

Kluwer Patent Blog

TQ Delta Injunction

Brian Cordery (Bristows) · Friday, April 5th, 2019

by **Elizabeth McAuliffe**

At a Form of Order hearing on 18 March 2019, Henry Carr J gave a high level *ex tempore* decision in TQ Delta LLC v ZyXEL Communications Limited et al to grant an injunction, with immediate effect. The approved judgment was published on 28 March 2019 ([2019] EWHC 745 (Pat)). This decision follows on from Carr J's earlier decision that one of TQ Delta's patents in suit was valid, essential and infringed ([2019] EWHC 562)).

ZyXEL argued that it would be disproportionate to grant an injunction as the infringed patent expires in less than two months. In the alternative, it requested for an injunction to be stayed or for there to be a carve-out to allow ZyXEL to fulfil certain orders.

TQ Delta argued that ZyXEL was not a willing licensee and this was “*a very serious case of ‘hold out’*” (where an implementer delays paying royalties to an SEP owner, whilst continuing to infringe the SEP, because it wants to hang on to its money and exhaust the resources and will of the SEP owner) and that ZyXEL had “gamed the system”. These allegations were made on the basis of the history of (unsuccessful) negotiations between the parties and the fact that ZyXEL had never paid any royalties in relation to the 775 SEPs that it used.

ZyXEL stated in its pleadings that it was willing to take a licence on RAND terms. However, during the Form of Order hearing it confirmed that it would not be seeking a RAND licence because the patent will shortly expire (and it will expire before any RAND licence is settled by the Court). Carr J accepted that this was a choice which ZyXEL was entitled to make. However, this would not deprive the patentee of injunctive relief.

Carr J found that not granting an injunction in the circumstances would be unjust and wrong in principle. In particular, he found that this would “*in effect, amount to a compulsory licence by the court in circumstances where the Defendants have elected not to enforce the RAND undertaking in respect of the ‘268 patent’*”.

Following **Unwired Planet v Huawei** and **Huawei v ZTE** it has been suggested that it is unlikely that an injunction will be granted before a FRAND determination. The decision in this case is a clear move away from this position. However, Carr J's decision to grant an injunction, before a F/RAND determination, is very fact specific. Key factors in favour of granting an injunction in this case include the fact that the patent will expire within a matter of months, the conduct of ZyXEL and the fact that ZyXEL confirmed that it would not be seeking a F/RAND licence.

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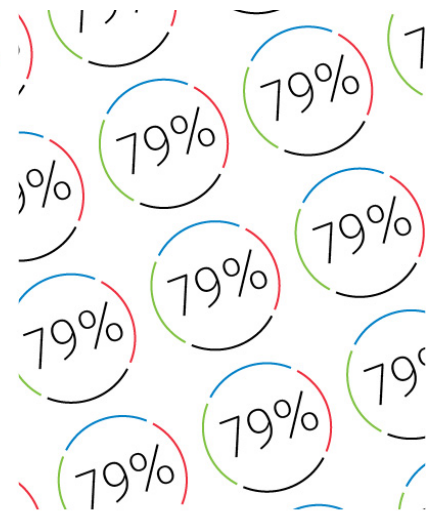
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