumptions that are in favour of Lenovo and some that are in favour of Ericsson. Following a short hearing, with no live evidence, and no consideration of comparables or other expert valuation evidence, I am not in a position to be satisfied to a high degree of assurance that Lenovo's Lump Sum calculation is FRAND.

109. Nor do I consider this to be a suitable case for "splitting the difference" as the Court of Appeal did at [100] of *Panasonic CA*. That was a case in which both Panasonic and Xiaomi had proposed terms for an interim licence. The Court of Appeal was prepared to conclude that the true FRAND rate for that licence would be somewhere between the parties' proposals. In the present case, Ericsson has proposed no terms and all I have to go on are (i) Lenovo's proposal which assumes some, but not all, of Ericsson's case to be correct and (ii) Lenovo's own calculation of what Ericsson's calculation of the Lump Sum would be if it chose to advance one.

#### **Has Ericsson acted in breach of its "good faith requirement"?**

110. In this section, I refer as the parties did to the "good faith requirement" as embracing both the specific requirements of Article 1104 of the French Civil Code as well as the more general "process" aspects of the FRAND Commitment that I have described in paragraph 18 above.
111. In form, Lenovo is not seeking a declaration that Ericsson is acting otherwise than in good faith. Rather, it seeks a declaration that a hypothetical willing licensor and a hypothetical willing licensee would enter into the Short-Term Licence. However, now that I have rejected Lenovo's argument summarised in paragraph 103, a declaration in those terms can only be accurate if Ericsson is indeed not complying with the good faith requirement. While cautioning against an unduly forensic approach to Lenovo's declaration, Mr Cavender KC accepted as much during the hearing and in my judgment he was correct to do so. The point is that Ericsson is not presently prepared to enter into the Short-Term Licence. If that stance is consistent with the good faith requirement, then the declaration Lenovo seeks will be untrue since a hypothetical willing licensor could be assumed to act in the same way and decline to enter into the Short-Term Licence.
112. I certainly see an arguable case to the effect that Ericsson is in breach of its good faith obligation. Such an arguable case would proceed on the basis that, whatever Ericsson's frustrations with Lenovo's negotiating stance in the past, Lenovo has since October 2023 undertaken to accept the English court's determination of FRAND terms and even to accept the EDNC's determination if Ericsson ceases its practice of seeking and maintaining injunctions in Brazil, the ITC, the EDNC and Colombia. It is certainly arguable that, given Lenovo's offer of undertakings, Ericsson is exerting unfair and unreasonable pressure in pursuing injunctive relief when it should be negotiating towards a FRAND rate either as part of the English or EDNC proceedings or in separate settlement discussions.



113. However, I am not satisfied that this arguable case reaches the threshold of a “high degree of assurance”.
114. First, as I explain in paragraphs 83 to 97 above, while Ericsson’s litigation strategy is certainly robust, I have no high degree of assurance that it is designed to secure supra-FRAND rates or rates that are necessarily in excess of those that either the English courts or the EDNC will determine to be FRAND.
115. Second, there is evidence that suggests that, since October 2023, Ericsson has made an offer that is within the FRAND range, but there is no evidence that substantiates a good arguable case that Lenovo has done the same (see paragraphs 87 and 89 above).
116. Those findings are important when it comes to weighing the significance of Lenovo’s undertaking to the English court to take its formulation of FRAND terms. If Ericsson had given the same undertaking, then the parties would both know that the English court’s determination would lead to a FRAND licence in reasonably short order. Even if there were an appeal against the determination at first instance, Lenovo has undertaken to take a licence on terms determined at first instance and pursue any appeals in parallel. If both parties were committed to the English court’s determination, I might well have had a high degree of assurance that, whatever the parties’ negotiating position since October 2023, the undertakings to the English court were sufficient to make Ericsson’s continued pursuit of injunctive relief contrary to the good faith requirement.
117. However, there are no undertakings by both parties to the English court. Therefore, it is not certain that the parties will enter into a FRAND Cross-Licence on terms fixed by the English court. That, in my judgment, reduces the significance of Lenovo’s undertaking to the English court. The negotiations and offers passing between the parties accordingly acquire greater significance. For reasons I have explained above, I consider that there is a sufficient possibility that Ericsson is engaged in a robust defence of its interests that falls short of a breach of the good faith obligation as to deprive Lenovo’s contrary position of a “high degree of assurance”.
118. Lenovo also invites me to attach significance to its conditional offer to accept the EDNC’s determination of FRAND terms (see paragraph 57 above). However, that acceptance would be of high significance only if there is a high degree of assurance that Ericsson’s refusal to meet the precondition, ceasing its pursuit of injunctive relief, is a breach of the good faith obligation. I have explained why I do not have that high degree of assurance.
119. Lenovo argues that I should step back and look at Ericsson’s behaviour in the round as an attempt to “menace” Lenovo into accepting the October 2023 Offer or a near variant of it. Lenovo also submits that, if Ericsson’s behaviour is acceptable then, in the future, SEP-holders will be able to initiate infringement proceedings in multiple jurisdictions and, unless implementers commit to accepting a FRAND rate set by every court in which they are sued, seek injunctions in those jurisdictions.
120. I consider that argument to proceed at too high a level of generality without sufficient reference to the facts of this case. I certainly accept that Ericsson is seeking to exert commercial leverage over Lenovo. However, my findings in paragraphs 95 to 97 prevent me from concluding to a high degree of assurance that, in the circumstances of

