



Neutral Citation Number: [2021] EWHC 2564 (Pat)

Case No. HP-2019-000006

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

Rolls Building  
Fetter Lane  
London, EC4A 1NL  
27 September 2021

**Before :**

**MR JUSTICE MEADE**

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**Between :**

**(1) OPTIS CELLULAR TECHNOLOGY LLC**  
**(2) OPTIS WIRELESS TECHNOLOGY LLC**  
**(3) UNWIRED PLANET INTERNATIONAL LIMITED**

**Claimants**

**- and -**

**(1) APPLE RETAIL UK LIMITED**  
**(2) APPLE DISTRIBUTION INTERNATIONAL LIMITED**  
**(3) APPLE INC**

**Defendants**

**Sarah Ford QC, Isabel Jamal and Jennifer Dixon** (instructed by **EIP Europe LLP** and **Osborne Clarke LLP**) for the **Claimants**  
**Marie Demetriou QC, Meredith Pickford QC, Sarah Love and Ligia Osepciu** (instructed by **WilmerHale LLP**) for the **Defendants**

Hearing dates: 19-22 and 26-27 July 2021  
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I direct that no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

**Covid-19 Protocol: This Judgment was handed down remotely by circulation to the parties' representatives by email and release to Bailii. The date for hand-down is deemed to be 27 September 2021.**

**Mr Justice Meade:**

Introduction .....	4
Conduct of the trial .....	7
The legal context in outline .....	8
UK SEP litigation and FRAND .....	10
“Happenstance” .....	11
The issues .....	11
First issue – clause 6.1 .....	12
Second issue – competition law .....	13
Third issue – discretion .....	14
Fourth issue – the Contingent Undertaking .....	14
The witnesses .....	14
The key case law .....	15
The Supreme Court’s Decision in <i>Unwired Planet</i> .....	15
Matters that the Supreme Court was not deciding .....	38
Kitchin LJ’s judgment in <i>UPCA</i> .....	38
Birss J’s decision in <i>Unwired - UPHC</i> .....	39
<i>UP Remedies</i> .....	44
Other aspects of <i>Huawei v ZTE</i> .....	46
Other European materials referred to .....	47
Authorities on withholding an injunction in cases of abuse of dominance .....	48
First issue – the meaning of clause 6.1 .....	48
Summary of the key agreed French law .....	48
Further aspects of French law .....	49
Context for the interpretation of clause 6.1 .....	52
Economics evidence .....	52
Delay .....	56
“Accuracy” of FRAND determination .....	57
Risk of sub-FRAND and supra-FRAND rates .....	57
Licensee’s perspective .....	57
Inference of hold-out .....	57
Possibility of implementers’ exit from the UK market .....	58
Exit by Apple? .....	61
Risk of the UK Court making an error .....	61
Licensing Expert Evidence .....	62
Committing to licence terms unseen .....	62
Hold-out and delay .....	64
Conclusion on the expert evidence as a whole .....	65
The words of clause 6.1 .....	66
“Irrevocable” .....	66
The list of acts to be licensed .....	67
“those who seek licences” .....	67
Clear and precise? .....	67
Apple’s argument on <i>UPSC</i> at [151] .....	68
Interpretation .....	71
Optis’ case on timing and permanent loss of the right to a FRAND licence ....	74
Second issue - abuse of dominance sub-issue .....	75
Apple’s allegations of abuse .....	75

Analysis.....	77
Second issue - refusal of injunctive relief sub-issue .....	78
Third issue – discretion.....	81
The Court cannot compel the taking of a licence .....	82
UPSC at [151] maintains the balance between SEP owner and implementer ..	82
Premature to exercise the discretion; SEP owner not prejudiced by waiting ...	82
Implementer forced to make a decision without full information .....	83
Novelty.....	83
Conclusion on discretion.....	83
Fourth issue – contingent undertaking .....	83
Relief .....	84
Unqualified injunction or FRAND injunction - pleading .....	84
Conclusions .....	85

## INTRODUCTION

1. This is the latest in a series of trials in this multi-patent action between these parties. It is referred to as “Trial F”. I shall refer to the Claimants collectively as “Optis” and to the Defendants collectively as “Apple”.
2. In Trial F, Optis seeks an injunction to restrain Apple from infringing Optis’ patent that I identify below. Optis also seeks related declarations.
3. The procedural background to the dispute is long and convoluted and it is not necessary to set it out at great length; a short summary will suffice.
4. In the wider English proceedings, which commenced in February 2019, Optis alleges that Apple has infringed 8 telecommunications patents which form part of its wider portfolio of patents (the “**PO Portfolio**”) by Apple’s 3G and 4G connected devices (iPhone, iPad + Cellular, etc.). Each patent is said to be a standard essential patent (“**SEP**”) and has been declared to the European Telecommunications Standard Institute (“**ETSI**”) as essential under clause 4.1 of the ETSI IPR Policy. The parties are also involved in parallel litigation in the United States, the details of which are largely irrelevant for present purposes, save to note that global FRAND terms are not to be determined there.
5. In the English proceedings, four technical patent trials (Trials A – D) were listed between October 2020 and January 2022. Two of those technical trials have now been determined, with two more pending.
6. In Trial A, Birss J (as he then was) found a patent, which subsequently expired, to be valid, essential and infringed: [2020] EWHC 2746 (Pat). In Trial B, I found another patent, European Patent (UK) No. 2 229 744 B1, which has not expired, to be valid, essential and infringed: [2021] EWHC 1739 (Pat). I gave permission to appeal in relation to validity on certain grounds. Essentiality and therefore infringement were conceded by Apple at the last minute (in this SEP/FRAND related type of litigation findings of essentiality and infringement are for many purposes synonymous, and I have used the expressions interchangeably in this judgment). Apple did not seek from me permission to appeal on an estoppel defence which it had run but which had failed comprehensively on the facts, but I have been told since the conclusion of this trial that it has now applied to the Court of Appeal for permission. As I understand it, it seeks to challenge my analysis but does not say that the defence in question can succeed given the facts I found. This is not relevant to my task at this trial.
7. In the course of my judgment dealing with Apple’s estoppel defence in Trial B, I had to consider the nature and history of ETSI and its IPR Policy, and the French law applicable to determining the proper interpretation of the IPR Policy. Those matters are also relevant to Trial F. As I will explain below, certain additional points of French law arise in this trial, and the provision of the ETSI IPR Policy that I have to interpret is a different one.
8. The further technical trials will determine whether there are other patents in the PO Portfolio that are valid, essential and infringed. As is usual in this kind of litigation, not all the patents in the portfolio will be tried individually.

9. Trial E, which will determine the terms of a FRAND licence and rule on various allegations made by Apple of anti-competitive behaviour by Optis, has been listed for a long trial in June and July 2022, before Marcus Smith J. I will return below to the issues to be dealt with at Trial E because they are relevant, at least potentially, to my determination of the matters in this Trial F (indeed, part of Apple's case is that I cannot grant the injunction sought by Optis in these proceedings until Trial E is resolved). I will also return below to the relevance of the structure of patent disputes involving FRAND issues in this jurisdiction; for present purposes, I simply note as a matter of chronology that it will have been more than three years since the claim was commenced before this Court determines FRAND terms at Trial E. There will have been almost a year between Trial B and Trial E, and even longer between Trial A (where judgment was given in October 2020) and Trial E.
10. The parties have pleaded out for the purpose of Trial E their position on what licence terms would be FRAND. They are far apart on the rates, for reasons which include a fundamental disagreement about whether royalties should be assessed on the whole phones or on the baseband chips only, and arguments over the right methodology. However, subject to reserving the right to revisit *Unwired Planet* in the Supreme Court (as to which, see further below) Apple accepts that the terms set will be global.
11. Apple points out that because global rates will be set the decision in Trial E as to FRAND is highly geared. It will, by definition, affect what Apple has to pay for the PO Portfolio worldwide. It may also, Apple says, affect what it pays to other licensors, but I find that less convincing. It will not be a comparable in the sense of an agreement freely negotiated between the parties. Also, Apple says it is already licensed to most patents covering 4G. Nonetheless, the Trial E decision will clearly be very important on any view.
12. Trial E is, as matters stand, the only way by which a global FRAND rate for the PO Portfolio can be set by a Court anywhere in the world. I asked Counsel for Apple a number of times what other option there might be for bringing the global dispute between the parties to a resolution, but Apple made no suggestion in response. It has argued that Optis can move matters on by bringing other individual national infringement proceedings, but Apple has no proposal that any of them might set global FRAND rates. Optis has proposed arbitration; Apple says that it has engaged with the proposal but that the details are confidential. What is clear is that arbitration has not happened.
13. The dispute before me for the purposes of Trial F crystallised in summer 2020. By that stage of the proceedings, Trial E had already been fixed, but there was no finding that any of the patents in dispute was valid and infringed.
14. Optis raised before Birss J, by way of an application to amend its pleaded case, the question of whether Apple is an "unwilling licensee" (in the sense discussed below) and therefore disentitled from relying on Optis' FRAND commitments to ETSI. It sought a separate trial, with the goal that it might be able to obtain an injunction if successful at a technical trial, without waiting for Trial E.

15. Apple resisted the prospect of having a separate Trial F, arguing that the issues overlapped significantly with those to be resolved at Trial E and should therefore be dealt with at the same time. Birss J rejected Apple's submissions, finding that the issues to be dealt with at the two trials could be distinguished and that there was a real prospect that the determination of a Trial F might lead to the possibility of settlement between the parties: see [2020] EWHC 2033 (Pat).
16. Birss J made clear that his directions were not for preliminary issues, but for the sequencing of issues within the proceedings as a whole. He said that if it proved that decisions on issues which were only for determination at Trial E turned out to be necessary to decide whether Optis was entitled to an injunction, then that was simply Optis' problem.
17. The question of whether Apple is an unwilling licensee arose, according to Optis, because Apple had indicated that it was not prepared unconditionally at that stage to commit to taking a licence on FRAND terms determined by the Court. The consequence of Apple's position (Optis said) was that it sought to take the benefit of Optis' FRAND undertakings without accepting the burden. Optis' position was (and remains), in summary, that if Apple wishes to obtain the benefit of the FRAND undertaking then it ought also to accept the corresponding burden and should be prepared to commit now to taking whatever licence the Court determines to be FRAND; since Apple will not do so, Apple is an unwilling licensee and is not entitled to rely on the FRAND undertaking as a defence to an injunction, or in the context of any competition law issues.
18. For the purposes of this introduction, it suffices to say that Apple disputed (and disputes) that analysis and, further, contends that alleged breaches of competition law by Optis preclude this Court from granting the injunction sought by Optis, either because those allegations will ultimately prove to be well-founded or, relevantly for present purposes, because the allegations must be assumed to be well-founded pending their determination at Trial E.
19. One further aspect of the chronology is relevant to the issues in dispute. On 15 October 2020, Apple gave a conditional or contingent undertaking in the following terms (the definitions have been omitted, but the meaning is tolerably clear from the context) (the "**Contingent Undertaking**"):

**"Apple's undertaking**

Apple undertakes that, if it is Finally Decided that one or more Asserted Patents is an Established Patent, it will enter into a Court-Determined Licence SAVE THAT:

A. Apple does not undertake to enter into a Court-Determined Licence:

- (1) If it is Finally Decided that Apple is entitled (absent this undertaking) to enforce the ETSI Undertaking following the determination of a Court Determined Licence without having given a prior commitment to enter into such a licence; or

- (2) If it is Finally Decided that Apple is not entitled to enforce the ETSI Undertaking regardless of whether or not Apple gives this undertaking.
- B. In order to provide an upper bound to this undertaking, Apple shall be entitled to discharge this undertaking by offering to enter into a licence on the terms of the 26 February 19 PO Offer; and, if Optis accepts Apple's offer, Apple shall enter into such a licence.
- C. Apple shall not be obliged to enter into a Court-Determined Licence unless and until any dispute as regards the savings set out in paragraph A has been Finally Decided."
20. The Contingent Undertaking was negotiated as a way forward following Optis' success at Trial A and consequent application for an immediate injunction, in the context of Trial F and Trial E being some way off.
21. I have found the terms of the Contingent Undertaking rather convoluted, but essentially what it says is that Apple undertakes, if it is found to have infringed a valid and essential patent (which it has following Trials A and B), to take the licence which the Court determines to be FRAND at Trial E, subject to two provisos.
22. The two provisos are these:
- i) If it is Finally Decided (which means appeals are exhausted) that Apple does not need to give the undertaking in order to enforce Optis' undertaking to ETSI to give FRAND licences.
  - ii) If it is Finally Decided that Apple ought to be enjoined even if it gives the undertaking. This arises because of Optis' case, discussed below, that Apple already and irreversibly missed the chance to invoke its right to a FRAND licence under the ETSI undertaking.
23. So in a nutshell, by way of the Contingent Undertaking, Apple undertakes to take the Trial E licence unless its undertaking is found to be *unnecessary*, or *too late*.

## **CONDUCT OF THE TRIAL**

24. The trial was conducted partly in Court and partly in a hybrid fashion. The reason that some of it had to be hybrid (in the sense that the parties' representatives and witnesses were in Court but I joined remotely) was that I was twice required to self-isolate because of COVID issues.
25. To mitigate the COVID risk when in Court, and as was the case for Trial B, the number of representatives of the parties and their clients permitted at any one time was limited, and a live feed was made available for others, and for the public if they asked. I am grateful to the third-party providers engaged by the parties to make the technology work.

26. The parts of the trial that had to be conducted in a hybrid fashion were the opening submissions, the closing submissions, and the oral evidence on the afternoon of the first day of trial, when Optis' economics expert Dr Niels began his evidence. The rest of his oral evidence and all the oral evidence of the other experts took place in Court. I felt able to assess Dr Niels' evidence just as well as the other experts despite this. As it so happens, he is the only witness the subject of personal criticism as to the giving of his evidence, and I deal with that below. Since I find that the criticism lacked any underlying substance, the fact that part of his evidence was given while I was participating remotely is all the more unimportant.
27. As to Counsel:
- i) For Optis, Ms Ford QC made the oral submissions on competition law and cross-examined on economics and Ms Jamal made submissions on the other issues and cross-examined on licensing.
  - ii) For Apple, Ms Demetriou QC made the oral submissions on most of the issues and cross-examined on licensing and Mr Pickford QC dealt with the economics issues in submissions and cross-examination.

## THE LEGAL CONTEXT IN OUTLINE

28. It will help understanding of the rest of this judgment if I outline the legal background.
29. First, in *Huawei Technologies Co Ltd v ZTE Corp* (Case C-170/13) [2015] CMLR 14, ("**Huawei v ZTE**") the CJEU considered in what circumstances the bringing of patent infringement proceedings by a patentee under a standards essential patent ("**SEP**") could be an abuse of a dominant position. The CJEU listed a number of criteria against which to assess the patentee's behaviour (and the behaviour of an implementer seeking a FRAND licence).
30. Subsequently, Birss J heard the FRAND trial in *Unwired Planet International Ltd v Huawei Technologies (UK) Ltd & Anr* [2017] EWHC 711 (Pat) (the public version – there is an earlier version containing confidential information to which I do not need to refer) ("**UPHC**"), having previously held that certain of Unwired's patents were valid and essential. He held that one of the criteria in *Huawei v ZTE* was mandatory if a patentee was not to act abusively, but that the others constituted a safe harbour: if complied with there would be no abuse, but if not then an overall assessment of the patentee's conduct would be necessary. On that basis he held that Unwired had not abused any dominant position. He set terms for a FRAND licence, and held that it was appropriate, and he had jurisdiction, to set a FRAND licence for Unwired's global portfolio.
31. Birss J then held a hearing to determine what injunction, if any, to award, and in [2017] EWHC 1304 ("**UP Remedies**") he made what he called a FRAND injunction, which restrained infringement so long as Huawei did not have a FRAND licence, but allowing for it to accept one, which it did.



32. The Court of Appeal upheld Birss J in the result and in nearly all aspects of his reasoning in *UPHC* in [2018] EWCA Civ 2344 (“*UPCA*”). The Court disagreed with his reasoning that there is a single set of terms which is FRAND in any given situation; it held that a range of terms can be FRAND. This did not affect the outcome or the rest of the reasoning.
33. The case then went to the Supreme Court, [2020] UKSC 37 (“*UPSC*”) (where it was heard along with another appeal in *Conversant v Huawei* and *Conversant v ZTE*, concerning *forum non conveniens*). Apple was an intervener in *UPSC*; it made written submissions only.
34. The Supreme Court agreed with the Court of Appeal on whether as a matter of jurisdiction FRAND terms that were global could be set, and on the interpretation of *Huawei v ZTE*. So it held that Birss J was right to set global rates, and to reject the competition defences. However, it stressed that in this kind of case the cause of action is infringement of a UK patent, not a claim to FRAND rate setting generally.
35. In the course of its analysis, the Supreme Court considered and rejected a submission that the UK would be out of line with other jurisdictions if it set global rates. In doing so it looked at a number of decisions from courts around the world. That is not to say that it held that courts in many jurisdictions have actually set global FRAND terms, merely that they could take jurisdiction over the issue in appropriate circumstances.
36. The Supreme Court’s analysis included specific consideration of the clause of the ETSI IPR policy which is key to this trial, clause 6.1.
37. In the period since *UPSC* there has not been a proliferation of courts actually setting global FRAND rates. Optis submitted to me at trial that Chinese courts were moving in that direction, but the matter was not gone into in any detail.
38. *UPSC* has been the subject of much commentary. Many implementers do not like it, because it means that if they infringe in the UK they may have to pay for their use of the equivalent technology globally, or otherwise submit to an injunction in the UK, and concerns have been expressed about setting rates for activities taking place in other jurisdictions (the concerns have often overlooked the fact that a licence set by the UK Court may include a mechanism to adjust for later events in other jurisdictions, such as patent revocations or local rate setting). The commentary is really all beside the point for my purposes because *UPSC* is binding on me to the extent that it covers the issues I have to decide, including in its interpretation of *Huawei v ZTE*.
39. Although *UPSC* is the key authority for the purposes of this judgment, I shall have to look back to *UPHC* and *Huawei v ZTE* for context. There are also aspects of *UPHC* and *UP Remedies* not considered by the Supreme Court that I will need to consider. Optis also relied on *UPCA*, and in particular two paragraphs of the judgment of Kitchin LJ (as he then was) at [53-54]. I will go into this below, but in my view Optis’ reliance on them was significantly overdone.

40. As I have said, the Supreme Court held that a range of terms can be FRAND. It also held that a SEP owner merely has to make an offer within the FRAND range to comply with one of the *Huawei v ZTE* criteria. However, the parties in this trial agreed that when deciding FRAND rates a UK Court does not simply award the SEP owner's offer if it is within the FRAND range. The Court instead looks at all the circumstances and sets the FRAND rate which it thinks is most appropriate.

## **UK SEP LITIGATION AND FRAND**

41. Actions concerning SEP telecoms patents are now quite common in the UK. Typically the SEP owner sues on a number of patents, and the implementer defends the claim by challenging infringement/essentiality and validity and asserting that it will rely on its right to a FRAND licence if it is found to infringe. There is often a FRAND-related competition law defence.
42. Usually, such cases are managed by directing a number of "technical" patent trials (i.e. covering only infringement/essentiality and validity) and then, to take place after those, a trial to set FRAND terms and any competition law issues.
43. This practice preceded the *Unwired* litigation, but it fits with the decision in *UPSC* that setting FRAND terms is part of the remedies for UK patent infringement and not the subject of a freestanding claim. The SEP owner needs to establish infringement so as to move to the assessment of remedies.
44. In general, the UK Court only tries one patent per technical trial, and sometimes two, especially if there are related patents such as divisionals, because experience has been that trying too many patents in one action is too burdensome for the Court, and not very manageable.
45. FRAND trials tend to be heavy. They usually involve rounds of complex pleadings, and interim hearings about them, and about disclosure. Disclosure is often of comparable licences which contain third-party confidential information and the Court often has to hear from those third parties. FRAND trials tends to be listed for at least two weeks' duration, often more.
46. This has tended to lead to situations where there is potentially a long time between the first finding of infringement of a valid, essential patent and the FRAND trial. So it was in the present case, where four technical trials were directed.
47. More recently, this kind of litigation has been managed by ordering only two technical trials with a correspondingly closer FRAND trial, but it presents a risk to the patentee if it loses both of those trials, and so further "fall back" technical trials have been included after FRAND.
48. The present case is fairly typical in these regards and, as I have explained in the Introduction section above, Optis succeeded in both the first two trials, yet the FRAND trial is some way off. Hence this trial, as I have also explained in the Introduction section.

49. The question of what is the appropriate course to follow in the period between a SEP patentee's success in a UK technical trial and a later FRAND trial, in terms of whether the implementer must commit to take a FRAND licence, and whether to grant an injunction if it does not, has not specifically arisen for decision before. It could have been live in *UPHC*, but it did not surface because it was only just before the FRAND trial that it became apparent that Huawei was not committing to take the licence that was to be settled (*UPHC* at [20] – [22]). It was therefore not considered specifically in *UPSC*.
50. It is not mandatory for there to be technical trials if the parties agree otherwise. In at least one case involving standards essential patents (but not telecommunications/ETSI) the implementer accepted that there were bound to be patents that were valid and essential, and it agreed to do FRAND first. Implementers are entitled to insist that the SEP owner demonstrates infringement of a valid patent, but I have no doubt they sometimes do it so as to buy some time, even though they know they will be held to infringe at some point. In other instances the SEP owner's portfolio may seem so weak that there is genuine doubt as to whether there is a valid and essential patent at all.

