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Court of Appeal confirms Californian construction

Katie Rooth (Bristows) · Monday, October 23rd, 2017

Whilst ostensibly a standards essential patents dispute, there have now been two decisions from the English Courts in this case both on the construction of a licence agreement under Californian law. These two judgments have come before any substantive decisions on infringement or validity of the three patents asserted by Philips against Asus and HTC. The decisions to date, first by Mr Justice Arnold in the High Court, and recently by Court of Appeal (the leading judgment from Lord Justice Floyd), have only grappled with a preliminary issue of whether HTC had a defence to the infringement claim by virtue of a covenant not to assert contained in an agreement between Philips and Qualcomm.

The provision in question was clause 4.3 of the agreement. The clause provided, *inter alia*, that, as against any company designated by Qualcomm as a "CDMA Technically Necessary Patent Beneficiary", Philips would not assert any of their "CDMA Technically Necessary Patents" against any acts of infringement, relating to a "CDMA Wireless Industry Standard". This convent was subject to the proviso that Philips had a right to assert its patents in relation to "TDMA" equipment or systems. CDMA, or code division multiple access, is one technique used for providing multiple access – where several transmitters can send information simultaneously over a single communication channel. TDMA, or time division multiple access, is another such technique. The patents in suit relate to HSPA technology which is a hybrid CDMA/TDMA system.

Philips accepted that HTC had been designated as a beneficiary under the covenant but argued that the covenant was limited only to those patents which related to "pure" CDMA systems. The covenant did not cover patents which were to TDMA or hybrid TDMA systems. HTC's positon was that given HSPA utilises CDMA, the patents were covered by the scope of the covenant.

Having heard both technical evidence and evidence from Californian law experts, in September 2016 the High Court found in Philips' favour; the covenant did not extend to the HSPA patents asserted. The High Court further held that, had HTC benefitted from the covenant, it would have been limited to those acts relating to Qualcomm-based products, not product containing chipsets purchased from third parties. The decision of the Court of Appeal of 11 October 2017 confirmed this verdict. Whilst the Court of Appeal did note that it did not feel the issues were quite as clear as they had

been to the first instance judge, it did not consider there was any reason to overturn the finding of Mr Justice Arnold.

Preliminary issues are not utilised in many patent disputes, typically because the topics are not sufficiently self-contained and there are limited benefits from hearing a part of the case separately. This case demonstrates that, whilst preliminary issues are not excluded from patent cases, they will often result in satellite disputes and will take a significant amount of time and resource to resolve – in this case, the claim was originally filed in late 2015. The English Court will now go on to consider the issues of validity and infringement of the three patents. There are also issues of FRAND to be determined – keep an eye out for further updates.

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