this case, Ericsson is failing to act in good faith, although I accept that Lenovo's position to the contrary is arguable. There is no suggestion in this case that Ericsson requires Lenovo to accept a rate fixed in multiple jurisdictions.

### **Comity and useful purpose**

121. Lenovo argues that making the Declaration would serve the following useful purposes:
- i) It will be of some relevance to the courts of the EDNC, Brazil and Colombia and to the ITC in connection with Ericsson's proceedings for injunctive and similar relief.
  - ii) It will force Ericsson to reflect on its course of conduct which could result in it deciding to cease its pursuit of injunctive relief until either the English courts or the EDNC fix the terms of a FRAND Cross-Licence.
  - iii) It will "hold the ring" in the English proceedings by (i) preserving the utility of a determination of the 2011 Licence Proceedings and (ii) enabling the English courts to determine a FRAND Cross-Licence by reference to Lenovo's actual business, rather than a business that has been unjustifiably diminished by Ericsson's pursuit of injunctive relief.
122. I am prepared to accept that, if made, the Declaration would be of some relevance in ongoing proceedings in Brazil, Colombia, the EDNC and the ITC. Although the parties' respective expert and factual witnesses disagreed as to the degree of relevance, I will not conclude that any declaration would be completely irrelevant. The extent to which Ericsson and Lenovo are behaving as "willing" licensors and licensees respectively has some bearing on the availability of injunctive and other relief in those jurisdictions. Therefore, I accept that there is some utility of the kind summarised in paragraph 121.i).
123. However, I consider that utility to be relatively slender. The courts of Brazil and Colombia have already considered Lenovo's arguments based on the FRAND Commitment. Appeals processes are ongoing, but I conclude from the evidence of both sides' Brazilian and Colombian solicitors that the evolving jurisprudence in Brazil and Colombia will be of much greater assistance in determining whether injunctions should be granted or lifted than whether the English court chooses to make the Declaration.
124. In a similar vein, I do not consider that the ITC would be greatly swayed by the Declaration if I made it. It has heard an evidentiary trial and has the OUII Brief to assist with its decision. Those matters will, in my judgment, carry much more weight than any conclusion of the English courts set out in the Declaration.
125. Of course, if the Declaration is made, and Ericsson goes on to enter into the Short-Term Licence, I accept that is likely to have a material effect on the proceedings overseas because it would result in Lenovo being licensed. That is an aspect of the consideration of whether the Declaration is likely to cause Ericsson to change its mind which I address below.
126. Lenovo stresses the additional utility summarised in paragraphs 121.ii) and 121.iii) as part of its submissions that the declarations are not being sought solely to influence the

outcome of foreign proceedings and so remove the force of the potential objection to grant of the Declaration summarised in paragraph 8.iii) above.