### **“Happenstance”**

51. A recurring theme of Apple's arguments at this trial which I can get out of the way at this early stage of my judgment is that it would be unfair that it has to commit to FRAND terms without knowing what they are because of mere procedural “happenstance” leading to a gap between the finding of infringement and the FRAND trial.
52. It is not happenstance that there is a gap between Trial B and Trial E. The sequencing of the trials in this litigation was resolved by the Court with care after hearing from the parties, who were able to make such submissions as they wanted, and in the light of the considerations of practicality and principle to which I have just referred. Apple was fully entitled to insist on Optis proving that its rights were infringed, and it did so (although since the patents in issue at Trials A and B had been held valid and infringed in the Unwired litigation it is not too surprising that it lost). If it wanted earlier certainty about FRAND terms it could have argued for something else.

### **THE ISSUES**

53. Birss J made an Order following a hearing on 4 September 2020 which annexed a list of issues for Trial F and identified other issues only for Trial E. That list was at a relatively high level and the parties agreed a much more detailed List of Issues to be determined in Trial F, divided into categories (“the List”). There were 17 issues and the List cross-referred to separate lists of issues for expert evidence.
54. Although no doubt the level of detail in the list and the number of issues were necessary so that the parties felt they knew the precise scope of this trial, they did not in fact break down their submissions with such granularity. They organised

their cases under broader headings. I will do the same in this judgment, although I have had regard to the full contents of the List.

**First issue – clause 6.1**

55. The first and most fundamental issue is the proper interpretation of clause 6.1 of the ETSI IPR policy.

56. Clause 6.1 is as follows:

“When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory (“FRAND”) terms and conditions under such IPR to at least the following extent:

- MANUFACTURE, including the right to make or have made customized components and sub-systems to the licensee's own design for use in MANUFACTURE;
- sell, lease, or otherwise dispose of EQUIPMENT so MANUFACTURED;
- repair, use, or operate EQUIPMENT; and
- use METHODS.

The above undertaking may be made subject to the condition that those who seek licences agree to reciprocate.”

57. Although not a member of ETSI, Optis has given undertakings within the regime of clause 6.1 in relation to the patents in issue in these proceedings.

58. The issue of the interpretation of clause 6.1 involves the following sub-issues:

- i) What is the applicable French law? The scope of dispute is narrow and mainly relates to the fact that clause 6.1 does not, Apple contends, explicitly state any obligation on the part of the implementer to agree to take a FRAND licence. The parties disagree about whether the French law applicable to this kind of contract requires the explicit statement of such an obligation.
- ii) What is the relevant context for interpreting clause 6.1? The parties generally agree that the overall goals of clause 6.1 and the balance which it seeks to strike can be identified from the CJEU and domestic case law that I have identified above, but have deployed expert evidence from licensing and economics experts to develop their arguments that their competing interpretations of the clause better serve those goals and respect that balance.
- iii) In the light of the relevant French law and context, what does clause 6.1 mean?

- a) Optis says that an implementer which wants to take advantage of a SEP holder's FRAND undertaking must engage constructively in negotiations and if no agreement is reached must commit to take a licence on terms decided by a Court. The implementer's commitment must, Optis says, be given either when the SEP holder unequivocally commits to give a FRAND licence, or, alternatively, when there is a finding of validity and infringement. Failing that, Optis says that the implementer is not a willing licensee, and irretrievably loses the right to a FRAND licence. Thus Optis contends that an implementer must commit to a Court-determined FRAND licence in advance of knowing its terms.
- b) Apple on the other hand says that clause 6.1 contains no limitation other than that the implementer seeks a licence. Accordingly, an implementer can meet that minimal requirement at any time, and is entitled to wait until the Court's decision about what FRAND terms are, and then make a decision. Apple also notes that French law has a principle of good faith in the performance of contracts, and it says that that is the solution for a case where an implementer which says it wants a licence is actually holding out. But Apple says that that requires a fact-sensitive assessment.

## **Second issue – competition law**

- 59. The second issue is the effect and significance of the competition law arguments raised by Apple in this action. Some care is needed in articulating the position because it involves keeping a close eye on issues which are only to be decided in Trial E.
- 60. In summary, Apple has alleged that Optis:
  - i) Has never made an offer which is FRAND.
  - ii) Only made offers which are so far in excess of FRAND that they disrupted negotiations.
  - iii) Abused its dominant position thereby, and by seeking the relief that it does at this trial, with the objective of getting royalty rates far in excess of FRAND.
- 61. Apple has also alleged that it made an offer which is FRAND.
- 62. Whether Optis' offers were above FRAND, or so far above FRAND as to disrupt negotiations, and whether Apple's offer was FRAND, are explicitly matters reserved for Trial E (and furthermore it is accepted by Optis that this trial must proceed on the assumption that it has a dominant position in the relevant market). There is however no dispute that negotiations have broken down, although that of course does not mean they may not resume.
- 63. Apple says that since those matters are reserved for Trial E they must be assumed in its favour for this trial. I agree. So I will assume that Optis has not made a

FRAND offer, that its offers were so high as to disrupt negotiations, and that Apple has made an offer within the FRAND range.

64. However, Optis relies on the facts that:
- i) Apple has not committed to take the Court-determined FRAND licence that will result from Trial E; and
  - ii) Optis has committed to grant a licence on those terms, and did so from the inception of these proceedings, in its initial statements of case.
65. Optis says that these two matters taken together of themselves mean that all Apple's competition arguments must fail in the light of *Huawei v ZTE* as interpreted in *UPSC*, even if the facts I have just mentioned are assumed in Apple's favour.
66. That is the first sub-issue on competition law: is Apple's non-commitment and Optis' commitment to the FRAND terms from Trial E a complete answer on competition law?
67. The second sub-issue on competition law arises because Optis contends that any abuse of dominance that may be found at Trial E could not lead to the withholding of an injunction, only to damages.

### **Third issue – discretion**

68. Apple also contends that an injunction is a discretionary remedy, and that that discretion can only properly be exercised following Trial E. In oral closing submissions Ms Demetriou realistically and pragmatically accepted that the arguments on this front are very similar to those which arise on clause 6.1 and on competition law. So while not abandoning Apple's argument on discretion, she did not address it separately. I will however address it separately in my analysis to some extent, mainly because the Supreme Court in *UPSC* devoted separate discussion to it. I agree with Ms Demetriou's submission that there is much overlap with the other issues.

### **Fourth issue – the Contingent Undertaking**

69. The fourth issue was whether the Contingent Undertaking made any difference. Given my other conclusions, I will be able to deal with this very briefly as well.

### **THE WITNESSES**

70. Each side submitted expert evidence from three experts:
- i) An expert on French law. The parties used the same experts (Prof Caron for Optis and Prof Libchaber for Apple) as in Trial B. There was no cross-examination.
  - ii) An expert on economics. Optis called Dr Gunnar Niels of Oxera and Apple called Prof Joseph Farrell of UC Berkeley. Apple criticised Dr Niels'

manner of giving evidence and I will deal with the points in context. For now I will just say that I reject the criticisms and thought Dr Niels a good and fair witness and clear and direct in his explanations and answers. Prof Farrell was also a very good witness, in the same respects.

- iii) An expert on licensing practice. Optis called Mr Timothy Berghuis, now a consultant but for many years before that a senior licensing executive at InterDigital, and before that at Motorola. Apple called Ms Marta Beckwith. She is a US lawyer, now in private practice but before that in industry. In her recent practice she has advised and helped clients with negotiating FRAND licences in the telecoms field. Neither side made any personal criticism of the other's licensing expert. I felt that Mr Berghuis' experience was deeper, more relevant and more focused on the reality of FRAND licensing. Ms Beckwith's evidence was inevitably affected by her being a lawyer who promotes clients' arguments, although this is not a criticism of her personally. So overall I thought Mr Berghuis' evidence deserved more weight, but there was not that much really in dispute.

## THE KEY CASE LAW

- 71. I will consider the key cases out of chronological order since *UPSC* analyses the earlier decisions in detail. So I will review *UPSC* in detail and then revert to the aspects of the earlier cases that need additional comment.

### The Supreme Court's Decision in *Unwired Planet*

- 72. It is necessary to read *UPSC* as a whole, since the issues in it overlapped at a legal and a policy level. So at this stage of my judgment I will set out the parts that I think are most important, with some running commentary where appropriate, and then refer back when I deal separately with interpretation of clause 6.1, competition law, and discretion as they arise for decision in this case.
- 73. The judgment begins with a general assessment of how the policy behind the patents system relates to standardisation in the telecommunications industry:

#### *"Patents: the legal background*

2. The starting point is the "patent bargain" which promotes innovation and justifies the monopoly which a patent gives an inventor. The patent bargain is this: an inventor receives the reward of a time-limited monopoly of the industrial use of its invention in return for disclosing the invention and dedicating it to the public for use after the monopoly has expired. See for example *Actavis Group PTC EHF v ICOS Corp* [2019] UKSC 15, para 53. The patents conferring such monopoly rights are national in scope and are usually conferred by national governments. Legal questions as to their validity and their infringement are determined by the national courts of the state which has conferred the patent right or, in the case of a

European patent, in a designated state. An inventor has to protect its invention by applying for patents to the national authorities of each of those states in which it seeks to obtain a monopoly (unless it obtains a patent from the European Patent Office under the European Patent Convention which creates a nationally enforceable patent within each designated state). It is not unusual for a national patent for an invention to be upheld by the courts of one state and another national patent for what in substance is the same invention to be invalidated by the courts of another state. Within Europe, the same European patent can on occasion be upheld by the courts in one signatory state but be invalidated in another. Much may depend on the differing evidence led and arguments advanced in national legal proceedings.

3. In English law, once a patent owner has established that a patent is valid and has been infringed, it is *prima facie* entitled to prevent further infringement of its property rights by injunction. In Scots law an interdict provides a similar remedy. We discuss this matter (the fifth issue) in more detail in paras 159-169 below. This *prima facie* entitlement and the patent owner's entitlement in other jurisdictions to obtain similar prohibitory remedies form part of the backdrop to the contractual arrangements which lie at the centre of these appeals.

4. To promote the development of global markets for telecommunications products, including mobile phones, the infrastructure equipment and devices produced by competing manufacturers need to communicate and inter-operate with one another and the phones need to be available for use internationally by consumers who travel with their phones from one jurisdiction to another. Two attributes of patent law have militated against this development. First, the *prima facie* entitlement of the owner of a patent to prohibit by injunction the use of its invention within a national jurisdiction has the potential to disrupt a global market for equipment using that invention. Secondly, the national nature of patent monopolies, which forces the patent owner seeking to protect its monopoly to raise proceedings in individual national courts, makes it very difficult, if not wholly impracticable, for a patent owner to protect an invention which is used in equipment manufactured in another country, sold in many countries and used by consumers globally. The first attribute may give owners of patents included in an agreed standard excessive power to disrupt an otherwise global market to the prejudice of manufacturers of equipment using such inventions ("implementers") and to exact excessive royalties for the use of their inventions. The second attribute may enable implementers to avoid paying an inventor a proper price for the use of its invention internationally. There was therefore potential for the alternative evils of the abuse by a patent owner of its monopoly rights and of the denial by implementers of the patent owner's legitimate rights. Organisations involved in the telecommunications industry have sought to address those evils by establishing Standard Setting Organisations ("SSOs") to which they bring their most advanced technologies,



promoting standards using those technologies, and putting in place contractual arrangements to which we now turn. SSOs aim to promote both technological innovation, which is made available to the public, and competition between manufacturers, and thereby to benefit consumers through more convenient products and services, interoperability, lower product costs and increased price competition.”

74. Pausing there, two points emerge immediately, both of which the Court returned to later in the judgment. The first is that generally a patent owner is entitled to an injunction once infringement is found, and the second is the need, in the context of the patent bargain, to deal with the “alternative evils” of hold-up and hold-out.
75. The Court continues by explaining how SSOs and ETSI in particular fit into the position, and it introduces the ETSI IPR Policy, its context and interpretation:

*“Standard Setting Organisations*

5. Telecommunications SSOs have been established in China, Europe, India, Japan (two), South Korea and the United States. The first telecommunications SSO was the European Telecommunications Standards Institute (“ETSI”), which is a French association formed in 1988 and which has adopted an intellectual property rights (“IPR”) policy and contractual framework governed by French law. ETSI is recognised as the SSO in the European Union telecommunications sector. It has over 800 members from 66 countries across five continents. Its purposes, as set out in article 2 of its Statutes (5 April 2017), include the production of “the technical standards which are necessary to achieve a large unified European market for telecommunications [etc]” and “to contribute to world-wide standardization” in that field. SSOs bring together industry participants to evaluate technologies for inclusion in a new standard. ETSI is the relevant SSO as the patents which are the subject of these appeals are the UK designations of European patents (“UK patents”) which have been declared to ETSI as essential. The relevant standards in these appeals are telecommunications standards for 2G (GSM), 3G (UMTS) and 4G (LTE) telecommunications equipment and devices. The seven SSOs have cooperated to form the 3rd Generation Platform Partnership (3GPP) to develop and oversee those standards. ETSI through its secretariat manages the process by which its members contribute to the development of international standards. Participants in SSOs have an incentive to put forward their technology as a component of a proposed standard as inclusion in the standard ensures a market for the technology. Alternative technologies which are not included in a standard may well disappear from the market. Participants also accept obligations to declare IPRs which might potentially have an effect on the implementation of standards developed by the SSOs.

6. Although it is necessary to examine the arrangements in more detail below, it may be useful to give an overview of how ETSI deals with “Essential IPRs”, a term which we equate with SEPs, when it devises those standards. Owners of patented inventions which might be used in a telecommunications industry standard, which is under preparation, declare their patents to ETSI. When considering whether to include a technology in a standard, ETSI requires the patent owner to enter into an irrevocable undertaking or contract with it to allow implementers of the standard to obtain a licence to use the relevant patented technology on fair, reasonable and non-discriminatory (“FRAND”) terms. If the declared patented invention is included in a standard and it is not possible to make, sell, use or operate etc equipment or methods which comply with the standard without infringing that IPR, it is treated as an “Essential IPR”. The irrevocable undertaking to give a licence on FRAND terms to implementers applies to any such Essential IPRs. But ETSI is not under an obligation to check whether patents declared to be essential are in fact essential. Nor does ETSI make any binding judgment on the validity or status of any such patents: ETSI Guide on IPRs (19 September 2013) (“the Guidance”) para 3.2.1. Those are matters for the relevant national courts. ETSI leaves it to the relevant parties, if they so wish, to resolve those questions by court proceedings or alternative dispute resolution: the Guidance para 4.3.

7. The purpose of the ETSI IPR Policy is, first, to reduce the risk that technology used in a standard is not available to implementers through a patent owner’s assertion of its exclusive proprietary interest in the SEPs. It achieves this by requiring the SEP owner to give the undertaking to license the technology on FRAND terms. Secondly, its purpose is to enable SEP owners to be fairly rewarded for the use of their SEPs in the implementation of the standards. Achieving a fair balance between the interests of implementers and owners of SEPs is a central aim of the ETSI contractual arrangements.

#### *The ETSI IPR Policy*

8. The ETSI IPR Policy (“the IPR Policy”) is a contractual document, governed by French law. It binds the members of ETSI and their affiliates. It speaks (clause 15(6)) of patents which are inevitably infringed by the sale, lease, use, operation etc of components which comply with a standard as “Essential IPR”. By requiring an IPR holder whose invention appears to be an Essential IPR to give an irrevocable undertaking to grant a licence of the IPR on FRAND terms, it creates a “stipulation pour autrui”, in other words an obligation which a third-party implementer can enforce against the IPR holder. The IPR Policy falls to be construed, like other contracts in French law, by reference to the language used in the relevant contractual clauses of the contract and also by having regard to the context. In this case, that context is both the external context and the internal context of

the IPR Policy document itself, such as the policy objectives declared in the document.

9. The external context includes (i) the Guidance (above) which ETSI has produced on the operation of the IPR Policy, (ii) ETSI's statutes (above), (iii) the globalised market which ETSI and other SSOs were and are seeking to promote, which we have discussed in para 4 above, and (iv) the fact that ETSI is a body comprising experts and practitioners in the telecommunications industry who would be expected to have a good knowledge of the territorial nature of national patents, the remedies available to patent owners against infringement of their patents, the need to modify by contract the application of patent law to promote the development of a globalised market in telecommunications products, and the practice of the industry in negotiating patent licensing agreements voluntarily.

10. The policy statements which provide the internal context include the objectives set out in clause 3 of the IPR Policy. They include the statement in clause 3.1 that the IPR Policy:

“seeks to reduce the risk to ETSI, MEMBERS, and others applying ETSI STANDARDS and TECHNICAL SPECIFICATIONS, that investment in the preparation, adoption and application of STANDARDS could be wasted as a result of an ESSENTIAL IPR for a STANDARD or TECHNICAL SPECIFICATION being unavailable.”

That statement clearly reveals a policy of preventing the owner of an Essential IPR from “holding up” the implementation of the standard. But that policy is to be balanced by the next sentence of clause 3.1 which speaks of seeking a balance, when achieving that objective, “between the needs of standardization for public use in the field of telecommunications and the rights of the owners of IPRs.” The importance of protecting the rights of the owners of IPRs is declared in the second policy objective (clause 3.2) in these terms:

“IPR holders whether members of ETSI and their AFFILIATES or third parties, should be adequately and fairly rewarded for the use of their IPRs in the implementation of STANDARDS and TECHNICAL SPECIFICATIONS.”

This objective seeks to address the mischief of “holding out” by which implementers, in the period during which the IPR Policy requires SEP owners not to enforce their patent rights by seeking injunctive relief, in the expectation that licence terms will be negotiated and agreed, might

knowingly infringe the owner's Essential IPRs by using the inventions in products which meet the standard while failing to agree a licence for their use on FRAND terms, including fair, reasonable and non-discriminatory royalties for their use. In circumstances where it may well be difficult for the SEP owner to enforce its rights after the event, implementers might use their economic strength to avoid paying anything to the owner. They may unduly drag out the process of licence negotiation and thereby put the owner to additional cost and effectively force the owner to accept a lower royalty rate than is fair.

11. Having looked at context, we turn to the operative clauses of the IPR Policy. A member of ETSI is obliged to use its reasonable endeavours to inform ETSI in a timely manner of Essential IPRs during the development of a standard or technical specification. If a member submits a technical proposal for a standard or technical specification it is obliged to inform ETSI of its IPRs which might be essential (clause 4.1). Clause 4.3 confirms that this obligation of disclosure applies to all existing and future members of a "patent family" and deems the obligation in respect of them to be fulfilled if an ETSI member has provided details of just one member of the patent family in a timely manner, while also allowing it voluntarily to provide information to ETSI about other members of that family. A "patent family" is defined as "all the documents having at least one priority in common, including the priority document(s) themselves" and "documents" in this context means "patents, utility models, and applications therefor" (clause 15(13)). The patent family thus extends to patents relating to the same invention applied for and obtained in several jurisdictions. It shows an intention for the arrangement to apply internationally. This is important because the undertaking to grant a licence under clause 6, to which we now turn, extends to all present and future Essential IPRs in that patent family.

12. The key to the IPR Policy is clause 6, which provides the legal basis on which an owner of an Essential IPR gives an irrevocable undertaking to grant a licence and thereby protects both ETSI and implementers against "holding up". Clause 6.1 provides so far as relevant:

"When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory ('FRAND') terms and conditions under such IPR ..."

It provides that the licences must at least cover the manufacture of equipment, the sale, lease or other disposal of equipment so manufactured, and the repair, use or operation of such equipment. FRAND licensing

undertakings made pursuant to clause 6 are intended to bind all successors-in-interest in respect of a SEP, and upon transfer of a SEP the SEP owner is required to take steps to ensure that this is achieved (clause 6.1bis). The undertaking made in respect of a specified member of a patent family is applied to all existing and future Essential IPRs of that patent family unless specified IPRs are excluded in writing when the undertaking is made (clause 6.2). It is envisaged in the IPR Policy that this process will usually take place while ETSI is working to create a standard because clause 6.3 provides that, if the IPR owner does not grant the requested undertaking, relevant office-bearers in ETSI will decide whether to suspend work on the relevant parts of the standard or technical specification until the matter is resolved, or to submit any relevant standard or technical specification for adoption. Similarly, if, before a standard or technical specification is published, an IPR owner is not prepared to license an IPR, clause 8.1 provides for the adoption of a viable alternative technology for the standard or technical specification if such a technology exists. If such technology does not exist, clause 8.1 provides an option for work on the standard or technical specification to cease. If the refusal to grant a licence occurs after ETSI has published a standard or a technical specification, clause 8.2 provides the option of modifying the standard so that the relevant IPR is no longer essential.

13. Clause 6bis instructs members of ETSI to use one of the declaration forms annexed to the Policy. So far as relevant, the licensing declaration is an irrevocable declaration by the declarant and its affiliated legal entities that, to the extent that disclosed IPRs are or become and remain Essential IPRs, they (a) are prepared to grant irrevocable licences in accordance with clause 6.1, and (b) will comply with clause 6.1bis.

