

Kluwer Patent Blog

High Court builds up momentum to determine FRAND Licensing terms (PART 1 of 2)

Robert Lundie Smith (EIP) · Tuesday, February 12th, 2013

FRAND licensing terms (Fair, Reasonable, and Non-Discriminatory) and their impact upon electronics and telecommunications patent litigation is fast becoming a hot topic amongst the patent blogs. One case that has so far slipped under the radar of many commentators is the forthcoming Nokia/HTC/IPCom FRAND trial before the High Court of England and Wales. The trial, according to one judgment of Mr Justice Floyd (6 December 2012) *“is going to have to examine for the first time, so far as I am aware, the methodology which it is appropriate to adopt to arrive at a licence which is fair, reasonable and non-discriminatory (“FRAND”) in respect of a patent which is essential to a telecommunications standard.”* If the case proceeds all the way to trial, it will therefore provide as an important reference point for future patent litigation in the UK where FRAND based defences are raised.

In this first of two postings on this action, I set out below the history of the Nokia v IPCom case, and how the potential of a FRAND Trial arose. The second posting – to be published next week – shall explain how HTC became involved, the interests of licensees or licensors whose agreements are to be used by HTC and Nokia to support their case, and the current state of the action.

The story starts with Nokia Corporation’s action against IPCom GmbH (Claim No: HC 10 C01233) wherein Nokia sought revocation and declarations of non-infringement of European Patent 1,841,268 (the ‘268) and IPCom counterclaimed for infringement. The ‘268 is a divisional of EP 1,186,189 which prior to this dispute had been found invalid by Floyd J, but which would have been essential to the UMTS Standard if valid. As noted by Mr Justice Norris in his introduction to a judgment on one of Nokia’s pre-trial applications on the ‘268 action “Patent ‘189, although invalid, was said by Floyd J to be essential to the UMTS Standard; so patent ‘268, if valid, is potentially very significant.”

The ‘technical’ issues in this action (validity and infringement) were heard by Mr Justice Floyd in April of 2011, whereupon he found the ‘268 valid and infringed by two of Nokia’s devices. Mr Justice Floyd reserved his position on the form of order to be made until he had heard counsel’s submissions.

Having been successful in proving both validity and infringement at trial, it will be unsurprising to hear that IPCom sought injunctive relief. However, without having to fully consider the applicable test for imposition of a final injunction; Mr Justice Floyd declined to impose an injunction upon Nokia. The reason was not however because IPCom was perceived as an ‘non practicing entity’

and consequentially the UK test would not lead to the imposition of an injunction, but due to the procedural history of the case.

Mr Justice Floyd had (in a Directions hearing of 7 July 2010) stayed all aspects of the action save for those concerned with validity and infringement. This included a contingent defence that “Nokia has or is entitled to a licence under the Patent on fair, reasonable and non-discriminatory (‘FRAND’) terms.” Now that there was a ruling on validity and infringement this contingent defence came into play. IPCOM contended that it was not even arguable that Nokia had any such licence, and relied upon the fate that such arguments had met in equivalent German proceedings. Mr Justice Floyd, however, was of the view that granting an injunction at this stage and on this basis would be tantamount to granting summary judgment against Nokia on this issue and instead ruled that he would give directions for the pleadings on the outstanding issues to go forward, and to give IPCOM permission to apply for an injunction at any stage thereafter.

An appeal of Floyd J’s finding (validity and infringement) was heard on 10 May 2012 before Lord Justices Laws, Etherton and Kitchin. Floyd J’s decision was upheld. It should be noted that this was contrary to the finding of the EPO Opposition Division who had found the patent invalid (decision published on 28 May 2012). IPCOM launched an appeal to the EPO’s Technical Board of Appeal, thus suspending the ruling of invalidity. According to a judgment of Roth J in the action between HTC and IPCOM on the same patent, although the appeal could be decided within a couple of years, the matter would likely need to be resubmitted back to the Opposition division for reconsideration, and so a final decision on validity from the EPO could take many years.

Following the decision of the Court of Appeal to uphold Floyd J’s judgment, the matter next came before Roth J on 18 May 2012, by way of IPCOM’s application to strike out or to obtain summary judgment against Nokia’s ‘non-technical’ defences. According to Roth J (again from a later judgment (HTC v IPCOM of 31 May 2012)) “...it was clear from the parties’ submissions that, irrespective of those arguments, IPCOM was prepared to grant a licence of the Patent to Nokia on FRAND terms and Nokia was prepared to take such a licence from IPCOM. But Nokia and IPCOM were not in agreement as to what the terms of such a licence should be, and the rate of royalty was of course also relevant to damages for past use.” As a result, instead of striking out Nokia’s FRAND based defences, or awarding summary judgment against Nokia, Roth J ordered that both parties serve a FRAND statement of case, the terms of which were required to be as follows:

“...a statement of case on the determination of FRAND licence terms for the licence of the Patent, setting out in particular the method by which a FRAND royalty rate is to be calculated and facts and matters relied upon in support of that calculation....” (See judgment of Arnold J of 20 September 2012).

The author also understands, from a report of the 18 May hearing published on the Foss Patents Blog, that the issue of injunctive relief was also considered by Mr Justice Roth. According to extracts of the transcript of the hearing published by this source, Mr Justice Roth was not prepared to grant a permanent injunction against Nokia in circumstances where that injunction would “come to an end” once the parties had agreed the FRAND terms for a licence.

Thus the course was set for the parties to plead their case on the method of determining FRAND terms and the associated royalty rate under the patent.

The development of this action and progression towards the “FRAND Trial” will be continued in a

second posting (to be published next week). As already stated above, this shall explain how HTC became involved in the trial, the interests of licensees or licensors whose agreements are to be used by HTC and Nokia to support their case, and the current state of the action.

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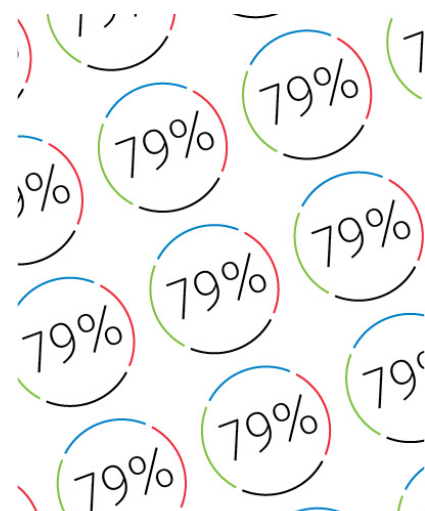
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