127. I do not accept that there is much utility of the kind set out in 121.ii). Although there is generally little point in matching the facts of one decided case against the facts of another, the contrast with the situation in *Panasonic CA* is instructive. I have already noted that the facts of *Panasonic CA* were particularly stark (see paragraph 35 above). There was a real prospect that, on mature reflection, Panasonic might conclude that its conduct was unjustified and indeed it did ultimately decide to enter into a short-term licence.
128. However, the facts of this case are much less stark. Lenovo criticises Ericsson's pursuit of injunctions as being designed to oust the jurisdiction of either the English courts or the ENDC as "rate-setting courts". However, that is inaccurate since there is no "rate-setting court" whose determination of FRAND terms both sides have agreed to accept. Moreover, given my findings in paragraph 108, I am unable to conclude to any high degree of assurance that, even if the declaration were made and Ericsson did think again about its actions, it would choose to enter into a Short-Term Licence. In my judgment, even if I made the Declaration, there is a clear likelihood that, Ericsson would conclude that, since the Lump Sum payable under the Short-Term Licence cannot be recognised for accounting purposes, it is insufficiently worth having to outweigh the disbenefit of having to give up its injunctions.
129. My conclusion in paragraph 128 is also consistent with aspects of Ms Dagg's evidence. In her Tenth Witness Statement, Ms Dagg explained instructions she had received as to how Lenovo might respond if the ITC concludes that the relevant Ericsson SEPs are valid and infringed and enforces an exclusion order prohibiting Lenovo from selling its laptops, tablets and smartphones in the US. In my judgment, there is every prospect that Ericsson might conclude from this evidence that its strategy is working, might lead to an agreement at or around the terms of the October 2023 Offer and, in circumstances where, on the OUII's view at least, that offer is comfortably within the FRAND range there is insufficient incentive to abandon its strategy.
130. Lenovo's argument summarised in paragraph 121.iii) is that the English court should defend the utility of its own proceedings. Lenovo argues that, when the English court comes to determine a FRAND rate, it might well wish to take into account the size of Lenovo's business in deciding, among other matters, if any "volume discount" should be applied to the royalty payable for a licence of Ericsson's SEPs. In a similar vein, it argues that, if Lenovo is forced to take a licence on Ericsson's terms, Lenovo will be deprived of the ability to make its case in the 2011 Licence Proceedings that are properly before the English court. Lenovo makes an analogy with the policy that underpins the grant of pre-trial freezing injunctions: namely a wish to prevent any judgment that the court ultimately gives from being frustrated by a defendant's unjustified dissipation of assets before trial.
131. I do not, however, consider that the utility summarised in paragraph 121.iii) adds anything to the other kinds of utility on which Lenovo relies. Even on Lenovo's case, if the court makes the declaration sought, that will stop Ericsson's pursuit of injunctive relief only if (i) foreign courts decide to lift injunctions made, and refuse further injunctions or (ii) on reflection, Ericsson decides to cease seeking new injunctions, and to agree to the lifting of existing injunctions by entering into the Short-Term Licence.

Moreover, Lenovo's case is that it is Ericsson's pursuit of injunctive relief that will affect Lenovo's business (and so the level of volume discounts that might be available) or force Lenovo to reach a settlement on Ericsson's terms.

132. It follows that even on Lenovo's case, the current size of its business and the current utility of the 2011 Licence Proceedings will be preserved only if the injunctions cease. That can only be because foreign courts lift those injunctions (and refuse to grant new ones) or having entered into the Short-Term Licence, Ericsson no longer seeks to maintain them. Yet those are precisely the two utilities that are summarised in paragraphs 121.i) and 121.ii) with the result that the argument summarised in paragraph 121.iii) adds nothing to those points.
133. In my judgment, none of the arguments summarised in paragraph 121 establishes that making the Declaration would have significant utility. I agree with Ericsson that such utility as the Declaration has would consist of an attempt to influence foreign proceedings by offering an unsolicited opinion on matters that overseas courts and bodies need to consider for themselves. I conclude that considerations of comity and utility point against the making of the Declaration.

## **DISPOSITION**

134. I am not satisfied to a high degree of assurance that the statement in the Declaration is correct in fact or law. Nor am I satisfied that making the Declaration would have real utility and I am concerned that it would interfere with the principle of comity. Lenovo's application is refused.