14. It appears from this brief review of the IPR Policy in its context that the following conclusions may be reached. First, the contractual modifications to the general law of patents are designed to achieve a fair balance between the interests of SEP owners and implementers, by giving implementers access to the technology protected by SEPs and by giving the SEP owners fair rewards through the licence for the use of their monopoly rights. Secondly, the SEP owner's undertaking, which the implementer can enforce, to grant a licence to an implementer on FRAND terms is a contractual derogation from a SEP owner's right under the general law to obtain an injunction to prevent infringement of its patent. Thirdly, the obtaining of undertakings from SEP owners will often occur at a time when the relevant standard is being devised and before anyone may know (a) whether the patent in question is in fact essential, or may become essential as the standard is developed, in the sense that it would be impossible to implement the standard without making use of the patent and (b) whether the patent itself is valid. Fourthly, the only way in which an implementer can avoid infringing a SEP when implementing a standard and thereby exposing itself to the legal remedies available to the SEP owner under the general law of the jurisdiction governing the relevant

patent rights is to request a licence from the SEP owner, by enforcing that contractual obligation on the SEP owner. Fifthly, subject only to an express reservation entered pursuant to clause 6.2, the undertaking, which the SEP owner gives on its own behalf and for its affiliates, extends to patents in the same patent family as the declared SEP, giving the implementer the right to obtain a licence for the technology covering several jurisdictions. Finally, the IPR Policy envisages that the SEP owner and the implementer will negotiate a licence on FRAND terms. It gives those parties the responsibility to resolve any disputes as to the validity of particular patents by agreement or by recourse to national courts for determination.”

76. This section therefore, at [7] explicitly identifies the twin purposes of the ETSI IPR Policy in addressing hold-up and hold-out, and in that light identifies the internal and external context relevant to the interpretation of clause 6.1, which it describes as “key”. Important conclusions are then set out at [14]. I will not try to summarise them; they are already in very pithy terms. But I will say that the first and fourth are, in my view, critical to the issues that I have to address in this judgment. Thus:
- i) The ETSI IPR Policy creates a *contractual modification* to the general law of patents to serve a fair balance between fair reward for patent owners and the need for implementers to have access to standardised technology;
  - ii) That contractual modification is the *only way* that an implementer can avoid infringement of a SEP and the consequent remedies. The implementer can enforce the SEP owner’s contractual obligation and get a licence.
77. It is an explicit part of the Court’s reasoning at [10] that hold-out is a real threat that needs addressing. It calls out the risk that implementers could use such a strategy to prejudice SEP owners, and it says (as is plainly the case) that this is reflected in clause 3.2. I mention this because I think much of Apple’s expert evidence in this trial was directed to trying to argue that hold-out is not a real problem, or affects implementers and SEP owners equally. The Supreme Court plainly concluded otherwise, and it is not legitimate for Apple to try to go behind the conclusion, especially since it was one as to the interpretation of the ETSI IPR Policy.
78. I also note that the fifth conclusion is that the ETSI IPR Policy envisages that the SEP owner and the implementer will *negotiate* towards a licence on FRAND terms. This is significant to the argument about abuse of dominance by Optis. Apple asserts that Optis prevented meaningful negotiations by offering only exorbitant FRAND rates and one of Optis’ answers is that negotiation is not to be regarded as beneficial in itself. The fifth conclusion runs counter to that submission: FRAND negotiation is extremely important, which *Huawei v ZTE* makes clear, as I review below.
79. Then at [15] the judgment addresses the fact that global portfolio licensing was, for practical reasons, ubiquitous, and that that is part of the relevant context for the interpretation of the ETSI IPR Policy.

80. At [25] to [29] the judgment summarises what Birss J and the Court of Appeal had decided. It noted that the Court of Appeal had held that there was not a unique set of FRAND terms, but that that had not affected Birss J's conclusion because he had decided that only a global licence would be FRAND.

81. From [50] onwards, the judgment assesses the first issue, which it characterised as:

*“Issue 1: Whether the English courts have jurisdiction and may properly exercise a power without the agreement of both parties (a) to grant an injunction restraining the infringement of a UK SEP unless the defendant enters into a global licence on FRAND terms of a multinational patent portfolio and (b) to determine royalty rates and other disputed items for a settled global licence and to declare that such terms are FRAND”*

82. It begins by recording Huawei's arguments. Not all are relevant to what I have to decide, but the fourth is, and was summarised by the Supreme Court as follows:

“54. Fourthly, the IPR Policy, when properly construed, removes the SEP owner's right to obtain an injunction and limits its remedy to monetary compensation for infringement of such patents as the SEP owner has established or the implementer has agreed are valid and infringed. Once a SEP owner has established that a national patent was valid and infringed, a national court can determine the terms of a licence of such a patent if the parties cannot agree on those terms. The IPR Policy does not overturn the legal right of an implementer to challenge the validity of a patent or to seek to establish that the patent was not infringed. The IPR Policy, it is submitted, is not focussing on an international portfolio of patents but addresses particular SEPs, the validity and infringement of which, if challenged, would have to be established in national courts. In construing the IPR Policy it is important to note that ETSI has not established an international tribunal or forum to determine the terms of global licences of portfolios of patents. This points against a construction which would allow a national court to determine a global licence.”

83. The Supreme Court dealt with this submission first, at [59] – [61]:

“59. In our view, the submission attaches too much weight to the protection of implementers against “holding up”, which is the purpose stated in clause 3.1, and fails to give due weight to the counterbalancing purpose of clause 3.2, which seeks to secure fair and adequate rewards for SEP holders and which requires protection against “holding out”. The suggestion that the IPR Policy removes a SEP owner's right to exclude implementers from a national market while requiring the SEP owner to establish the validity and infringement of each of its alleged SEPs, in the absence of a concession by the implementer, runs counter to the balance which the IPR Policy seeks to achieve.

60. The submission also fails adequately to take into account the external context which we have discussed. Operators in the telecommunications industry or their assignees may hold portfolios of hundreds or thousands of patents which may be relevant to a standard. The parties accept that SEP owners and implementers cannot feasibly test the validity and infringement of all of the patents involved in a standard which are in a sizeable portfolio. An implementer has an interest in taking its product to the market as soon as reasonably possible after a standard has been established and to do so needs authorisation to use all patented technology which is comprised in the standard. The implementer does not know which patents are valid and infringed by using the standard but needs authority from the outset to use the technology covered by such patents. Similarly, the owner who declares a SEP or SEPs does not know at this time which, if any, of its alleged SEPs are valid and are or will be infringed by use pursuant to the developing standard. The practical solution therefore is for the SEP owner to offer to license its portfolio of declared SEPs. That is why it is common practice in the telecommunications industry for operators to agree global licences of a portfolio of patents, without knowing precisely how many of the licensed patents are valid or infringed. It is a sensible way of dealing with unavoidable uncertainty. It ought to be possible for operators in an industry to make allowance for the likelihood that any of the licensed patents are either invalid or not infringed, at least in calculating the total aggregate royalty burden in the “top down” method. By taking out a licence of an international portfolio of generally untested patents the implementer buys access to the new standard. It does so at a price which ought to reflect the untested nature of many patents in the portfolio; in so doing it purchases certainty. The IPR Policy was agreed against that background and the undertaking required from the SEP owner likewise needs to be interpreted against that background.

61. We therefore do not construe the IPR Policy as providing that the SEP owner is entitled to be paid for the right to use technology only in patents which have been established as valid and infringed. Nor do we construe the IPR Policy as prohibiting the SEP owner from seeking in appropriate circumstances an injunction from a national court where it establishes that an implementer is infringing its patent. On the contrary, the IPR Policy encourages parties to reach agreement on the terms of a licence and avoid litigation which might involve injunctions that would exclude an implementer from a national market, thereby undermining the effect of what is intended to be an international standard. It recognises that if there are disputes about the validity or infringement of patents which require to be resolved, the parties must resolve them by invoking the jurisdiction of national courts or by arbitration. The possibility of the grant of an injunction by a national court is a necessary component of the balance which the IPR Policy seeks to strike, in that it is this which ensures that an implementer has a strong incentive to negotiate and accept FRAND terms for use of the owner’s SEP portfolio. The possibility of obtaining such relief if FRAND terms are not accepted and honoured by the implementer is not excluded either expressly or by necessary implication. 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."

84. The closing sentence of [61] makes clear that to avoid the injunction that would normally follow a finding of infringement, the implementer has to accept and honour the FRAND licence available under the ETSI IPR Policy.
85. I note in passing that at [62] the Court reiterated the expectation that parties should seek to negotiate FRAND terms in the first instance.
86. At [66] through to a conclusion at [84] the Court dealt with and rejected the submission that the UK would be out of line with the approach of other major jurisdictions if it set global FRAND rates. I have referred to this already above.
87. At [89] the Court rejected an argument that patent assertion entities ("PAEs"), such as Unwired and indeed Optis, should be treated any differently from other SEP owners. Apple has not really argued otherwise at this trial, save to point out that the effects of hold-out may be different as between PAEs and SEP owners who trade in telecommunications equipment.
88. At [90] the Court dealt with Huawei's argument that national courts' dealing with global FRAND terms would lead to a risk of forum shopping:

"90. Finally, Huawei submits that if a national court were prepared to determine that a worldwide licence is FRAND and that entering into such a licence is a precondition of the refusal of an injunction to prohibit infringement of a national patent, there is a risk of forum shopping, conflicting judgments and applications for anti-suit injunctions. In so far as that is so, it is the result of the policies of the SSOs which various industries have established, which limit the national rights of a SEP owner if an implementer agrees to take a FRAND licence. Those policies, which either expressly or by implication provide for the possibility of FRAND worldwide licences when a SEP owner has a sufficiently large and geographically diverse portfolio and the implementer is active globally, do not provide for any international tribunal or forum to determine the terms of such licences. Absent such a tribunal it falls to national courts, before which the infringement of a national patent is asserted, to determine the terms of a FRAND licence. The participants in the relevant industry, which have pragmatically resolved many disputes over SEPs by the practice of agreeing worldwide or international licences, can devise methods by which the terms of a FRAND licence may be settled, either by amending the terms of the policies of the relevant SSOs to provide for an international tribunal or by identifying respected national IP courts or tribunals to which they agree to refer such a determination. In the final analysis, the implementers and the SEP owners in these appeals are inviting a national court under the current IPR Policy to rule upon and enforce the contracts into which the SEP owners have entered. If it is determined that the SEP owners have not breached the FRAND obligation

in the irrevocable undertakings they have given, they seek to enforce by obtaining the grant of injunctive relief in the usual way the patents which have been found to be valid and to be infringed. The English courts have jurisdiction to rule upon whether the UK patents in suit are valid and have been infringed, and also have jurisdiction to rule on the contractual defence relied upon by the implementers based upon the true meaning and effect of the irrevocable undertaking the SEP owners have given pursuant to the ETSI regime. In agreement with Birss J (para 793), we observe that Huawei is before this court without a licence in respect of infringed UK patents when it had the means of obtaining such a licence. Subject to the plea of *forum non conveniens*, to which we now turn, this court has no basis for declining jurisdiction.”

89. This emphasises, having addressed all Huawei’s arguments on the first issue, that what a UK Court is doing when a SEP has been found to be infringed, is assessing whether to grant relief for infringement of a national right, or whether to withhold an injunction in the light of the SEP owner’s undertaking to ETSI. The Supreme Court found it highly significant, as Birss J did, and as I do, that the defendant was before the Court without a licence to infringed UK patents when it had the means of obtaining a licence.
90. The Supreme Court then went on at [92] to [104] to address the second issue, which was *forum non conveniens* and is not of any direct relevance to the issues I have to decide. Likewise, its consideration at [105] to [127] of the third issue – FRAND and non-discrimination – is not of real relevance to me.
91. Issue 4 was the one concerning *Huawei v ZTE*. The Supreme Court introduced it in the following terms at [128] – [130]:

*“Issue 4: Competition law and the CJEU’s judgment in Huawei v ZTE*

128. The fourth issue arises only in the Unwired appeal. It requires consideration of the CJEU’s decision in *Huawei v ZTE*.

129. Huawei argues that the CJEU there laid down a series of mandatory conditions which must be complied with if a SEP owner is to obtain injunctive relief. If the SEP owner fails to comply, its claim for an injunction will be regarded as an abuse of its dominant position, contrary to article 102 TFEU. In the Court of Appeal, Huawei’s argument was that the SEP owner had to have complied before even issuing proceedings for injunctive relief (see para 231 of the Court of Appeal judgment). It is not entirely clear whether Huawei continues to pursue its argument in quite such absolute terms. Although our attention is invited to other respects in which Unwired failed to comply with the CJEU’s conditions, Huawei’s central focus now is upon Unwired not having made a FRAND offer at any stage, its offers being too high to be FRAND. It is not enough, Huawei says, for a SEP owner to be willing to enter into a licence agreement on terms determined by the court; it has to make a FRAND licence offer itself.

In Huawei's submission, Birss J therefore erred in granting Unwired an injunction when it had not complied with the CJEU's conditions. It should have been limited to damages.

130. Unwired responds that Birss J and the Court of Appeal interpreted *Huawei v ZTE* correctly, and it presented no obstacle to the grant of an injunction. Unwired accepts the conclusion of the lower courts that the CJEU did lay down one mandatory condition, namely the notice/consultation requirement in para 60, which must be observed by the SEP owner, who will otherwise fall foul of article 102. But, in its submission, that is the sole mandatory condition that the CJEU laid down; the other steps set out by the court were intended only as a "safe harbour". If they *are* followed, the SEP owner can commence proceedings for injunctive relief without that amounting to an abuse of its dominant position, but failure to follow them does not necessarily mean that article 102 is infringed, because it all depends on the circumstances of the particular case."

92. Thus the key issue was whether *Huawei v ZTE* provided a set of conditions which were mandatory, or, rather, a safe harbour, Birss J and the Court of Appeal having held that it was the latter (other than the notice/consultation requirement in [60] of the CJEU's decision, which Unwired accepted was mandatory).
93. At [131] the Supreme Court set out the terms of Article 102 TFEU. Apple's case under competition law is, for obvious reasons, not based on Article 102 TFEU alone, but also on the Competition Act 1998, although it points out that Article 102 TFEU and/or Article 54 EEA still apply in respect of abuses committed prior to exit day on 31 December 2020. Nothing turns on this, however.
94. The Supreme Court set out the CJEU's high-level introduction of the referred questions at [133]-[136], a passage stressed by Ms Demetriou for Apple:

"133. The CJEU commenced its consideration of the referred questions with the following observation:

"42. For the purpose of providing an answer to the referring court and in assessing the lawfulness of such an action for infringement brought by the proprietor of an SEP against an infringer with which no licensing agreement has been concluded, the Court must strike a balance between maintaining free competition - in respect of which primary law and, in particular, article 102 TFEU prohibit abuses of a dominant position - and the requirement to safeguard that proprietor's intellectual property rights and its right to effective judicial protection, guaranteed by article 17(2) and article 47 of the Charter respectively."

134. It went on to note, at paras 48 to 52, the special features that distinguish SEPs from other patents, namely that the use of the patent is indispensable in manufacturing products which comply with the standard to which it is linked, and that SEP status is obtained only in return for the SEP owner's irrevocable undertaking to grant licences on FRAND terms. It observed that, in those circumstances, "a refusal by the proprietor of the SEP to grant a licence on [FRAND] terms may, in principle, constitute an abuse within the meaning of article 102" (para 53), and "the abusive nature of such a refusal may, in principle, be raised in defence to actions for a prohibitory injunction or for the recall of products" (para 54). The court then went on to deal with the situation where the parties could not agree on what FRAND terms were, observing:

"55. In such a situation, in order to prevent an action for a prohibitory injunction or for the recall of products from being regarded as abusive, the proprietor of an SEP must comply with conditions which seek to ensure a fair balance between the interests concerned."

135. It is of particular note that in the following paragraph, before embarking on its consideration of what conditions might ensure a fair balance, the court emphasised the need to take account of the specific circumstances of the case, saying:

"56. In this connection, due account must be taken of the specific legal and factual circumstances in the case (see, to that effect, judgment in *Post Danmark A/S v Konkurrenceradet* [(C-209/10)]; [2012] 4 CMLR 23 at para 26 and the case law cited)."

The passage from *Post Danmark A/S* to which reference is made is as follows:

"26. In order to determine whether a dominant undertaking has abused its dominant position by its pricing practices, it is necessary to consider all the circumstances and to examine whether those practices tend to remove or restrict the buyer's freedom as regards choice of sources of supply, to bar competitors from access to the market, to apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage, or to strengthen the dominant position by distorting competition (see, to that effect, *Deutsche Telekom v Commission*, para 175 and case-law cited)."

136. The irrevocable undertaking to grant licences on FRAND terms could not, the court said, negate the entitlement of the SEP owner to have

recourse to legal proceedings to ensure effective enforcement of his exclusive intellectual property rights (paras 58 and 59), but:

“59. ...it does, none the less, justify the imposition on that proprietor of an obligation to comply with specific requirements when bringing actions against alleged infringers for a prohibitory injunction or for the recall of products.””

95. Apple emphasises that refusal to grant a licence on FRAND terms may be an abuse, that the abusive nature of a refusal may in principle be raised as a defence to an injunction, and that to prevent an injunction being abusive, a SEP owner must comply with specified conditions. Importantly, Apple also relies on the clear statement that the assessment of abuse is fact sensitive. This is why, Apple submits, assessment of its competition arguments cannot properly be undertaken until Trial E.
96. The Supreme Court then went on to set out at [137] – [143] the CJEU’s analysis of such conditions, and at [70] – [71] its answer to the referred questions.
97. At [144] – [145] the Court set out the facts of the Unwired case. Naturally, what is relevant to me are the principles identified by the Supreme Court, not the specific facts, but what was said at [145] is important to the understanding of the Court’s later reasoning. It was as follows:

“145. In April 2014, Unwired made the first of a number of offers of licensing terms. Huawei responded, saying that no licence was needed, but also denying that the offered terms were FRAND. Birss J found (para 706) that Huawei never made an unqualified commitment to enter into a FRAND licence, its stance having always been that it was willing to enter into what *it contended* was a FRAND licence. Until shortly before the trial in front of Birss J, its contention was that only a patent by patent licence for any patent found valid and infringed would be FRAND, and from 11 October 2016, this was replaced by the contention that a FRAND licence meant a UK portfolio licence. Birss J contrasted this with Unwired’s stance (para 709). Whereas Huawei had only been prepared to take a licence with a particular scope, Unwired’s case in the High Court involved trying to insist on a worldwide licence, but its approach took account of the possibility that it might not be entitled to demand that. The position it took was that if the court decided that it was not entitled to insist on a global licence, it would accept that there be a UK portfolio licence at a rate and on terms set by the court (Birss J, para 23(i)).”

98. After recording at [146] – [148] what Birss J and the Court of Appeal had decided, the Supreme Court set out its own reasoning from [149] onwards. [149] – [151] was as follows:

“149. In our view, Birss J and the Court of Appeal interpreted the CJEU’s decision in *Huawei v ZTE* correctly.

150. Bringing “an action for a prohibitory injunction ... without notice or prior consultation with the alleged infringer” will amount to an infringement of article 102, as para 60 of the CJEU’s judgment sets out. In that paragraph, the language used is absolute: the SEP owner “cannot” bring the action without infringing the article.

151. We agree with Birss J and the Court of Appeal, however, that the nature of the notice/consultation that is required must depend upon the circumstances of the case. That is built into the reference to “notice or prior consultation”, which conveys the message that there must be communication to alert the alleged infringer to the claim that there is an infringement, but does not prescribe precisely the form that the communication should take. This is to be expected, given that the CJEU had just introduced its discussion of the conditions which seek to ensure a fair balance between the various interests concerned in a SEP case with a very clear statement, at para 56 (set out above), that account had to be taken of the specific legal and factual circumstances in the case. In so saying, the court was reflecting its well-established approach in determining whether a dominant undertaking has abused its dominant position, as it demonstrated by its reference back to the *Post Danmark* case, and the case law there cited. It also makes obvious sense that the court should have built in a degree of flexibility, given the wide variety of factual situations in which the issue might arise, and the fact that different legal systems will provide very different procedural contexts for the SEP owner’s injunction application. In Germany, for example, as we observed earlier, validity and infringement are tried separately, so that the alleged infringer faces the risk that the SEP owner could obtain a final injunction against it without validity first being determined, and in some member states, an injunction might be granted before a FRAND rate is determined. In contrast, in the United Kingdom, it is not the practice to grant a final injunction unless the court is satisfied that the patent is valid and infringed, and it has determined a FRAND rate.”

99. The closing sentence of [151] is key to one of Apple’s submissions. It argues that the Supreme Court was recording and endorsing an established practice that no injunction ought to be granted against an implementer which is found to infringe a SEP subject to a FRAND undertaking to ETSI, unless and until the FRAND rate has been decided. That, Apple says, supports its interpretation of clause 6.1. I will return to this below.

100. The substance of the Court’s analysis of the safe harbour point then appears at [152] – [158]:

“152. The court’s statement in para 56 also colours the interpretation of the scheme it set out between paras 63 and 69 of its judgment. As the Court

of Appeal observed, para 56 does not sit comfortably with the notion that the CJEU was laying down a set of prescriptive rules, intending that failure to comply precisely with any of them would necessarily, and in all circumstances, render the commencement of proceedings for an injunction abusive. It is important, it seems to us, to take account of where para 56 is placed in the judgment. Immediately preceding it, the court had identified the very real problem that occurs where, as in the case which had generated the reference to it, there is no agreement as to what terms would be FRAND, and then said (in para 55, quoted above) that “in order to prevent” an action being regarded as abusive, the SEP owner must comply with “conditions which seek to ensure a fair balance between the interests concerned”. This identifies what the conditions need to seek to ensure, but is no more prescriptive than that, and it is of considerable significance that para 56 immediately follows, requiring that “[i]n this connection”, which must surely be a reference back to the conditions which seek to ensure a fair balance, due account must be taken of the specific legal and factual circumstances of the case. It would be surprising if the steps then set out by the CJEU were expected by it to apply in all cases, no matter what their legal and factual circumstances.

153. Unwired submits that the language used by the CJEU is language intended to signpost a safe harbour for the SEP owner. We agree that this does lend a degree of support to Unwired’s argument. In particular, in contrast to the absolute language of para 60, in para 71, the court speaks of the SEP owner not abusing its dominant position “as long as” it follows the steps laid out. This does not tell us that if the SEP owner does not follow the steps, it *will* be abusing its dominant position. To answer that, due account has to be taken of the particular circumstances of the case, although, of course, it is likely to be valuable to compare what occurred with the pattern set out by the CJEU.

154. By way of further reinforcement for its contention that the CJEU was providing guidance only, Unwired points to the unfairness that would arise, in a case (such as the present one) which began before the CJEU gave judgment in *Huawei v ZTE*, if the application for injunctive relief were to be condemned as abusive by virtue of a failure to comply with conditions which had not yet been spelled out when the proceedings were commenced, but which, once spelled out, operated *ex tunc*. The fact that any rigid and prescriptive rules laid down by the CJEU would necessarily operate in this way makes it unlikely, says Unwired, that the CJEU was actually seeking to lay down a mandatory protocol. Had the CJEU’s judgment been in terms clearly intended to lay down universal, immutable, conditions, this point would not have been sufficient to displace that interpretation of it, but, in our view, given that the judgment is not in such terms, the point does perhaps provide a degree of further confirmation that all the circumstances of the case must be taken into account before concluding that article 102 has been infringed.

155. It is worth noting how the European Commission has interpreted the CJEU's decision. In its communication of 29 November 2017, setting out the EU approach to Standard Essential Patents (see para 83 above), it encapsulated, at para 3, the conflicting considerations which operate in relation to injunctive relief in SEP cases, saying that:

“[s]uch relief aims to protect SEP holders against infringers unwilling to conclude a licence on FRAND terms. At the same time, safeguards are needed against the risk that good-faith technology users threatened with an injunction accept licensing terms that are not FRAND, or in the worst case, are unable to market their products (hold-ups).”

156. It then went on, at para 3.1 of the Communication, to set out its understanding of the CJEU's judgment:

“In its Huawei judgment, the CJEU established obligations applying to both sides of a SEP-licensing agreement, when assessing whether the holder of a SEP can seek an injunction against a potential licensee without being in breach of Article 102 TFEU. SEP holders may not seek injunctions against users willing to enter into a licence on FRAND terms, and the CJEU established behavioural criteria to assess when a potential licensee can be considered willing to enter into such a licence.”

157. The following paragraphs consider further the various elements in the negotiation, but make clear that what precisely is required is, in the Commission's view, dependent on the facts of the individual case. This coincides with the interpretation that we would adopt of the CJEU's decision. As the Commission pointed out, the objective is to protect both the intellectual property rights of SEP owners and the interests of what it calls “good-faith technology users”. The scheme set up by the CJEU, as we would interpret it, does this. It prevents an organisation which is unwittingly using a SEP without a licence from being ambushed by injunction proceedings without any prior notification of the problem, provides the SEP owner with a route map which, if followed precisely, will ensure it can seek an injunction without risking infringing article 102, and otherwise provides a number of points of reference to assist in assessing the all-important question of whether each of the parties is willing to enter into a licence on FRAND terms. Interpreted in this way, it has sufficient flexibility built into it to cater for the inevitable variations that will occur from case to case, and from country to country.

158. Given that we share Birss J's interpretation of the CJEU's judgment, we see no reason to interfere with his assessment that Unwired had not behaved abusively. He found that sufficient notice was given to Huawei



before the injunction application was made. He properly evaluated the course of the negotiations between the parties in light of what the CJEU had said. There was no mandatory requirement that Unwired itself make an offer of terms which coincided with those that were ultimately determined by the court to be FRAND. Apart from the more general points that we have made earlier, in rejecting the argument that the CJEU's scheme was mandatory, such an absolute requirement to hit the target precisely with an offer could not sit easily alongside para 68 of the CJEU's judgment, which contemplates determination of the amount of the royalty by an independent third party. What mattered on the facts of this case was that Unwired had shown itself willing to license Huawei on whatever terms the court determined were FRAND, whereas Huawei, in contrast, had only been prepared to take a licence with a scope determined by it."

101. Both sides made extensive submissions on these paragraphs and on paragraph [158] in particular. Optis' submission was that [158] was to the effect that the critical and indeed decisive factor is whether the implementer and the SEP owner have committed to take whatever terms the court determines to be FRAND in due course. If the former has not and the latter has, then there can be no abuse. Optis submits that while other facts had been found by Birss J and were available for the Supreme Court to consider, in particular in relation to conduct during negotiations, those do not matter to the conclusion as to whether there has been an abuse. Apple submits that all the facts matter; that the assessment of abuse is fact-sensitive as *Post Danmark* shows and as the Supreme Court said. I will assess this below, and for reasons I go into there, I think it is necessary to look back to Birss J's judgment to understand more fully the context of what the Supreme Court was saying in these paragraphs. I will identify the relevant parts of his judgment after I conclude my review of the Supreme Court's judgment.
102. The last section of the Supreme Court's judgment dealt at [159] to [169] with issue 5, which was the equitable jurisdiction to award prohibitory injunctions. I think this section is highly relevant to what I have to decide, both because Apple says that the discretion to grant an injunction should not be exercised by me at this stage of proceedings, and because of what it says concerning the proper attitude of the UK Court to a defendant implementer which does not have a licence.
103. The Supreme Court first dealt with an argument by Huawei, not made below, that the proper approach was to award damages in lieu of an injunction:

*"Issue 5: The equitable jurisdiction to award a prohibitory injunction*

159. The fifth issue in the appeal raises a point which was not argued in the courts below. Huawei contends that even if it is infringing the claimants' UK SEPs, and even if the claimants are willing to offer a licence on terms which the court has found to be FRAND, nevertheless the court should not grant the claimants an injunction to prevent the continuing

infringement of their patents, since such a remedy is neither appropriate nor proportionate. Since the claimants' only interest in the observance of the UK SEPs is in obtaining reasonable royalties, and that interest can be fully recognised by an award of damages in lieu of an injunction, it follows that such an award, based on the royalties which would reasonably be agreed for a licence of each of the UK patents infringed, is the appropriate and proportionate remedy.

160. In support of that argument, Huawei refers to the discussion of awards of damages in lieu of an injunction under section 50 of the Senior Courts Act 1981 (formerly under Lord Cairns's Act) in *One Step (Support) Ltd v Morris-Garner* [2018] UKSC 20; [2019] AC 649, where Lord Reed explained at paras 43-44 and 95(3) that such damages can be awarded in respect of an injury which has not yet occurred, and that they are a monetary substitute for what is lost by the withholding of injunctive relief. Reference is also made to *Co-operative Insurance Society Ltd v Argyll Stores (Holdings) Ltd* [1998] AC 1, where the House of Lords decided that damages were normally a more appropriate remedy than a mandatory injunction requiring the carrying on of a business, and *Lawrence v Fen Tigers Ltd* [2014] UKSC 13; [2014] AC, where damages were considered to be a more appropriate remedy, in the circumstances of that case, than an injunction to prevent the continuation of a nuisance.

161. Huawei also refers to *eBay Inc v Mercexchange LLC* 547 US 388 (2006), where the United States Supreme Court vacated a decision by the Federal Circuit reversing the District Court's denial of permanent injunctive relief to a PAE. The Supreme Court held that neither court had exercised its discretion in accordance with traditional principles of equity, as established in the law of the United States. The Court of Appeals was held to have erred in applying a rule that courts would issue permanent injunctions against patent infringement absent exceptional circumstances. The District Court was held to have erred in adopting a rule that injunctive relief would not issue where the plaintiff was willing to licence its patents rather than bringing them to market itself. The Supreme Court took no position on whether permanent injunctive relief should or should not issue in that case. Huawei relies in particular on the concern expressed by Kennedy J, in a concurring opinion in which Stevens, Souter and Breyer JJ joined, that an injunction could be employed by a PAE as a bargaining tool to charge exorbitant fees. Kennedy J expressed the opinion that where the patented invention was only a small component of the product the defendant sought to produce, and the threat of an injunction was employed simply for undue leverage in negotiations, damages might well be sufficient to compensate for the infringement, and an injunction might not serve the public interest.

162. As Lord Neuberger remarked in the case of *Lawrence* at para 120, the court's power to award damages in lieu of an injunction involves a

classic exercise of discretion. In most cases of patent infringement, judges have exercised their discretion in favour of granting an injunction. As Roberts CJ observed in the *eBay* case, in a concurring judgment in which Scalia and Ginsburg JJ joined:

“From at least the early 19th century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases. This ‘long tradition of equity practice’ [*Weinberger v Romero-Barcelo*, 456 US 305, 320 (1982)] is not surprising, given the difficulty of protecting a right to *exclude* through monetary remedies that allow an infringer to *use* an invention against the patentee’s wishes”. (Emphasis in original)

163. In the present case, the courts below were not invited to consider the possibility of awarding damages in lieu of an injunction. We are not in any event persuaded that there is any basis on which this court could properly substitute an award of damages for the injunction granted by Birss J and upheld by the Court of Appeal.

164. There are, in the first place, no grounds in this case for a concern of the kind expressed by Kennedy J in the *eBay* case. The threat of an injunction cannot be employed by the claimants as a means of charging exorbitant fees, or for undue leverage in negotiations, since they cannot enforce their rights unless they have offered to license their patents on terms which the court is satisfied are fair, reasonable and non-discriminatory.

165. This point was clearly in the mind of Birss J. He stated at para 562:

“If a worldwide licence is not FRAND then a putative licensee should not be coerced into accepting it by the threat of an injunction in one state. However, if a worldwide licence is FRAND then the situation changes. The logic of the FRAND undertaking applied in the context of patent rights is that the remedy of an injunction to restrain infringement, granted in respect of a patent found valid and infringed/essential, should present the licensee with a simple choice either to take a FRAND licence or stop dealing in the products.”

He returned to this point at the end of his judgment, when explaining at para 793 why an injunction was appropriate:

“The relevant patents have been found valid and infringed. Unwired Planet wish to enter into a worldwide licence. Huawei is willing to enter into a UK portfolio licence but refuses to enter into a worldwide licence. However a worldwide licence is FRAND and Unwired Planet are entitled to insist on it. In this case a UK only licence would not be FRAND. An injunction ought to be granted because Huawei stand before the court without a licence but have the means to become licensed open to them.””

104. Thus the Supreme Court rejected an argument that damages in lieu of an injunction could be appropriate. In particular, at [164] it said that the FRAND undertaking prevented any chance of an injunction being used to get exorbitant fees, or exerting undue pressure in negotiations. This statement was made in the context of the domestic situation and not competition law, but I think it is a general one, of high relevance to competition law. At least once the Court takes control of proceedings and moves to set FRAND terms which the SEP owner undertakes to honour once determined, there is no danger of excessive royalties or abusive conduct in negotiations.
105. [165] is also important for its endorsement of Birss J’s reasoning that an injunction ought to be awarded where the implementer is able to get the benefit of a FRAND licence but declines to take it. It reinforces what the Supreme Court had earlier said at [90] in the context of issue 1.
106. At [166] the Supreme Court dealt with the particular question of whether an award of damages might be an adequate substitute for an injunction. It rejected Huawei’s argument:

“166. Secondly, in a case of the present kind, an award of damages is unlikely to be an adequate substitute for what would be lost by the withholding of an injunction. The critical feature of a case of this kind is that the patent is a standard technology for products which are designed to operate on a global basis. That is why standard technology is essential, and why the patent-holders whose patents are accepted as SEPs are required to give an undertaking that licences will be made available on FRAND terms. Once the patents have been accepted as SEPs, it may well be impractical for the patent-holder to bring proceedings to enforce its rights against an infringing implementer in every country where the patents have been infringed. That is because, as Huawei’s witness Mr Cheng accepted in evidence, the cost of bringing enforcement proceedings around the world, patent by patent, and country by country, would be “impossibly high”.

167. In those circumstances, if the patent-holder were confined to a monetary remedy, implementers who were infringing the patents would have an incentive to continue infringing until, patent by patent, and country by country, they were compelled to pay royalties. It would not make economic sense for them to enter voluntarily into FRAND licences. In

practice, the enforcement of patent rights on that basis might well be impractical, as was accepted in the present case by Huawei's witness, and by the courts below. An injunction is likely to be a more effective remedy, since it does not merely add a small increment to the cost of products which infringe the UK patents, but prohibits infringement altogether. In the face of such an order, the infringer may have little option, if it wishes to remain in the market, but to accept the FRAND licence which ex hypothesi is available from the patent-holder. However, for the reasons explained in paras 164-165, that does not mean that the court is enabling the patent-holder to abuse its rights.

168. This point was understood by the courts below. In the Court of Appeal, Lord Kitchin observed at paras 55-56:

“It may be wholly impractical for a SEP owner to seek to negotiate a licence of its patent rights country by country, just as it may be prohibitively expensive for it to seek to enforce those rights by litigating in each country in which they subsist. This latter point was accepted by Mr Cheng in the course of his evidence: he agreed that the costs of such litigation for [Unwired] would be impossibly high ... [I]t seems to us, at least as a matter of principle, that there may be circumstances in which it would not be fair and reasonable to expect a SEP owner to negotiate a licence or bring proceedings territory by territory and that in those circumstances *only* a global licence or at least a multi-territorial licence would be FRAND.”.

Lord Kitchin also noted at para 111 the implications of accepting Huawei's contention that country-by-country licensing was appropriate:

“The patentee must then bring proceedings country by country to secure the payment of the royalties to which it is entitled. But unlike a normal patent action, where an unsuccessful defendant faces the prospect of an injunction, the reluctant licensee would know that, on the assumption it could only be required to take licences country by country, there would be no prospect of any effective injunctive relief being granted against it provided it agreed to pay the royalties in respect of its activities in any particular country once those activities had been found to infringe. So it would have an incentive to hold-out country by country until it was compelled to pay.”

169. That reasoning was criticised by Huawei, but far from being erroneous, it identifies the central reason why an injunction is necessary in order to do justice, and why damages in lieu would not be an adequate substitute.”

107. Thus the Supreme Court held that it is appropriate that the threat of a UK injunction should tend to compel the infringing implementer to enter into a worldwide licence and so curtail its ability to conduct hold-out by necessitating country-by-country litigation.

### **Matters that the Supreme Court was not deciding**

108. It is worth articulating what the Supreme Court was not deciding.
109. It was not deciding the specific point about the interpretation of clause 6.1 that I have to consider. It gave important general guidance about the manner in which the clause should be interpreted, the purpose of the clause, and the internal and external context. Those are critical to my approach. But it did not have to decide what the class of beneficiaries of the stipulation *pour autrui* of clause 6.1. was, or whether an implementer has to give a commitment to take FRAND terms yet to be decided.
110. It also was not deciding whether, if there was an abuse of a dominant position, it would be appropriate to deny the SEP owner an injunction. It did not have to decide that because it upheld the conclusion of Birss J and the Court of Appeal that there was no abuse. However, Birss J did consider that question. Although his analysis was necessarily *obiter* it is relevant to me. I consider it below, and other parts of his judgment which, as I have said, are context for the Supreme Court's judgment. First I have to touch briefly on the decision in the Court of Appeal.

### **Kitchin LJ's judgment in UPCA**

111. Optis relied particularly heavily on the following paragraphs from the judgment of Kitchin LJ in *UPCA*:

53. The position in relation to a FRAND undertaking is rather different, however. As we have seen, ETSI is the SSO for the EU but its standards are of international effect. So too, the FRAND undertaking given by a patent owner to ETSI in return for the incorporation into the standard of the technology protected by the patent is also of international effect. It applies to all patents which belong to the same family irrespective of the territory in which they subsist. This is necessary to protect implementers whose equipment may be sold in a number of different jurisdictions and then used by members of the public who may travel with that equipment from one jurisdiction to another. These implementers must be able to use the technology embodied in and required by the standard provided they are prepared to pay a FRAND rate for doing so, for otherwise the owner of the relevant patent rights would be able to charge excessive licensing fees. So any implementer must be able to secure a licence on FRAND terms under all the SEPs it needs to produce and market its products which meet the standard.

54. But there is another side to the coin which needs some elaboration at this point. Just as implementers need protection, so too do the SEP owners.

They are entitled to an appropriate reward for carrying out their research and development activities and for engaging with the standardisation process, and they must be able to prevent technology users from free-riding on their innovations. It is therefore important that implementers engage constructively in any FRAND negotiation and, where necessary, agree to submit to the outcome of an appropriate FRAND determination.

112. Optis' reliance focused most specifically on the last sentence of [54]. It argued that the sentence meant that there were two concrete and cumulative obligations on implementers: to negotiate constructively and to submit, where necessary, to the outcome of a FRAND determination. So significant was Optis' reliance on these paragraphs that they were included in its statements of case as constituting the relevant legal standard.
113. In my view, Optis' reliance is significantly overdone. I think that Kitchen LJ was reviewing the general policy issues at play. He was not formulating specific rules and nor was he deciding how the balance to which he was referring ought to find its expression in the particular interpretation of clause 6.1. The same ground of general policy was covered in *UPSC* and that is the controlling authority. What the Supreme Court said was entirely consistent with Kitchen LJ's views, though. My rejection of Optis' contention that [54] was setting any specific rule relating to clause 6.1 does not mean that Optis is wrong overall, just that that paragraph is not where the answer is to be found.

#### **Birss J's decision in *Unwired* - *UPHC***

114. As I have said above, an understanding of Birss J's judgment is necessary context for *UPSC*, and Birss J considered some matters that did not then arise on appeal.
115. The first relevant section is Birss J's characterisation of whether or not Huawei was a willing licensee. It is relevant because it is part of the context for the Supreme Court's reasoning surrounding *UPSC* [158]:

705. It is plainly correct that Unwired Planet have maintained their claim for injunctive relief throughout the proceedings, subject to what I have found to be an irrelevant qualification. But it is not accurate to say that the claim has been maintained even after Huawei made it clear they were willing to enter into a FRAND licence.

706. In the only forum which is admissible before this court Huawei have never made an unqualified commitment to enter into a FRAND licence. Having reviewed the conduct of the proceedings in detail, Huawei's stance has always been that they are willing to enter into what Huawei contend is a FRAND licence. Until a few days before trial that was and was only a patent by patent licence for any patent found valid and infringed. After the 11<sup>th</sup> October it was a UK portfolio licence. Huawei have always reserved to themselves the right to determine what was FRAND at least in respect of the scope of the licence.

707. That kind of stance always has been a risk. Leaving to one side the Art 102 defence itself, in other words Huawei's case that Unwired Planet have abused their dominant position such that the appropriate remedy would be refusal of an injunction in any event even if no licence is in place, the insistence on a particular scope of licence depends on the court finding or the claimant agreeing that such a licence was indeed FRAND. Insistence on a patent by patent licence derived some support from my *Vringo* judgments which refer to that sort of licence but on any view once *Huawei v ZTE* had been decided, it was clear that *Vringo* was not the whole story. In any event Huawei's stance shifted beyond that before trial.

708. I will address *Huawei v ZTE* in detail below but at this stage I can say that when the CJEU in *Huawei v ZTE* refers to a licensee expressing a willingness to conclude a licence agreement on FRAND terms, in my judgment they are referring to a willingness which is unqualified. In other words, a willing licensee must be one willing to take a FRAND licence on whatever terms are in fact FRAND. Those terms might be settled by negotiation, by a court or by an arbitrator but to insist on any particular term runs the risk that that term is not FRAND. At best it could only amount to a form of contingent willingness.

709. The position of Unwired Planet in these proceedings involves trying to insist on certain terms (a worldwide licence) but that insistence is not of the same kind as Huawei's insistence on a UK portfolio licence because Unwired Planet's approach takes account of the possibility that they may not be entitled to demand what they ask for, whereas Huawei's stance does not. Unlike Unwired Planet, Huawei's approach had no fall-back position.

710. The issues about royalty rates or other terms does not add anything to this analysis. The parties' offers on rates were far apart but by the trial both sides were prepared for the court to decide what the FRAND rate was (subject the scope issue). Other terms were not discussed at all until the court initiated the discussion.

711. In reality of course it is and has always been obvious that both sides would be prepared to enter into a licence if only agreement could be reached. Unwired Planet never wanted an injunction, they wanted a licence if the terms could be agreed. Huawei did not want to be enjoined, they too wanted a licence if the terms could be agreed. And both parties have known that perfectly well from the very beginning. To the extent they have each accused the other of intransigence, the only basis on which the court can operate is the open stances adopted by each side.

712. So this is an action for a prohibitory injunction, but it is not one in which the patentee has persisted in seeking such an injunction when the



defendant has given an unqualified commitment to take whatever licence is FRAND.

116. I agree with Optis that this is a strong statement that to be a willing licensee an implementer must commit to taking whatever terms the Court settles in due course. In itself it is plainly not, however, a statement that that is all that matters for the purposes of *Huawei v ZTE*. At this stage of his judgment, Birss J had not begun his analysis of the CJEU's decision, as he says.
117. Next, I think it is relevant to set out Birss J's conclusions on *Huawei v ZTE*. Again, these are context for understanding what the Supreme Court was endorsing at [158]. The relevant section of his judgment was [743] and [744]:

743. Having considered the judgment as a whole, it is notable that the court is focussed on the question of whether bringing the injunction claim is itself abusive and does not focus on the considerations which may apply at the end of an infringement action once validity and infringement are established. In the case before me it is now nearly three years since the claim was issued and over a year since one of Unwired Planet's patents has been found to be valid and infringed/essential, yet the parties are still arguing and no licence has been agreed.

744. The principles I derive from *Huawei v ZTE* are these:

- i) In the judgment the CJEU has set out a scheme which both the patentee and implementer can be expected to follow in the context of a dispute about a patent declared essential to a standard and subject to a FRAND undertaking.
- ii) In stating that the implementer and patentee must express a willingness to conclude a licence on FRAND terms, the CJEU is referring to a willingness in general terms. The fact that concrete proposals are also required does not mean it is relevant to ask if those proposals are actually FRAND or not.
- iii) If the patentee complies with the scheme prior to starting a claim for infringement of that patent which includes a claim for an injunction, then bringing such a claim will not be abusive under Art 102. That is the ratio of the CJEU's decision.
- iv) In the circumstances contemplated by the CJEU, bringing a claim for infringement of a SEP which includes a claim for an injunction without prior notice of any kind will necessarily be an abuse of dominant

position. Insofar as the decision identifies what is abusive rather than what is not, the decision does not go further than that.

v) Bringing a claim for infringement which includes a claim for an injunction even with sufficient notice is capable of being an abuse of dominant position. However the judgment does not hold that if the circumstances diverge from the scheme set out in any way then a patentee will necessarily abuse their dominant position by starting such a claim. In those circumstances the patentee's conduct may or may not be abusive. The scheme sets out standard of behaviour against which both parties behaviour can be measured to decide in all the circumstances if an abuse has taken place.

vi) Nor does it follow that if the patentee complies with the scheme such that bringing the action is not per se abusive, the patentee can behave with impunity after issue. Again, the scheme sets out standards of behaviour against which both parties' behaviour can be measured to decide if an abuse has taken place.

vii) If the patentee does abuse its dominant position in bringing the claim or in its conduct after issue, that affords a defence to the claim for an injunction. In other words the proper remedy is likely to be refusal of an injunction even though a patent has been found to be valid and infringed and the implementer has no licence.

viii) The legal circumstances of this case differ from the circumstances assumed by the CJEU in a crucial respect. FRAND is justiciable and the undertaking can be effectively enforced at the suit of the defendant irrespective of Art 102. The defendant does not need Art 102 to have a defence to the injunction claim.

118. I think that [743] is important for its recognition that there is a difference between abuse in bringing a claim for an injunction and the situation which may arise later once validity and infringement are established. [744] at v) to vi) support Apple's contention that if the SEP owner has not contravened the strict prohibition against bringing a claim without notice, all the facts have to be considered and the CJEU's other criteria provide standards of assessment, as the Supreme Court concluded.

119. [744] at vii) supports Apple's contention that abuse of dominance may well lead to refusal of an injunction.

120. Birss J then went on to consider the facts to determine whether there had been an abuse. His analysis included, as Ms Demetriou correctly submits, looking at the course of negotiations (see e.g. [752] – [754]). He rejected each allegation of abuse. It is worth quoting [754] – [755]:

754. At this early stage Huawei's response was appropriate in asking for further details, and Unwired Planet's response in July 2014 was also appropriate in providing further details. I have been through the course of this litigation already. A relevant point for this analysis is that in terms which are admissible in court, Huawei never subsequently made an unqualified offer to accept whatever were FRAND terms. Huawei always reserved for themselves the right to say that a licence of worldwide scope was not FRAND. Indeed, part of Huawei's case was that a worldwide offer was contrary to Art 102.

755. Huawei's stance before the court throughout this claim has been that because they were sued before FRAND terms were offered they have a defence to the injunction claim. That stance is founded on a narrow interpretation of Huawei v ZTE which I have rejected. I am satisfied that the commencement of this action, including the claim for an injunction, was not an abuse of Unwired Planet's dominant position. The same goes for Unwired Planet's conduct during the proceedings. I reject the "premature litigation" head of abuse.

121. These paragraphs record Birss J's view that Huawei having never made an unqualified offer to accept whatever were FRAND terms was "a relevant point". I think he is most unlikely to have expressed himself that way if he thought it was decisive in itself. The judgment reads much more naturally that his assessment of the course of the pre-action events and the litigation itself were necessary to his decision.
122. Birss J came then to consider remedies in a section beginning at [792]. At [793] – [795] he said this ([793] was referred to by the Supreme Court specifically, as I have identified above):

*(i) Should an injunction be granted?*

793. The relevant patents have been found valid and infringed. Unwired Planet wish to enter into a worldwide licence. Huawei is willing to enter into a UK portfolio licence but refuses to enter into a worldwide licence. However a worldwide licence is FRAND and Unwired Planet are entitled to insist on it. In this case a UK only licence would not be FRAND. An injunction ought to be granted because Huawei stand before the court without a licence but have the means to become licensed open to them.

794. Were it not for the fact that Huawei did not engage with the terms of the worldwide draft, I would have been able to hand down this judgment with the worldwide terms fully settled. That has not proved possible. So in the exercise of my discretion I will not grant the injunction on the day

this judgment is handed down in public. Normally when a judgment in a case of this complexity is handed down a date some few weeks afterwards is found for the consequential orders. I will deal with the injunction at that later hearing. It should be sometime after the Easter holidays. Unwired Planet's legal team will be able to produce a clean copy of the worldwide licence in the form I have approved. They should file it at court and serve it on Huawei well in advance of the later hearing. I do not expect to hear any further argument about the terms since the time for that has passed. I will discuss the directions for this on the day the judgment is handed down.

795. In case this matter goes further I will address the question of what if I had found that Unwired Planet's commencement of these proceedings had amounted to an abuse of dominant position. I am far from being convinced that a refusal of an injunction in 2017 would have been a proportionate remedy for Unwired Planet's abuse on that assumption. A single patent normally takes about one year to come to trial on validity and infringement in the Patents Court. The abusive commencement of this action in April 2014 would have justified refusal of an injunction in April 2015 and no doubt for a good time after that but we are now two years on from that time, a year on from the finding of infringement and three years overall from the start of the proceedings. Any prejudice to Huawei from the commencement of the proceedings has been outweighed by time and by Huawei's stance in relation to a FRAND licence. An appropriate alternative remedy might have been to refuse to award any damages to Unwired Planet for the proven infringements in the intervening period (and remove a corresponding term from the licence). However I do not have to resolve those issues.

123. What Birss J said at [795] must, in my view, be read along with what he had said at [744] and which I have quoted above about abuse of dominance leading to refusal of an injunction. Clearly he thought that refusal of an injunction was not in fact automatic and depended on the circumstances, including the passage of time and Huawei's refusal to agree that it would take a licence on FRAND terms once those were determined. But both these passages in his judgment were *obiter* because he held that there was no abuse at all.

### ***UP Remedies***

124. Birss J's reasoning as to the grant of a FRAND injunction was as follows:

18. I will start by looking at what the right final relief should be in a patent case with a FRAND licence absent any appeal. Thinking about the problem of what happens in 2020 highlights an aspect of Unwired Planet's case which goes too far. Unwired Planet contend that, absent any appeal, the patentee is entitled to a final injunction which should run from now until the expiry of the relevant patents and should continue even if the defendant enters into a licence. They argue that such an injunction will not prejudice Huawei, even if Huawei become licensed, because the prohibition is only

to not infringe. Therefore, they say, if Huawei have a licence, then their relevant acts are not infringements and not prohibited by the injunction.

19. In my judgment this approach is unreal. By that logic if I granted the injunction today and Huawei signed the Settled Licence tomorrow the injunction would remain in existence. What happens if a year later a dispute arises about an alleged repudiatory breach of the licence? Huawei could then be in an impossible position because they would risk being in contempt of court if they continued to sell equipment during a period when there was an argument that the licence had come to an end.

20. With this problem in mind and assuming an injunction should be granted at all I will consider, absent appeal, what the correct form of a final injunction in respect of patents the subject of a FRAND undertaking should be when the court has settled a FRAND licence but the defendant has not entered into it. I will call this a FRAND injunction. The answer is simple. A FRAND injunction should be in normal form to restrain infringement of the relevant patent(s) but ought to include a proviso that it will cease to have effect if the defendant enters into that FRAND licence. If as in this case, the FRAND licence is for a limited time, shorter than the lifetime of the relevant patents then the injunction should also be subject to an express liberty to either party to return to court in future to address the position at the end of the term of the FRAND licence. In any case the FRAND injunction should also be subject to an express liberty to apply in the event the FRAND licence ceases to have effect for any other reason.

21. Normally in English law when the court grants final relief a party is not entitled to come back to court in future even if circumstances change but these unusual terms arise from dealing with patents the subject of a FRAND undertaking. A FRAND injunction in this form reflects the finding that what the patentee is entitled to today, bearing in mind its FRAND undertaking, is a licence on FRAND terms but if the defendant has the ability to take the licence and does not do so, then an injunction is appropriate for as long as the defendant does not enter into that licence. If the defendant enters into the FRAND licence there should be no injunction at all. The fact the FRAND licence is limited in time does not justify an injunction continuing into the future. The court should not pre-judge at this stage what should happen if or when the FRAND licence ceases to have effect.

22. In this case the FRAND licence is the Settled Licence. It will expire on 31<sup>st</sup> December 2020. Thinking about the position on 1<sup>st</sup> January 2021 at this stage now in 2017, it cannot be said that Unwired Planet must have an injunction on that future date but neither can it be said today that Huawei must be free to sell products or commit any other act on that future date which would infringe if unlicensed. The answer to those questions depends on the circumstances at that time. At times in argument before me

it seemed to be contemplated that the process of resolving what is to happen after the end of the Settled Licence only has to start on 1<sup>st</sup> January 2021. That is wrong. If the patentee has failed to start a process of FRAND negotiation well in advance of the expiry of the current FRAND licence then no doubt the court will be unsympathetic to the patentee even if no licence has been finalised to start the day after expiry. So too if the patentee has dragged its feet in the negotiation. Conversely if the patentee engages reasonably but the putative licensee does not, then the court's sympathies may well lie the other way round.

23. To deal with an appeal the FRAND injunction in the form described can simply be stayed pending appeal on terms to secure appropriate payments in the meantime.

125. I agree with Apple that this militates strongly against the grant of an unqualified final injunction. I agree with Optis that Birss J was not considering exactly the situation which arises when an implementer positively turns down a FRAND licence or the opportunity to get one, but that does not undermine the logic of what he said or its application to the situation before me.

#### **Other aspects of *Huawei v ZTE***

126. The Supreme Court reviewed *Huawei v ZTE* in detail in *UPSC* and I have gone through that above. The parties made a few specific points not covered thereby.
127. Ms Ford for Optis stressed [AG61] and [AG62] of Advocate General Wathelet's Opinion. [AG61] says that the exercise of an exclusive intellectual property right including claiming a prohibitory injunction cannot in itself constitute an abuse, which the Court agreed with at [46]. The CJEU went on at [47] to note, however, that in exceptional circumstances it may be. Optis also relies on [46] and [47]. [AG62] says that a restriction on the right to bring proceedings for infringement (including, by implication, an injunction) can be permitted only in exceptional circumstances. The CJEU did not express itself in quite those terms, but in my view its reasoning at [58] to [60] is strongly consistent, as is *UPSC*. I do not think these parts of the Advocate General's Opinion make any difference to my analysis above, therefore.
128. Ms Demetriou for Apple relied on [AG86] which says that the requirement for the SEP owner to provide the implementer with a written offer of FRAND terms is not disproportionate and noted in that connection that the SEP owner will have information in relation to other licences (if they exist). I accept this and it reinforces the potential significance of a SEP owner frustrating or avoiding the negotiation process. Likewise, [AG92] offers some support for Apple's argument, which I accept, that negotiation towards FRAND is valuable in itself.
129. Ms Demetriou also relied on [52] in the CJEU's judgment, pointing out that the Court referred to the risk of competitors of the SEP owner being excluded from the market, by which it means the market for telecommunications. I accept this has some relevance, at least as a reminder that although I am deciding the proper

approach in the context of a PAE, the principles for consideration must also take account of the fact that the SEP owner may be an implementer as well.

130. Ms Ford relied on [66] in the CJEU's judgment which says that the alleged infringer may rely on the abusive nature of an action for a prohibitory injunction "only if" it has submitted a specific counter-offer. As I understood the submission, it was to the effect that this was where the Court reflected the notion that only a willing licensee in the sense Optis uses the concept (i.e. one which gives an unconditional undertaking) can raise a defence of abuse of dominance. I do not accept that submission, since at [66] the Court was just dealing with a specific stage in the sequence of acts by the SEP owner and implementer, not addressing matters at the level of generality for which Optis contends. It also simply said that the implementer has to make a counter-offer in FRAND terms, something which for present purposes I am assuming Apple has done.
131. Overall therefore these additional points of emphasis based on *Huawei v ZTE* do not affect my analysis materially.
132. I note that the CJEU also considered at [72]-[76] the question of whether it could be an abuse for a SEP owner to bring a claim for damages, and concluded that Art 102 does not prohibit such a claim.

#### **Other European materials referred to**

133. The parties referred me to various other European materials, including in particular:
- i) The Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements of 14 January 2011. This refers to the risk of hold-up, and to the function of FRAND commitments in preventing SEP owners from making implementation of a standard difficult by refusing to licence or "by requesting unfair or unreasonable fees". I understood Apple's submission to be that this reinforced the view that merely demanding high fees in the course of negotiations might be an abuse. It is only weak support for such a proposition but that does not matter because I anyway hold below that it is possible that Optis' conduct as a whole may, when the facts are found, be held to be an abuse.
  - ii) The European Commission's decision of 29 April 2014 in relation to Motorola. A key point there was that there was no risk of reverse hold-up by Apple because it had agreed to enter into and be bound by a FRAND licence on whatever terms the relevant German Court held (page 74 at (420), see also (438) on page 77). That is of course quite different from the situation in the present case. Perhaps more relevantly there are statements at (427)(c) on page 75 that a SEP owner which has given a FRAND commitment ought to be entitled to seek an injunction against a potential licensee which is unwilling to enter into a licence, but the statement is a general one and does not grapple with the detail of what "unwilling" means, let alone in the context of clause 6.1.

- iii) The European Commission's Communication of 29 November 2017 "Setting out the EU approach to Standard Essential Patents". It contains commentary on *Huawei v ZTE* that was analysed in *UPSC* and I do not think I need add anything to that. It also refers in broad terms to the balance to be struck in relation to SEPs between the risks of hold-up and hold-out, but again I do not think I need add anything.

#### **Authorities on withholding an injunction in cases of abuse of dominance**

134. I asked the parties whether there were other more general authorities on the circumstances in which an injunction that otherwise might be granted would be withheld because of an abuse of dominance. Optis provided me with the relevant section of Bellamy & Child, *European law of Competition*, 8<sup>th</sup> Ed., 2018. This was essentially by way of demonstrating the lack of any such other authorities, since the authors point only to *UPHC*, the Court of Appeal and Supreme Court decisions not having been given at the time of writing.

#### **FIRST ISSUE – THE MEANING OF CLAUSE 6.1**

135. Much of the applicable French law is not in issue. There remains a limited dispute.

#### **Summary of the key agreed French law**

136. As I have already mentioned, I dealt with French law in Trial B. I refer back to:

- i) Paragraphs [361]-[367] of my judgment there: the basic French law principle of contractual interpretation is that the Court must seek to identify the common intention of the parties.
- ii) Paragraphs [369] and [373]-[376]: clauses which are "clear and precise" are not open to interpretation.
- iii) Paragraph [377] as to the materials available for the exercise of interpretation. The parties' agreed formulation of the position was as follows:

"9. There is no single approach for proving the common intent of the parties when interpreting a contract in accordance with the common intent of the parties. When doing so the Court may have regards to *inter alia* the following:

- a. The evidence of the actual intentions of the parties;
- b. The purpose and intended effect of the contract;
- c. The pre- and post-contractual behaviour of the parties;



- d. The wording of the contract as a whole;
- e. Any documentary evidence which might shed light on the common intention of the parties (including, but not limited to, negotiation documents and other similar proposals, both between the parties and between one of the parties and other third parties);
- f. Previous agreements between the parties.

This is not materially in dispute.

...

11. The relevance and weight to be attributed to each factor is a matter for the trial judge.”

137. I also found, as was essentially common ground (see paragraph [378]) that the weight to be given to the wording of the contract depends on the individual case.
138. As in Trial B, I think ETSI’s intention can be identified from its own documents, but in the present case the key document is the ETSI IPR Policy itself, so this does not add much. I refer briefly to some other ETSI documents below, which are relevant to consider either under the heading of intention, or documentary evidence. The intentions of individual ETSI members cannot usefully be identified.

### **Further aspects of French law**

139. Clause 6.1 of the ETSI IPR Policy creates what is referred to in French law as a stipulation pour autrui. It is a type of contract where one party, the promisor (the SEP owner, in this case Optis) is required by another party, the stipulator (ETSI), to carry out an act of performance for the benefit of a third party (the implementer, in this case Apple).
140. The obligation to carry out the act of performance, which in the present case is to grant a licence to essential patents on FRAND terms, can be enforced by the stipulator or the beneficiary.
141. The stipulation must be accepted by the beneficiary.
142. Usually, the stipulation only confers a benefit on the beneficiary. It may, however, also impose a burden.
143. Beneficiaries may be a named individual or individuals, or they may be a category of people (an example referred to in argument was the poor of a particular municipality).

144. Where the beneficiaries are defined by reference to a category, it is by the process of contractual interpretation that I described in my judgment in Trial B that French law determines the meaning and scope of the category.
145. Various points of French law were in issue at the start of this trial, but they mostly fell away. For example, Optis dropped arguments that there were relevant presumptions, and Apple decided not to oppose Optis' position that a patent licence under French law did not have to have a specified price (Apple seeks to reserve the right to revive the point at Trial E, as to which I express no opinion, but I will proceed on the basis of Optis' position for the purposes of this trial). The only outstanding issues concerned the situation where a stipulation pour autrui imposes obligations on the beneficiary. Apple contended that such a situation was unusual and that obligations imposed on the beneficiary must be explicit and cannot be implied.
146. Apple might be right that, numerically speaking, the majority of stipulations pour autrui do not impose obligations on the beneficiaries, but it is not really a principle of law and is not of assistance to me in deciding this dispute. In any event, the parties agree that clause 6.1 requires the beneficiary to take on the obligations that come with a patent licence, such as paying royalties. So whether unusual or not, it is the case.
147. So the real issue is whether an obligation on the beneficiary must be explicit. To give a little more context, the focus of Apple's argument is on whether clause 6.1 validly puts an obligation on the implementer to give a commitment to take a FRAND licence on terms later to be determined by the Court. It says that while clause 6.1 is explicit about there being FRAND terms, there is nothing in the terms of the clause about giving a commitment to take such terms in future.
148. In the evidence, there were three Cour de Cassation cases identified by the parties in which there was an obligation imposed on the beneficiary. They were:
- i) Cass. 1<sup>st</sup> Civ, 21 November 1978.
  - ii) Cass. 1<sup>st</sup> Civ, 8 December 1987.
  - iii) Cass. 1<sup>st</sup> Civ. 7 June 1989. There was some dispute between the parties before me as to whether the better view of the case was as a stipulation pour autrui with an obligation on the beneficiaries (insured members of certain associations). I think the case can be read that way, with the obligation being to make insurance payments connected with a pension scheme, but I also agree with Apple that it is not all that clear, and it was not the focus of the analysis of the Cour de Cassation.
149. Whether there are two or three cases where there was an obligation on the beneficiary does not matter; there is clearly support for the possibility of such an obligation. But equally clearly, the obligation in each case was explicit. Apple did not contend that those decisions said that the obligation had to be explicit, though.

150. Optis identified one case where an obligation was imposed on the beneficiary which was not explicit, which was CA Nancy, 1<sup>st</sup> Ch., March 13 2000, No. 98/01198: Jurisdata No. 2000-139558. The facts are rather messy, but essentially royalty payments under a patent were for some years made by associated companies of the company with the primary obligation to pay (the stipulator). When a dispute arose over whether those associated companies were actually obliged to pay, they said that they were not, because their licence arose under a stipulation pour autrui which did not express there to be any obligation on them, but only on the company with primary obligation.
151. Apple argued that the case was not binding and only of limited persuasive weight because it is a decision of a Court below the Cour de Cassation. Apple is right about this, but that does not mean the decision is of no weight. Apple also argued that the decision was strongly driven by the fact that the associated companies had in fact been paying for some years when the dispute arose. I agree that that was a factor in the Court's reasoning but it does not detract from the fact that it upheld the existence of an implied obligation on a beneficiary of a stipulation pour autrui.
152. There is therefore some modest authority in favour of Optis' position. Apple has identified no authority saying that any obligation must be explicit. Optis referred to various textbooks addressing the possibility of there being obligations imposed on beneficiaries (provided that they accept them), and none of those say that the obligation has to be express.
153. More generally, Apple failed to make any convincing argument about why obligations on the beneficiary under a stipulation pour autrui ought to have to be explicit. Clearly, the *scope* of the obligations may require a good deal of interpretation, since clause 6.1 does not specify a price and yet can, on the approach to French law identified above, give rise to a valid licence, with the price to be determined on FRAND principles if not agreed. Nor does Apple say that obligations under ordinary two-party contracts cannot be implied.
154. I therefore agree with Optis that French law does not require that that obligations on the beneficiary of a stipulation pour autrui have to be explicit. They may be implicit. Whether they exist and if so what they are is a matter of contractual interpretation.
155. Under French law, it is required that the beneficiary be identified, or capable of being determined at the time of the performance of the promise. This was common ground and recorded in the agreed statement of French law issues.
156. A further aspect of French law which is relevant to the arguments before me is the principle of good faith that applies to the negotiation, formation and performance of contracts under French law. It includes a duty of loyalty and a duty of cooperation.
157. There was some lack of clarity at the start of the trial about whether the principle applies to the beneficiary of a stipulation pour autrui, but by closing submissions it was common ground that it does.

158. It was common ground that the principle is a very flexible one which has to be assessed *in concreto*, i.e. in the light of all the circumstances.
159. The significance of the principle of good faith to the arguments before me was that Apple said that if Optis was obliged to rely on it, then the assessment *in concreto* could not be carried out until Trial E. Apple reinforced this by pointing out that good faith is presumed (as Prof Caron accepted), so if Optis wished to argue that Apple had not acted in good faith, it would carry the burden of proving it.

### **Context for the interpretation of clause 6.1**

160. *UPSC* identifies important aspects of the internal and external context relevant to the interpretation of the ETSI IPR Policy and clause 6.1 in particular. See *UPSC* at [6]-[10]. All of this is important to interpretation of the ETSI IPR Policy as a whole, but the critical context for my purpose is the balance identified in clauses 3.1 and 3.2 of the ETSI IPR Policy as explained by the Supreme Court at [10]: balancing access to SEPs covering its standards with fair reward to the SEP holders.
161. In my view this provides the purpose of clause 6.1 and ETSI's intention in relation to clause 6.1.
162. I return to the wording of clause 6.1 below, but first I must make an extensive digression because further aspects of the external context were said (mainly by Apple) to be demonstrated by the expert evidence. I will deal with the economics evidence and then the licensing evidence. The overall thrust of the expert evidence was said by each side to demonstrate that that side's interpretation of clause 6.1 better served the balance to which I have just referred. I found it of little value, but it has to be assessed. Between them the economics and licensing experts submitted academic and other publications running to three thick files. Very little of it was gone into in the oral evidence or the written or oral argument before me, and where it was it just went to matters that did not require expert interpretation or assistance, such as whether the award of interest in litigation compensates adequately for a party's actual losses. I have borne it in mind but I do not think it necessary to cite the documents individually. Similarly, Optis put in some articles and litigation transcripts from implementers which were said to evidence why hold-out is sometimes done. I did not need these materials to know that hold-out sometimes take place. I did not find it of assistance to hear about other parties than those in this litigation, and I am not called upon at this trial to find whether Apple is practising deliberate hold-out.

### **Economics evidence**

163. As I have said, each side called an expert economist witness. The evidence was submitted sequentially, with Apple going first.
164. The main thrust of Prof Farrell's evidence was to submit a model of how a rational and economically self-interested potential SEP licensee would behave in two situations, each with a different rule in place.

165. The first situation he called “Sight Unseen” or “SU” where the licensee, finding itself in litigation with a SEP holder, had to commit to taking a FRAND licence set by the Court in advance of knowing the terms, and in a situation where the licence would be worldwide. In other words, the situation under clause 6.1 for which Optis contends. When I say “terms” in this context, I really mean price.
166. The second situation he called “Informed Choice” or “IC”, where the same licensee could choose whether or not to take worldwide FRAND licence terms set by the Court, but knowing what those terms were, after the Court’s decision. In other words, the situation for which Apple contends.
167. Under IC, the potential licensee could reject the terms found by the Court once those were set, but at the price of being enjoined in the UK. That would mean the parties’ dispute would be unresolved, and the SEP holder would have to pursue litigation in another jurisdiction. Prof Farrell envisaged that the potential licensee would not necessarily actually leave the UK market, because the parties, as part of what he called a “post-rejection process” might still settle against the background of the Court’s rate to avoid that. If so, the rate would inevitably be lower than that set by the Court.
168. As Dr Niels pointed out, the terms “Sight Unseen” and “Informed Choice” are loaded ones, freighted with the connotation that the former is unfair and worse than the latter. Nonetheless they are convenient and were used throughout the evidence. I will also use them, without any prejudgment of their merits.
169. To understand and assess these points, it is important to understand what the economists were and were not addressing. It was essentially common ground between them that there was a range of terms that the Court might set as FRAND, and a range of terms that were “actually” FRAND; “actually” in the sense that both the SEP owner and the licensee would be able to live with them, the SEP owner getting an adequate reward for its investment, and the licensee being able to trade profitably in goods made to the relevant standard. At each end of the range there would be a tipping point at which all the economic value went to one side or the other. Conceivably, a deal could still be done at these extremes.
170. However, it was also common ground between the experts that the economic analysis under discussion had nothing to contribute to an assessment of what the economics experts called “distributive justice” or “fairness”. If, say, 90% of the economic value of the licensee’s trade went to the SEP owner and only 10% to the licensee, it might well not be fair, but it would be possible for both parties to live with it.
171. This led to some ambiguity and even confusion over what was meant by the economists when referring to FRAND, especially in the oral evidence. It could be used to mean simply a range within which each side could live with the result in the sense described above, or it could mean more truly FRAND in the sense used by Courts when setting rates, including a strong element of fairness (and non-discrimination, where applicable).
172. It was this ambiguity that led to Apple’s criticism of Dr Niels. Dr Niels agreed that over the whole range where each side derived some economic value from a

deal, it was “FRAND”, and even at the tipping points. How, Mr Pickford then asked him, could that be “fair”? And if it was not “fair” how could it be FRAND? In my view Dr Niels was not saying that the extremes of the range were fair in the sense of distributive justice (to which he was not addressing himself) – he just meant that there was some value to each side and a deal could possibly be done. Apple submitted in closing that this all revealed that Dr Niels’ position was extreme, inconsistent and irrational. I disagree; it just revealed that the economists were not addressing fairness and were sometimes using “FRAND” in a limited way.

173. Returning to Prof Farrell’s model, the relatively simple proposition, which he elucidated in clear and rigorous terms, was essentially this: under IC, if the FRAND rate set by the UK Court sufficiently exceeded what the potential licensee thought another Court in another jurisdiction would award, and the UK sales of the potential licensee were only a small proportion of its total sales, then it would be economically beneficial for the licensee to submit to an injunction in the UK, give up any UK profits, and hope to get a lower FRAND rate in that other jurisdiction. One driving force behind this analysis was the fact that the UK would be setting a worldwide rate and its effect would therefore be highly geared.
174. Prof Farrell also sought to show that in such a situation, the negotiation which would take place in a situation where a potential licensee could beneficially exit the UK market would tend to move the licence rate away from any extreme set by the Court, towards something more “accurately” FRAND.
175. Optis did not really dispute the mathematics behind it being potentially beneficial, in theory, for a licensee to submit to a UK injunction under the IC rule, and the mathematics do make sense at an abstract level. However, Optis made two central criticisms of Prof Farrell’s model. First, that it focuses exclusively or at least excessively on benefit to the licensee and not the SEP owner, and second that it takes no account of delay.
176. Prof Farrell’s conclusions in his first report were as follows:
  - i) A licensee might refuse a Court-determined licence under IC (or indeed under SU) even if it did in fact subjectively want a licence and so in that sense was not conducting any hold-out.
  - ii) Under IC, the Court’s proposed FRAND licence would only be rejected when its royalty terms were above average, and rejection by the licensee in favour of the “post-rejection process” tends to bring royalties closer to the licensee’s prior expectations, but still on average above those expectations.
  - iii) Although the model is a simple one and so demands caution, it shows that one cannot conclude that the SU rule would lead to better economic outcomes.
177. Prof Farrell also suggested that there was a risk of implementers exiting the UK market altogether under SU.

178. Dr Niels constructed his own model, and reached the following conclusions (which I summarise and paraphrase), in disagreement with Prof Farrell:

- i) The SU rule is more likely to achieve the economic goals of a FRAND system.
- ii) Prof Farrell had focused only on the perspective of the prospective licensee, the implementer.
- iii) Prof Farrell had assumed away delay (which Prof Farrell accepted) but delay adversely affects the SEP owner more and is addressed by the SU rule more.
- iv) Allowing rejection of the UK's FRAND rate and thereby permitting decisions in other territories does not improve the chances of making an "accurate" FRAND determination, because the IC rule leads to rejection based on whether the Court's rate matches the implementer's *expectations*.
- v) It was not possible to assess whether SU or IC would pose a greater chance of implementers exiting the UK market, but only in very specific circumstances would an implementer exit under SU when it would have stayed in the market under IC.
- vi) Exit from the market would in any event be limited to companies with small UK presences relative to their sales elsewhere and would not in any event necessarily be inconsistent with a well-functioning FRAND system.

179. Dr Niels also proposed the following conclusions based on his own model:

- i) The expected royalty payment in the SU rule and the IC rule is at most the expected UK Court's determination.
- ii) The IC rule tends to lead to lower expected royalty rate than the SU rule for two reasons:
  - a) The risk of delay incentivises the licensor to offer lower rates to avoid it, and this is worse under IC because the licensee has the option to increase delay.
  - b) Under IC the licensee can reject high rates which confound its expectations but will accept lower rates which are better than what it expected ("pick and choose").
- iii) The royalty rate under IC is potentially significantly lower than under the SU rule, either because the licensee rejects a rate under IC and then does better elsewhere, or because of the post-rejection process leading to a lower rate being negotiated. This could even be sub-FRAND.

180. And overall he concluded that there was no risk of supra-FRAND rates under SC.

181. The economists' evidence was expressed at a very high level of complexity, well beyond what could reasonably be or have been in the mind of ETSI (or of SEP

owners or implementers) in relation to what could have been intended by clause 6.1. So I think it is of low relevance to the proper interpretation of that clause. Nonetheless, I should make appropriate findings in case I am wrong about that. Also, some of their analysis illustrates matters which are actually relatively simple and pertinent to the objective of the ETSI IPR Policy and clause 6.1.

Delay

182. I do not think it was the proper role of the economists to give evidence about the actual effects of delay in this industry (although there were some academic articles put to Prof Farrell by Optis which expressed such a view). Based on the licensing experts' evidence, common sense, and experience of litigation generally, I find that delay is a real problem for SEP owners and is significantly asymmetric in its effects. Prof Farrell left delay out of account for understandable reasons of analysis. He was explicit and open that he was doing so. He said delay was unimportant to his model and analysis unless it was asymmetric in its effect. Since I find that it is asymmetric in its effect, Prof Farrell's model has to be approached with caution and the simplifications and assumptions built into it mean that it does not reflect reality well for the purposes of the issues I have to decide.

183. Given my view about the real and asymmetric effects of delay, I accept Dr Niels' evidence that the IC rule will tend to prejudice SEP owners because it gives implementers the ability to threaten and/or to cause delay (at the cost of submitting to an injunction in the UK) by rejecting the UK's decision and necessitating proceedings in other jurisdictions. Prof Farrell accepted that *if* delay were asymmetric in its effect then it could lead to unduly lower rates being accepted by the SEP owner.

184. Prof Farrell agreed that:

- i) Under the SU rule the parties know, if the implementer commits to accept the Court rate, that when the Court makes a decision on FRAND, it will be put into effect and the SEP owner does not need to begin proceedings in other jurisdictions.
- ii) Under the IC rule the SEP owner does not know this and in its state of uncertainty may start other proceedings which could turn out to be unnecessary if the implementer accepts the Court-determined rate, or may hold off other proceedings only to find that that has caused delay when the implementer rejects the Court-determined rate.

185. I do not think it was necessary to establish these matters through Prof Farrell's evidence. They are obvious.

186. Apple put to Dr Niels that under the IC rule delay could be minimised by the SEP owner starting other proceedings in parallel. He accepted that that would reduce delay in the event of the implementer rejecting the Court-determined rate in due course. That is the flip side of Prof Farrell's evidence to which I have just referred but again there was no need for an expert economist to tell me it, and it is obvious.



“Accuracy” of FRAND determination

187. I find that the IC rule as Prof Farrell modelled it does not lead to more accurate FRAND rates. The decision by an implementer to accept or reject the UK Court’s FRAND rate is driven not by whether the FRAND rate is truly FRAND but only by whether it matches the implementer’s expectations of what it might get from another Court in another jurisdiction.
188. In addition, I accept Optis’ submission that the IC rule only operates in one direction. It tends to bring rates which are high compared with the implementer’s expectation down. It will not bring rates which are low (compared with expectation) back towards the middle.

Risk of sub-FRAND and supra-FRAND rates

189. I find that under the SU rule, the highest rate that can result is what the UK Court considers to be FRAND. There is no risk of a supra-FRAND rate.
190. Under the IC rule, it is possible that a sub-FRAND rate (in the sense of a rate too low to make the SEP owner’s investment in technology worthwhile) could result, if the UK Court’s determination is at the low end of the range of possible (but still FRAND) outcomes and the implementer is then able to use the threat of delay/market exit in the post-rejection process to depress the rate further. Prof Farrell essentially accepted this.
191. It may seem counterintuitive in the light of what I have said above about the economist’s conception of “FRAND” that the SEP owner would ever agree to such a low rate, but the reason is that by the time of such a post-rejection negotiation it has already long ago spent the costs of developing the technology and getting something is better than nothing. The rate that it has to agree to is below what it would have taken “ex-ante”, when it was deciding whether or not to develop the technology.

Licensee’s perspective

192. Prof Farrell expressly agreed that his model looks to whether the licensee would accept or reject a Court-determined FRAND rate based purely on its own self-interest. This is not a criticism of him personally, and I accept that that is how economic modelling works. But it illustrates why his model is not a sound basis for coming to conclusions about what is fair to both sides.
193. Prof Farrell also made the point that in modelling the IC rule he had focused on the interests of only the licensee, because it is only the licensee that has any decision to make as to whether accept or reject the Court’s decision. I accept the logic of this, but it emphasises the unbalanced nature of the IC rule.

Inference of hold-out

194. As I have mentioned, Prof Farrell’s evidence was that it could not be inferred as a matter of economics that an implementer was holding out simply from the fact that it declined to give an unconditional commitment in advance to take the Court-

determined FRAND rate, or indeed from the fact that under the IC rule it rejected the Court-determined rate once set.

195. I accept both propositions in the limited sense that it is possible that an implementer could find itself in litigation despite wanting a licence, and then might act in either of those ways out of self-interest to get the best rate, while still wanting to have a licence at the end of the day.
196. However, I think it is rather beside the point, since it is clear that if an implementer was practising hold-out, as some do, the IC rule would provide it with means to support that strategy, for reasons given above.

Possibility of implementers' exit from the UK market

197. This was one of the most complicated points, raised by Prof Farrell and explored quite extensively in the oral evidence, but only slightly relied upon by Apple in its written closing.
198. The issue concerned when an implementer might prefer not to stay on the market in the UK at all than to pay, or commit to pay, the Court-determined FRAND rate. In particular the parties debated how likely market exit was, and whether it was more likely under IC or SU.
199. I thought the debate was excessively theoretical and not grounded in any real-world evidence. I do not accept that Apple, which raised the point and in my judgment bears the onus of making it out, has shown any real-world likelihood of market exit in any normal circumstances, and certainly not by an implementer with a genuine desire to get a FRAND licence. As I say in my assessment of the licensing expert evidence, responsible companies embarking on commercial activities in this field will know that they are going to have to pay FRAND licence fees, will estimate what they are, make provision for them and, if they cannot agree them, may, in a small number of cases, have to litigate them. They will know that they may be set by a Court, including the UK Court, but will have no reason to suppose that they will not be tolerable: because by definition the rate set will be FRAND it will take into account a fair division of the economic benefit between the implementer and SEP owner and ought not to disadvantage the implementer compared with its competitors, at least not significantly. To the extent that an implementer might exit the UK market simply to try to avoid the consequence of having to enter into a worldwide licence, with a view to avoiding paying royalties in respect of some territories altogether by leveraging the resulting delay, that is not something that deserves any sympathy or militates in favour of Apple's interpretation of clause 6.1.
200. At a theoretical level, market exit could take place under SC or under IC:
- i) Under SU, it might take place if the implementer thinks, looking at the matter prospectively, that the rate that the UK is likely to award is so much higher than the rate that another Court in a different jurisdiction would set, that it is worth sacrificing its UK trade rather than take the risk. This will be more likely to happen if it has relatively a lot of business outside the UK. In this situation the implementer, when found to infringe, will decline to

commit to the Court's determination of FRAND and will be enjoined. In this situation, the UK Court never determines FRAND.

- ii) Under IC, it might take place if, when the implementer sees the UK Court's rate, it then thinks that it can get a sufficiently better result elsewhere to justify giving up the UK market. In this scenario, the UK Court does decide FRAND, and Dr Niels' analysis factored in an "updating" process whereby the implementer revises what it thinks the foreign Court would do based on how the UK Court's decision matched the prediction it had made.
201. To the extent that market exit is a possibility, the experts agreed that its likelihood will often be the same under SU and IC. For example, if the implementer thought UK rates were likely to be much higher than those abroad then it would not commit under SU and would leave the UK market, while under IC it would also leave the UK market if it went forward to a FRAND trial and was awarded the rate which it had expected, and which it continued to believe it could comfortably beat in another jurisdiction.
202. Prof Farrell drew up a chart in which he identified four scenarios:
- i) Region A: Accept (i.e. no market exit) under both SU and IC.
  - ii) Region B: Accept under SU and reject (market exit) under IC.
  - iii) Region C: Reject under SU and accept under IC.
  - iv) Region D: Reject under SU and under IC.
203. Thus regions A and D are those where the two rules have the same effect and regions B and C are where they differ.
204. The experts agreed that it was not possible to say from the models whether region B or C was more likely to result in practice.
205. As I have said, in his report Dr Niels opined that he thought region C, which is where there is exit under SU but not IC, would only happen in the case of certain specific initial assumptions by the implementer and decisions by the UK Court:
- i) First, it requires an expectation that a foreign court would award a lower rate.
  - ii) Second, it requires an expectation that the foreign court's rate would be sufficiently lower to compensate for having to leave the UK market.
  - iii) Third, that will tend only to apply where the implementer's presence in the UK is small relative to its presence elsewhere.
  - iv) Fourth, it depends on how the implementer updates its assumptions about the foreign court under IC following the UK Court's decision.
206. The last point requires some elaboration:

- i) First, take a situation where the implementer would commit under SU, because it did not think that it would do sufficiently better in a foreign court and so prefers to stay on the UK market. It gets whatever rate the UK Court sets, because SU required it to commit in advance.
  - ii) Then assume that the IC rule applies and the implementer does not have to decide until it sees the UK rate. When it sees the UK rate it is more than was expected; there could be a number of reasons for this, for example because one of its key arguments is rejected.
  - iii) Dr Niels' analysis built in the concept of updating, as I have mentioned above. If there is what he called one-to-one updating, i.e. the implementer thinks that what caused the difference between expectation and reality in the UK will be equally powerful in the foreign court, then a situation will never arise where the implementer would have committed under SU but exits under IC.
207. I agree with Dr Niels' analysis in this respect, and Prof Farrell accepted that it would only be with less than one-to-one updating that exit could occur under SU and not IC. It is not possible to assign concrete probabilities to any of this, but it reinforces my overall conclusion that even in this abstract way of looking at things, Apple has not demonstrated any real possibility of SU increasing the likelihood of exit.
208. There was a suggestion by Apple that it was especially likely that smaller companies would exit the market. It is true that in the model constructed exit is more attractive to companies whose sales in the UK are *relatively* small compared with global sales, but I was not persuaded that the absolute size of the implementer was relevant. It may be that small implementers would tend to lack the resources to carry out hold-out by defending multiple proceedings internationally, but that is not a relevant consideration.
209. I bear in mind that there has been one case where an implementer did decide to exit the UK market rather than commit to take a licence, in the *TQ Delta v ZyXEL* litigation. As the Court of Appeal recorded in [2019] EWCA Civ 1277, the circumstances were very unusual, in that the patent in suit had only three months left before expiry, and Henry Carr J had ordered an injunction on the basis that the Defendant was deliberately holding out ([2019] EWHC 745 (Pat)). I do not think the case shines any light on the debate about whether SU or IC is more likely to lead to exit, or the risk of exit generally.
210. Finally in relation to the possibility of exit, I have mentioned above that Dr Niels said it was not inconsistent with a properly functioning FRAND system. I did not understand him to mean that exit is in general a good thing or a necessary or desirable aspect of FRAND. I certainly do not think so, and my reasoning does not assume that it is. Since FRAND inherently implies that the rate set will not only be fair and reasonable, and so pay attention to the economic benefits achievable, but also non-discriminatory, I do not see any reason to think that exit is at all likely. I have already said that Apple has not shown that it is. It is possible to conceive of implementers having to exit the market when faced with paying FRAND royalties, under IC or SU, if their profitability does not allow them to

afford to pay. That might happen if, for example, they did not sensibly provide for it in advance, or if they do not make enough profit for some completely unrelated reason. To that extent, it can be said that a properly functioning FRAND system which sets rates which are fair, reasonable and non-discriminatory does not prevent market exit by poorly run businesses. I do not think that cuts across my analysis. Likewise, even a well-run business might in theory, in the circumstances reflected in Prof Farrell's models, exit to seek a better result elsewhere. But the FRAND system as a whole would not have failed then, since it would have ensured that a FRAND rate was available to any implementer.

Exit by Apple?

211. Apple sought by implication to suggest that it might consider exiting the UK market if it has to take a licence sight-unseen. It used (through Prof Farrell's evidence) its own situation of having only 2% of its sales in the UK as an instance of the gearing effect of *UPSC*.
212. However, by the Contingent Undertaking, Apple has agreed that, if it has to and if it is not already too late, it will undertake to take a FRAND licence in advance of knowing the terms.
213. I think that is what responsible implementers will do. They will know that they will have to pay for using SEPs in the end, and they will make provision for it. Their provision will no doubt assume a range of possibilities including a worst-case scenario. That is what the licensing evidence said.
214. Therefore, while Apple would, for reasons explained by Ms Demetriou, like to have the chance to think about terms before accepting them, and strongly expects that it would accept them, it has recognised that if that opportunity is not open to it, it will agree to take the Court's FRAND terms and therefore stay in the UK market.

Risk of the UK Court making an error

215. Apple argued that it was relevant that the UK Court might make an error in assessing FRAND; the rates it set might not, in fact, even be within the FRAND range. Prof Farrell touched on this. The IC rule could address the problem by allowing the implementer to reject rates set by the Court in error, it was said.
216. Of course it is the case that the Court might make an error. However, with all the procedural tools and support provided it ought to be unlikely. In addition, it is still more unlikely that the Court would make an error which actually takes the rate set outside the FRAND range. And there is the possibility of an appeal in the event of a serious error, especially an error of principle.
217. Furthermore, the making of an error by the Court is an aspect of litigation risk for which responsible parties can and do make allowances.
218. In any event, the possibility of an error by the Court can in my view only be a very minor factor put alongside the other issues at play if, as I conclude, the IC

rule creates a systematic risk of pushing rates in a downwards-only direction, even to a below-FRAND level.

219. I also have regard to the one sidedness implicit in the argument: under IC the implementer gets to reject a rate which is set too high through an error, but the SEP owner has to live with a rate set too low in error, if the implementer accepts it.
220. Prof Farrell accepted (and so did Ms Beckwith) that apart from the possibility of error by the Court, SU did not put pressure on implementers to accept supra-FRAND rates. This is obvious because, error aside, a FRAND determination will decide a FRAND rate and implementers will know that. It was another instance where the expert evidence was really just argument.

### **Licensing Expert Evidence**

221. As I have said above, the purpose of this evidence was also said to be to provide context for the interpretation of clause 6.1. Apple went first, then Optis responded and Apple replied.
222. Ms Beckwith's evidence for Apple had two main thrusts. One was to seek to explain with reference to her experience how unusual, undesirable and difficult it would be for a patent licensee to commit to licence terms without seeing them. The other (mainly in her reply report) was to engage with how often hold-out occurs and its effect on patent owners.

### Committing to licence terms unseen

223. I accept Ms Beckwith's evidence that it would be very unusual for a licensee in a *voluntary* FRAND licence to commit to terms before seeing them. I also accept her evidence that one reason is the high complexity of FRAND licences. She listed out the many matters that such licences have to cover, and that was not really challenged. However, she went on to say that there could be combinations of such terms that would be unworkable for the licensee, so that it was unfair to inflict a complete FRAND licence on an implementer, sight-unseen.
224. I think that was an insubstantial point and Apple did not really maintain it. Ms Beckwith was unable to point to a toxic combination of terms that might make a licence set by the Court unworkable and she accepted that in reality the key issue would always be price-related terms (by which I include matters such as the royalty base, as well as rates). In the Unwired litigation there were few non-money terms left in dispute by the FRAND trial, and the same is true in this litigation.
225. Similarly, she suggested that issues such as corporate governance and reporting requirements would cause problems for implementers to agree to terms in advance and without sight of them, but Apple did not pursue that with Mr Berghuis and I do not think it holds water. Companies have to deal with the closely analogous situations of damages being awarded against them, or the risk of that happening in the future, all the time.

226. Ms Beckwith was asked in cross-examination about whether implementers are able to manage the risk of damages being awarded at a future date. She essentially agreed that there are means to do that. She was asked about ETSI's suggestion that members should make provision for licence fees for infringement of SEPs (ETSI Guide, 2004 Ed. at 4.4, 2013 Ed. at 4.5) and she did not disagree that there were steps that could be taken, although she did refer to a problem that had occurred in relation to accounting practices in the US which might curtail certain specific approaches to making provisions in companies' accounts.
227. The evidence also established, in my view, that implementers are able, with information from research organisations, the ETSI database, and SEP holders themselves in the course of negotiations, to estimate what a FRAND rate is likely to be. There is of course uncertainty, but commitment to a FRAND rate is not writing a blank cheque.
228. Of course, no business likes being in a state of avoidable uncertainty. However, that is only part of the picture. Any implementer which decides to practice a telecoms standard such as 4G knows that it will have to pay patent licence fees for SEPs to a considerable number of licensors. It also knows that it will have to pay in respect of multiple territories for any international activities. It can try to reduce uncertainty by putting licences in place before it starts to sell (and I note that the ETSI IPR Policy FAQs suggest that it is the responsibility of implementers to contact SEP owners), but in practice getting licences from all the relevant licensors is not done. So licensees always have uncertainty about what they will have to pay for SEP licences in due course.
229. My assessment of the evidence on this point fits with the fact that Apple has been selling 4G products without Optis' licence and will have to pay damages at least in the UK in due course; it does not know how much those will be and it will not have the opportunity to opt out of them, but it has taken on that uncertainty. In its skeleton argument for trial Apple contended (based on a witness statement made for interim applications in these proceedings) that it is already licensed to 60% of all LTE (4G) SEPs. This evidence was not tested at trial, but it shows that Apple is *not* yet licensed for the other 40%. Since it has been selling 4G phones for many years, there will no doubt have been periods when the proportion for which it was not licensed was higher; probably a lot higher. It has accepted uncertainty for these situations, too.
230. So I do not think it is a point against Optis' approach that it means implementers have to commit to unknown payments for SEPs. They do anyway, when they deal in standardised products without a licence. A fairer perspective is that the FRAND system reduces uncertainty by ensuring implementers that they can get a licence, and that the rate will be constrained to what is fair, reasonably and non-discriminatory.
231. I therefore hold that although unusual, committing to FRAND terms in advance is not especially onerous for implementers and that means are available to manage it. Mr Berghuis' evidence also supported that conclusion.
232. Relatedly, Ms Beckwith gave evidence that the *UPSC* decision had tilted the dynamics of FRAND negotiation in favour of SEP holders and against

implementers by allowing the assessment of global FRAND, and that that unfairness (as she saw it) would be exacerbated by requiring an implementer to commit to the Court's determination of FRAND in advance. She said it would lead to supra-FRAND rates.

233. This was not evidence at all, but argument. I also think it was wrong and illogical, since by definition what the regime leads to, if the SEP owner commits to the Court's decision, is FRAND terms. She also appeared to assume that the Court would award the SEP owner a rate at the top of the FRAND range, which is incorrect and not the submission of either side before me.
234. Ms Beckwith also gave evidence that having to commit to FRAND determination in advance would prejudice small companies in particular, who might choose to leave the UK market altogether, rather than give the commitment. This point was also addressed with the economics experts and I deal with it in that context.
235. Ms Beckwith was asked some questions about whether arbitration is used or can be used to achieve resolution of FRAND disputes and so reduce uncertainty. I found this inconclusive and anyway unimportant to my decision.

Hold-out and delay

236. Given the sequencing of the evidence, Mr Berghuis led off on these topics and Ms Beckwith dealt with them in her reply report.
237. Mr Berghuis said that in general there were two kinds of potential licensees. The first was those companies who genuinely wanted to make an agreement in a timely way, and the second was those who actively sought delay, i.e. practised hold-out.
238. Mr Berghuis accepted that with the first category it was still possible that litigation could be necessary if the parties were too far apart after discussions, and he also accepted that some agreements that were made following country-by-country litigation were in fact FRAND. He also agreed that the making of a sensible offer by a licensee tended to indicate that it was in the first category (on the basis of that answer, Apple asserted that since, ahead of Trial E, it is assumed to have made an offer within the FRAND range then it may be inferred to be in the first category, but I do not need to decide that).
239. Nonetheless, his evidence that hold-out takes place and is a serious problem was compelling and I accept it. In particular, although he said that country-by-country disputes could lead to FRAND agreements, he was clear that it was a key means for conducting hold-out and could lead to non-FRAND results.
240. Mr Berghuis made the following points about delay, which I accept:
- i) Delay does not prevent implementers from getting on with their businesses, since they have the standard and can use it, before they get a licence.
  - ii) By contrast, a licensing business may not run smoothly if there is significant delay.



- iii) Delay hurts SEP owners because their SEPs have limited lifespans.
  - iv) Frequently when a licence agreement is made, the SEP owner has to discount the royalties/damages for past acts. I find that this is a significant and highly tangible result of delay. Ms Beckwith made the reasonable point, which I accept, that discounting payments for the past may not actually be damaging because it may be a way of the SEP owner maintaining a higher future rate as part of the package, and thereby obtaining a useful comparable. But that is only sometimes. In general, having to discount is a real problem of delay.
  - v) If a SEP owner cannot get a licence from one implementer then other implementers will follow suit.
  - vi) Even when a SEP owner recovers damages after delay, the Court's awards tend to undercompensate for the real loss, because of the cost of borrowing.
241. Mr Berghuis said that this all put downward pressure on SEP royalties. I accept this.
242. Ms Beckwith accepted these points in large measure in her cross-examination. Where she did not, I prefer Mr Berghuis' evidence in any event. In most instances she (or Apple's counsel in cross-examination) sought to reduce the impact of the point rather than to say it was wrong altogether. A key example of this was in relation to the last point mentioned above: Apple made the point, which I accept, that where a Court can award compound interest it is possible that a SEP owner will be fully compensated. But that only happens sometimes; very often it does not. Similarly, Apple argued that some large and well capitalised SEP owners do not have to fret about the cost of capital tied up in litigation. That may be true, but often it will not be. The same point was pursued with the economists, but I do not think it is necessary to address it again or separately there.
243. Ms Beckwith also gave evidence that delay could be addressed in the context of what the economists referred to as the "IC" situation by the SEP owner bringing proceedings in other jurisdictions in parallel so as to be ready if the implementer later rejected the Court's FRAND terms in the UK. This was not really evidence but argument and anyway runs directly contrary to the views expressed in *UPSC* that the proliferation of proceedings in this way is undesirable. Similar evidence was given by Prof Farrell but it had no greater value.
244. This all leads to the conclusion that hold-out tends to damage SEP owners, and the effect of delay in particular is asymmetric, being worse for SEP owners than for implementers.

### **Conclusion on the expert evidence as a whole**

245. The expert evidence persuades me very clearly that the IC rule and Apple's interpretation of clause 6.1 (they are very similar if not the same) would tend to create situations where implementers could practise hold-out that would harm SEP owners in their efforts to obtain financial rewards from their SEPs. The

effects of delay tend to be asymmetric and affect SEP owners significantly more badly than implementers.

246. Assessment of the expert evidence has been a long digression (as I said it would be) and has simply led back to the view expressed by the Supreme Court in *UPSC* at [10] as being part of the key internal context to the ETSI IPR Policy.

### **The words of clause 6.1**

247. As I have said, the overall task under French law is to determine the intention of the parties. The words of the contract are an important but not necessarily decisive part of the exercise. They are also important in assessing whether a contractual provision is so clear and precise that it does not admit of any interpretation.

248. The parties made a number of points about the express words of clause 6.1.

#### “Irrevocable”

249. Clause 6.1. contains the word “irrevocable” twice.
250. The first time is where it refers to the SEP owner having to “give within three months an *irrevocable* undertaking in writing ...”. This means that the SEP owner cannot give the undertaking and then later withdraw it. The reason is obvious, since it will be (partly) on the basis of the SEP owner’s undertaking that ETSI will allow the standard in question to be set in terms which requires the patented technology. It would be unworkable if the standard could be set that way and then licences later became unobtainable.
251. The second time follows immediately after the first and specifies that the SEP owner has to undertake to “grant *irrevocable* licences” on FRAND terms. The purpose is similar but now focuses on the interests of the licensees: it would be wrong for them to commit to a course of commercial conduct in reliance on having a licence and being able to practice the standard, only for the licence to be withdrawn.
252. I do not think the use of the word “irrevocable” helps either way in relation to the main point that I have to decide, which is whether the implementer has to commit to taking a FRAND licence. It is important, for reasons I have just given, that the SEP owner’s undertaking to give licences is irrevocable and that individual licences, once given, are irrevocable. But there the focus is on preventing obstructive behaviour by the SEP owner, not about what the implementer has to do.
253. I do not in fact think that Apple deployed the word “irrevocable” in relation to whether the implementer has to commit to the FRAND licence, but in relation to the different question of whether, if the implementer does not commit at some relevant time, it is permanently shut out from ever invoking the SEP owner’s FRAND commitment. On that point, I think there is some modest force in the presence of the first “irrevocable”, in that it emphasises that the possibility to get

a FRAND licence must always exist. But I reject Optis' case on that issue anyway, for reasons given below.

The list of acts to be licensed

254. The next aspect of the wording of clause 6.1 that was relied on is the list of acts under the four bullet points. The purpose of those bullet points is to define broad categories of acts which must as a minimum ("to at least the following extent") be covered by the FRAND licence. The purpose is to ensure that all the acts necessary to practice a standard are licensed. It carries the general implication that the licence should be wide in scope and that access to the standard must not be jeopardised by some relevant act not being licensed, but that is of minimal relevance in assessing the issue of the necessary commitment on the part of the implementer.

"those who seek licences"

255. The last two lines of clause 6.1 say that "The above undertaking", which is clearly the SEP owner's undertaking, "may be made subject to the condition that those who seek licences agree to reciprocate".
256. This is of some significance. It explicitly introduces the concept of a category of persons: "those who seek licences". As a matter of semantics, of the sequence of the wording of clause 6.1, the concept is only introduced near the end, when addressing the sub-issue of the SEP owner being able to insist on cross-licensing as a condition of its own undertaking, but as a matter of substance I think the concept is relevant to the whole clause. The concept defines the people who may get licences under the SEP owner's undertaking and hence the beneficiaries of the stipulation pour autrui.
257. Apple made the point that these last two lines contain an express obligation on the implementer receiving a FRAND licence, to grant cross-licences, and it says that this makes it less likely that there is any implicit obligation, such as the obligation to commit to take a FRAND licence whose terms are as yet unknown pending a Court decision. I address this further below.

**Clear and precise?**

258. Under French law I must first consider whether clause 6.1 is so clear and precise that it is not open to interpretation. As I said in my judgment on Trial B, referred to above, the situations where clauses are so clear are rare, and their circumstances stark. In the present case, Apple says that "those who seek licences" has only one possible meaning, a very broad one: literally anyone who wants a licence.
259. I think, however, that it is obvious that there is a discussion to be had about the meaning of the phrase. Its scope can be illustrated by Apple's own position. While it says it wants a licence, its desire is highly contingent. It wants a licence if it likes the terms in due course, and it reserves the right to reject the licence that is on offer. It might be said that what it seeks is not a *licence*, but an *option* on a licence, or a mere *determination* of what licence terms *would be*. Alternatively,

one might say that it is not *seeking* a licence, but just expressing a (conditional) interest in one.

260. I thus reject the argument that clause 6.1 is not open to interpretation. I will therefore go on to interpret it. As I also set out in my Trial B judgment, and again I have given the reference above, the same materials that can be used for interpretation are also relevant to whether a clause is clear and precise in the first place. I think the matters that I have discussed and am going to go on to emphasise under the head of interpretation reinforce why the clause is not clear and precise.

**Apple's argument on *UPSC* at [151]**

261. Before interpreting clause 6.1 it is convenient to deal with what is effectively a threshold question. As I have said above, Apple relies heavily on *UPSC* at [151] where the judgment says that “in the United Kingdom, it is not the practice to grant a final injunction unless the court is satisfied the patent is valid and infringed, and it has determined a FRAND rate”. Apple contends that in saying this the Court was endorsing or even I think deciding in favour of Apple's interpretation of clause 6.1. Apple referred to this practice as “the status quo” in its arguments.
262. I have pointed out above that the Supreme Court was not addressing the point of interpretation of clause 6.1 that arises for decision by me. In addition, [151] is not from the section of the Supreme Court's judgment addressing the ETSI IPR Policy, clause 6.1, or the context for its interpretation. [151] is instead from the section of the judgment discussing *Huawei v ZTE*. Having held in [150] that the requirement for *some* notice/consultation was absolute if abuse of dominance was to be avoided, the Court in [151] was discussing the nature of the notice that was necessary, and expressing its agreement with the Courts below that it must depend on the circumstances of the case. One important circumstance identified, which would vary between jurisdictions, was how soon within proceedings a SEP owner might seek an injunction. In Germany, the Court said, it might be relatively soon, because validity need not be tried, whereas in the UK it would be later. Just before the sentence on which Apple relies, the Court said that “in some member states, an injunction might be granted before a FRAND rate is determined”.
263. It is perhaps unclear whether the Supreme Court meant that there actually *was* an established practice in the UK to wait until FRAND is determined before considering final relief, or rather whether that *ought* to be the situation. It is also unclear to what extent the Supreme Court was shown cases where the practice was said to have been applied. For the purposes of making the point that national proceedings varied, the Court did not need to go into the distinction.
264. I asked Ms Demetriou whether it was Apple's argument that there was an established practice or whether the Supreme Court was saying how things ought to be. She submitted that it was at least the second, and directed me to some authorities which it was contended showed there was an actual practice.
265. I do not think that the cases to which Apple took me on this point helped it:

266. The first authority was *Nokia v IPCOM* [2012] EWHC 1446 (Ch), but that could not assist Apple because although FRAND was allocated to a later trial, Nokia undertook that it would enter into a licence on the terms to be decided (the argument was purely about terms for the UK patents, not global). Ms Demetriou withdrew reliance on the case.

267. The second authority was *Conversant v Huawei* [2018] EWHC 808 (Pat), per Henry Carr J at [66] – [69]:

“66. The fact that these are claims for infringement of UK patents is a matter of substance, not form. Of course, the object of the proceedings is to obtain the relief sought in the claim form, in these cases either a global FRAND licence or a FRAND injunction, but this does not differentiate these proceedings from other cases before the English court; the relief sought is generally the object of the proceedings.

...

68. I agree with Birss J that there is no such thing as a portfolio right. That mischaracterises the claim, as it is not the cause of action sued upon. These claims are concerned with infringement of UK patents, and the relief that should be granted if infringement is established. If one or more of the four patents in suit is held to be valid and infringed, then the court will consider what relief should be granted. *Conversant* says that it is willing to grant a licence on FRAND terms and (subject to some equivocation) the Defendants say that they are willing to take a licence on FRAND terms. There is a dispute between the parties as to whether a global licence would be FRAND.

69. In *Unwired Planet*, Birss J held that a global licence was FRAND, on the basis of evidence as to industry practice, and comparables agreed between willing licensors and willing licensees of SEP portfolios. Whether such relief should be granted in the present case will be a matter for the FRAND trial, if liability is established. If these claims were stayed on the basis of forum non conveniens, then the consequence would be that the English court could not decide upon infringement of UK patents, and could not decide what relief it would be appropriate to grant where such patents are infringed. That, in my judgment, would not be in the interests of all the parties and the ends of justice.”

268. But this really only records that whether global terms ought to be set would depend on findings to be made at the FRAND trial.

269. The third authority was *IPCOM v HTC* [2020] EWHC 2941 (Pat), per Birss J at [4]:

“4. Once the issues of liability were resolved the Court of Appeal remitted the case back to the Patents Court for a damages inquiry and a hearing to determine the terms of a FRAND licence which HTC would have to take in order to avoid an injunction.”).

270. The fourth and final authority was *Philips v TCL* [2020] EWHC 2553 (Ch), but the specific passage relied upon by Apple appeared to do no more than record at [45] the submissions of counsel (Mr Pickford) in that case:

“45. He went on to submit that Philips accepted that that was the correct view. The proceedings in the two jurisdictions were different - in England and Wales the proceedings were tort proceedings - infringement of patents seeking consequential relief. That relief involved a FRAND determination if TCL wanted to avoid the injunction.”

271. In any event, *IPCom v HTC* and *Philips* were decided after judgment in *UPSC* was given so cannot be what the Court had in mind at [151].
272. There is therefore only the slenderest support, if any, for the existence of an actual practice of the kind for which Apple contends, limited really to the inference from Birss J in *IPCom v HTC* that HTC might refuse FRAND terms and submit to an injunction. Even that is muddled by the fact that HTC was disputing whether anything it intended for the future would infringe, because it would be able to work around the patent. Birss J may have been saying that that is how those proceedings were arranged, but he was not saying it was the right or best way that it should be done.
273. So Apple’s reliance on these cases fails. It is much more likely that the Supreme Court simply had in mind at [151] the situation in the Unwired litigation that was before it and used it as an illustration that the grant of an injunction comes relatively later in UK practice than in the practice of other jurisdictions. In Unwired itself, it was indeed the case that an injunction was not considered until the FRAND judgment, but there had been no discussion about whether or not that was the right way to proceed, since it was only at that trial that it emerged that Huawei might not accept FRAND terms set by the Court.
274. I conclude that the Supreme Court was doing no more at [151] than making a general point that national courts would vary in how soon they considered FRAND, so that the nature of the consultation required under *Huawei v ZTE* had to be assessed flexibly. It was not saying that the UK practice as expressed was necessary, or the only way to do things, and it certainly was not saying that clause 6.1 required such a sequence. Had it been saying that then it would clearly, if implicitly, have seen saying that the courts of those member states which granted injunctions before a FRAND determination, to which it had referred in the penultimate sentence, were acting inconsistently with clause 6.1. I am sure it did not intend that. It was not turning its mind to clause 6.1 at all at that stage of the judgment.

## Interpretation

275. I thus come, at last, to the actual interpretation of clause 6.1. Apple made the point in its opening and closing submissions that the interpretation of clause 6.1 needs to be “robust to, and justified in, all possible factual scenarios”, including in particular, it said, where the implementer has made a FRAND offer and the SEP owner has only made offers so far above FRAND that they disrupt negotiations (in other words the facts to be assumed pending Trial E). This was a rather tendentious way of making a valid point, which is that clause 6.1 applies to parties of all kinds and sizes, and has effect internationally. It has to be applied in relation to the UK, which is the task facing me, but also around the world, and its interpretation should therefore not be undertaken exclusively or excessively through the lens of UK litigation practice. Other territories will not have the situation where there is a significant gap between finding validity and essentiality and then later FRAND terms.
276. I have already identified from the ETSI IPR Policy itself, and from *Huawei v ZTE* and *UPSC* the balance which clause 6.1 must serve. As, I have also said, those cases and *UPSC* in particular make clear that hold-out by implementers is to be deprecated.
277. I have already expressed my view, based on the analysis in those cases and on the expert evidence before me, that the IC approach that Apple takes would provide a tool which *could* be used by implementers, if they so decided, to carry out or support hold-out.
278. In my view, the right interpretation of clause 6.1 is that any person interested in implementing an ETSI standard must be entitled to have a licence on FRAND terms on demand to a patentee which has given the relevant undertaking. That is the class of beneficiaries, and it is a very broad one. It is consistent with the ETSI regime of making standards widely available that there should be no restriction in terms of what the beneficiary wants to do commercially, as to manufacture, sales or the like – the acts which in the absence of a licence would be an infringement.
279. However, what such a person must be entitled to is to *have and take* a licence, and to *operate under* a licence. Clause 6.1. does not change the position that a party without a licence may potentially be enjoined. Thus I essentially accept Optis’ point that it is not right and not the intention of clause 6.1 for a party using the technology of a SEP to have the benefit of the patentee’s FRAND undertaking in terms of immunity from being sued, without the corresponding burden of taking a licence.
280. Optis expressed this in terms of the beneficiaries of the stipulation created by clause 6.1, and says that to be a beneficiary the potential licensee must commit to take a licence on FRAND terms set by a Court in default of agreement. Apple’s position was also expressed in terms of the beneficiaries; it contended that Optis’ argument did not fit with the words of clause 6.1, was unduly narrow, and created an implicit obligation (to give the commitment to take a licence), which was not permitted by French law.

281. Apple put the matter this way: it said that the parties were agreed that absolutely any implementer can have a licence under clause 6.1 as a beneficiary (this was certainly Apple's position), and that to succeed Optis *either* had to argue that although entitled to a licence in general Apple was precluded because it was in breach of the obligation of good faith that accompanies contractual performance under French law, *or* it had to "read in" the obligation to commit to a licence. Apple said that the first was fact sensitive and would require resolution of issues reserved to Trial E, and that the second was not possible under French law, or wrong.
282. I do not think this was in fact how Optis argued the case, though. As I have said, Optis' case was founded on the dictum of Kitchen LJ in *UPCA* at [54] where he referred to implementers negotiating in good faith and where necessary committing to a licence to be determined by a Court in default of agreement. The first of those does indeed sound fact sensitive and perhaps similar to the French law concept of good faith in contractual performance, but Optis has always contended that the requirements are cumulative and that the second, committing to a licence, is a hard-edged requirement. It therefore does not accept the very first step in the way that Apple characterised its (Optis') case.
283. I do however accept that there is some force in the criticism made by Apple that Optis' formulation of the class of beneficiaries (the need for a "commitment"), and its arguments generally, have been framed too much in the specific context of UK proceedings, with too much of an eye to the period which elapses in UK practice between a finding of infringement of a valid patent, and a FRAND trial. But I do not think this matters much. The key concept and key argument for Optis was the one I have mentioned above, of the implementer not having the benefit of the FRAND undertaking without accepting the burden.
284. Optis sought to reinforce its argument by contending that on Apple's view it would not be possible to tell whether an implementer fell within the relevant class at the time of performance of the SEP owner's promise, but only later when FRAND terms were identified. I do not agree with this as such because Apple's class of beneficiaries is so broad as to be easy to determine at any time; it just requires that the implementer says it is interested in a FRAND licence. Optis' argument does however flag a different timing issue which I think is very important and come to below: the implementer needs a licence when it is found to infringe, but on Apple's analysis does not actually take one until later, and may never take one at all.
285. So I would express the class of beneficiaries of the stipulation of clause 6.1 as: any undertaking which wants a licence to work a relevant standard by any commercial activities, and which intends to work the standard under a licence from the SEP owner. This meets the balance envisaged by the ETSI IPR Policy because it places no limitation at all on access to the standards other than the need to respect FRAND terms. Whether or not this might be fact sensitive in some cases, it is not in the present case, since Apple intends, unless the Court stops it, to work without a licence for period from now until Trial E. It will also not be fact sensitive in any case where the implementer declines to commit to a licence on FRAND terms but wants to work the technology of a patent that it has been found to infringe.



286. Not expressing the analysis in terms of giving a commitment avoids the problem of the interpretation being too tied to UK procedure.
287. Had it been right and necessary to decide whether a commitment to take a licence at some later point could and should be implied under French law, I would have held that it could and should. I have dealt with the relevant French law above. Given my other reasoning I think it is very obvious that ensuring there was not the ability for implementers to work the standard without a licence was the intention of ETSI. I accept Apple's point that clause 6.1 has an express obligation on implementers in some circumstances to grant cross-licences, and it could be a factor against implying other obligations, but it is of very modest weight, and if the matter has to be approached by the implication of an obligation, then an obligation necessary to make the whole balance of clause 6.1 work clearly should be implied.
288. That is how I would analyse matters in terms of beneficiaries and (if necessary) implied obligations, but I think there is a simpler way to look at matters. As matters stand, Apple is infringing Optis' patent rights. It therefore needs a licence *now* if it is not to be acting unlawfully. So even if clause 6.1 has no limitation at all as to its beneficiaries, as Apple contends, and Apple is able to call for and take a FRAND licence whenever it wants, it needs to do so now. Otherwise it is infringing now, even though a licence is open to it. On the authority of *UPSC*, there should then be an injunction. In French law terms, one would just say that the stipulation does not take effect and confer on Apple the benefit of a FRAND licence until it is accepted.
289. The way for Apple to remedy this situation as a matter of this Court's procedure is to give an undertaking to take whatever licence is set at Trial E. That would ensure that its intention was to operate under a licence. One might debate at what point after it gave such an undertaking Apple would actually become licensed. This was not argued in any detail before me. Since French law (on the basis I am proceeding) does not require a specific price for a valid patent licence it may be possible that a licence comes into effect immediately. It is however not necessary to decide this, however, since Optis does not, as I understand it, say there should be an injunction if the undertaking is given.
290. Apple emphasised repeatedly that the interpretation of clause 6.1 that Optis argued for and which I have essentially accepted must be of general application, and that its own situation emphasises that the interpretation bites on companies which "want" a licence and which are "willing" to become licensees. It relies in particular on the fact that it has made a licence offer within the FRAND range (as I assume for the purposes of this trial). The trouble with the submission is that Apple only "wants" a licence and is only "willing" in a limited sense. Its offer within the FRAND range does put it in a different situation from that of Huawei in the Unwired litigation, but falls critically short of agreeing to take a licence on the point within the FRAND range that the Court settles at Trial E. It only "wants" a licence on its own terms and at a time of its own choosing, and then only conditionally; it reserves the right to say no altogether. Its contention is that it ought to be able to use Optis' technology for another year and then, if it declines to take the FRAND terms on offer, *never* to have had a licence. This cannot be what ETSI intended by clause 6.1. The fact that my approach to clause 6.1 means

that Apple is not currently entitled to a FRAND licence does not cause me to doubt my conclusion.

**Optis' case on timing and permanent loss of the right to a FRAND licence**

291. Optis argues that in order to benefit from clause 6.1 an implementer must commit to take a licence on FRAND terms to be determined by a Court in due course if not agreed. I have said that I do not think the position is best looked at in terms of a commitment at all, but in terms of whether the implementer intends to operate under a licence.
292. Nevertheless, whatever the analysis I will deal with Optis' further contention that the commitment for which it argued must be given as soon as the SEP owner indicates that it is unequivocally willing to grant a FRAND licence on terms settled by the Court, or alternatively at the latest when there is a finding of infringement and validity.
293. Optis also argues that if the implementer does not commit at whichever of those times is the relevant one, it forever loses the right to a FRAND licence. Therefore, it says, in such a situation the SEP owner is entitled to an unqualified and permanent injunction. It seeks to soften the impact of that result by accepting that the SEP owner is still constrained by competition law and therefore cannot use its position to extract royalties at a level amounting to an abuse of dominance.
294. I reject these points.
295. As to the first point in time, when the SEP owner first indicates its willingness, the implementer may not know then if it infringes at all. It may think that it does not. It may therefore think that it does not need a licence at all and that its activities are lawful. For reasons considered elsewhere in this judgment, all that changes when there is a finding of infringement. Further, at that early stage there may have been only very limited provision of information by the SEP owners in terms of the parameters for a licence, its portfolio, or its case on infringement.
296. Optis argues that because global SEP portfolios are highly likely to contain at least some valid and essential patents, it is justified that the implementer has to commit at this early stage, and it relies on the analysis of the Advocate-General in *Huawei v ZTE* at [94], [95] and [103(5)] and the decision of the Dusseldorf Landesgericht in *Vodafone v St Lawrence* no. 4a O 73/14 at p. 63. Those cases say that the implementer ought to be allowed to challenge validity and infringement without losing its FRAND entitlement; they do not say that *just* by agreeing to submit to a Court determination of FRAND the SEP owner is entitled to an injunction, but contain other requirements as well. They are also dealing with matters of competition law, not the meaning of clause 6.1.
297. I also do not accept that it should be assumed that any SEP portfolio must have some valid and infringed patents in it. There may be small or weak portfolios which do not.
298. Optis has argued for two specific timing points. I have rejected the first (SEP owner's initial commitment) but I accept the second in the modified sense I have

explained above, i.e. without looking at clause 6.1 requiring a commitment as such. When there has been a finding of infringement of a valid patent the implementer can have a licence if it wants one, and it can carry on practising the relevant patent, but only if it intends to do so under a licence. In the procedure adopted in this Court, that will require the giving of an undertaking.

299. I turn to Optis' argument that the implementer permanently loses its right to a FRAND licence if it fails to commit at the relevant time.
300. The policy behind clause 6.1 is to ensure wide access to the relevant standards for all implementers who want it, at FRAND rates. If Optis' argument were right, an implementer which declined to make a commitment to a court-determined FRAND licence would lose that access. It might still get a licence at rates in respect of which the SEP owner was constrained by competition law, but that could well be higher than FRAND (see Birss J in *UPHC* at [153]).
301. Implementers might decline to commit to FRAND for a number of reasons. One might be that they did not think they infringed, but later found they had misjudged the situation. Another (raised by Apple in argument) might be that at an early stage they had only a very small presence in the UK and preferred to not operate here rather than to fight the SEP owner; that might change as market opportunities grew. In either case it would be unfair and unprincipled to punish what was merely a misjudgment by removing the FRAND entitlement permanently.
302. I do not think there is anything in the terms of clause 6.1 that supports Optis' position on this issue and for the reasons I have just given it runs counter to the purpose of clause 6.1.

## **SECOND ISSUE - ABUSE OF DOMINANCE SUB-ISSUE**

### **Apple's allegations of abuse**

303. Apple's allegations of abuse are as follows (paragraph 70 of the Re-Re-Amended Confidential FRAND Defence and Counterclaim):

70. In the pursuit of their licensing strategy the Claimants are:

- (1) Seeking to charge royalties that are excessive by reason of the facts and matters pleaded in paragraphs 39-41, 44-45, 47-49, 53-55 and 57-60 above, paragraphs 93-97 and 100-105 below and Confidential Annex 3;
- (2) Seeking to impose non-royalty rate licence terms that are unfair by reason of the facts and matters pleaded in paragraphs 106-107 below;
- (3) Bundling the Accreted Portfolios together with the UP Portfolio notwithstanding the fact that, amongst other things, the Accreted Portfolios comprise Unproven SEPs, as pleaded in paragraphs 63-65 above;

- (4) Seeking to charge an implementer who wishes to take a licence in respect of the UP Portfolio only the same royalties as would be payable by an implementer who wished to take a licence of both the Accreted Portfolios and the UP Portfolio, notwithstanding that the former requires a different licence to the latter and the transactions are therefore not equivalent;
- (5) Making offers, in the course of what they (the Claimants) claim to be FRAND negotiations, that have royalties that are so far above a FRAND level (and/or that contain other proposed licence terms that are so removed from FRAND terms) as to be liable to disrupt and/or prejudice negotiations, as pleaded in subparagraphs 70(1) and 70(2) above and paragraph 127 below;
- (6) Moreover, making offers, in what they (the Claimants) claim to be FRAND negotiations, the royalty levels of which actually increased in the course of those negotiations;
- (7) More generally, by their conduct (which includes their bringing proceedings for injunctive relief in the circumstances described in paragraphs 57-59 and 63-64 above and paragraphs 98 and 119 below), seeking to exploit the uncertainty in the law or the application of the law in the U.K. and other territories with regard to the validity, infringement, essentiality or enforceability of particular patents, the terms of any licence that may be determined to be FRAND in respect of them and the circumstances in which the court will grant injunctive relief in respect of them or grant such relief subject to a FRAND Proviso, with a view to exacting excessive royalties from the Defendants in respect of all, or part, of the PO Portfolio;
- (8) Advancing the New Claims, including alleging that the Defendants are not a “willing FRAND licensee”, in circumstances where it is the Claimants (and not the Defendants) who have failed to comply with the requirements set out by the Court of Justice of the European Union in Case C-170/13 *Huawei Technologies Co Ltd v ZTE Corp* EU:C:2015:477 (“*Huawei v ZTE*”) at [60]-[69]. The Defendants have complied with those requirements by (i) diligently and promptly responding to the offer made by the Claimants, including by making a specific counter-offer that corresponds to FRAND terms, and (ii) shortly thereafter providing the Claimants with a bank guarantee in the amount of the said offer and thereby providing the Claimants with appropriate security. The Claimants’ failure to comply with the requirements set out in *Huawei v ZTE* includes, in particular, failing to make an initial specific, written offer on FRAND terms and failing to continue the negotiations in accordance with *Huawei v ZTE*, [63]. Insofar as the Claimants seek to rely on their willingness to accept licence terms determined by the court as fulfilling their obligations to make such a specific, written

offer on FRAND terms, it is denied that such willingness fulfils the requirements laid down in *Huawei v ZTE*;

- (9) Seeking injunctive relief against the Defendants in circumstances where the FRAND licence terms have yet to be determined, thereby exploiting their market power to compel the Defendants to cease implementing any relevant SEPs or to commit to taking a licence on unknown terms or to enter into a licence that is manifestly not on FRAND terms. Without prejudice to the foregoing, such conduct amounted to a constructive refusal to license the Defendants; and
- (10) Exploiting their market power to seek to compel the Defendants to commit to taking a licence on unknown terms (whether or not conditionally), and advancing the New Claims herein in the light of the Defendants declining to so commit, prior to having established the existence of any use by the Defendants of a valid SEP (and hence any relevance to the Defendants of any such licence).

- 304. Ms Demetriou said that Apple relies on (1), (2), (5), (6) and (8)-(10) (though not including the second sentence of (8)) as being the abuses which justify refusal of an injunction.
- 305. (1) and (2) go together and relate to the terms which Optis is alleged to be trying to get.
- 306. (5) and (6) go together and relate to Optis' conduct by its offers during negotiations.
- 307. The first sentence of (8) relates to making the "New Claims", which basically means Optis' case at this trial, and the last two sentences assert non-compliance with *Huawei v ZTE* and essentially though not explicitly refers back to the matters set out at (1), (2), (5) and (6). (9) also focuses on what Optis seeks at this trial, namely an injunction in advance of FRAND terms being decided.
- 308. (10) is not really relevant because it relates to seeking an injunction prior to proving infringement, and I have found at Trial B that there has been infringement of a valid patent.
- 309. Paragraph 71 pleads that the matters listed in paragraph 70 constitute abuses of a dominant position individually and/or taken together. I agree that it is relevant to consider them in their totality, but it is not necessary to my conclusion.

## **Analysis**

- 310. The critical issue here is the interpretation of [158] of *UPSC* and Optis' argument that as long as it has committed to the Court's FRAND terms while Apple has not, there can be no finding of abuse.

311. I reject Optis' argument. Birss J in *UPHC* held that there was no abuse, and it was a factor for him – a major one - that Huawei had not committed to take a FRAND licence. But he assessed all the factors, including the conduct of negotiations and of the litigation.
312. Therefore, when in [158], first sentence, the Supreme Court said that there was no reason to interfere with his assessment of no abuse, the context was an all-factors assessment by him. That is why the Supreme Court went on to record in the next two sentences that he had considered the notice given and the course of the negotiations: it was endorsing the judge's view that those could be relevant. In the last sentence of [158], when the Supreme Court said that "What mattered on the facts of this case ..." was Unwired's willingness to commit to the Court's terms and Huawei's unwillingness, it was recognising the importance of that factor, but was not saying that it was the only relevant thing.
313. I do not base my decision solely on an interpretation of [158] of *UPSC*. I think it makes sense as a matter of substance that there could potentially be an abuse even where the SEP owner is willing to abide by the Court's decision. For one thing, a SEP owner which was so willing might yet perpetrate an abuse by suing without adequate notice or consultation, in breach of the hard restriction against doing so. It is possible to imagine such a course of conduct putting pressure on an implementer.
314. Suing without notice is not one of the abuses alleged by Apple, but preventing meaningful negotiations by exorbitant demands is, and so is seeking excessive royalties. I have said above that I think the negotiation step in relation to SEPs the subject of FRAND undertakings is, on the authority of *UPSC*, of substantive importance. It provides the implementer with an opportunity to persuade the SEP owner and to avoid costly and wasteful litigation, and it provides a means by which the implementer can obtain information about the SEP owner's portfolio and comparable licences. By those means the implementer has the ability to try to hold any terms which are agreed to ones which are reasonable. A SEP owner's refusal to negotiate at all could therefore increase the pressure of threatened litigation and might lead to the implementer agreeing, in ignorance, to pay royalties which were too high, or out of line with what other licensees were paying. If a refusal to negotiate at all could be an abuse, or a contributing factor to a broader abuse, then it must follow that rendering negotiations meaningless by asking for exorbitant terms can be as well.
315. My conclusion in this regard does not mean that Optis necessarily has behaved abusively, or that its behaviour fits the patterns I have just described, but it does mean that it is not possible to conclude in advance of Trial E that it has not so acted.

## **SECOND ISSUE - REFUSAL OF INJUNCTIVE RELIEF SUB-ISSUE**

316. My conclusion that there is a possibility of a finding at Trial E that Optis has behaved abusively is not the end of the analysis, however. I must go on to consider whether the result is that an injunction should be refused even though Apple is infringing Optis' patent rights.

317. In assessing this, I must plainly continue to assume that Apple will succeed at Trial E in establishing the abuses alleged. I remind myself, also, that I am dealing with the availability of *final* relief, not the possibility of interim relief on *American Cyanamid* principles, or relief pending an appeal. So I approach this part of my analysis on the basis that Apple is infringing Optis' rights.
318. As I have said above, Birss J considered this issue in *UPHC*, but his analysis was *obiter*. The Supreme Court did not have to consider it, because it upheld the decision that there was no abuse. I do have to decide it.
319. Birss J's judgment in *UPHC* contains pointers both ways, as I have identified above. He made a general statement at [744] vii) that usually an injunction should be refused if there has been an abuse, but went on at [795] to say that he was "far from being convinced" that refusal of an injunction would be proportionate.
320. I do not think those statements are necessarily inconsistent. I think they can be reconciled by saying that if there is an abuse of dominance an injunction will be withheld unless the Court thinks it is disproportionate to do so. Factors in the assessment will include the following, which are identified in [795]:
- i) The passage of time;
  - ii) Whether any prejudice still endures;
  - iii) The implementer's attitude to taking a FRAND licence;
  - iv) The availability of alternative financial remedies.
321. Although, as I have said, the Supreme Court did not consider the specific issue of grant or refusal of an injunction in the light of a finding of abuse of dominance, I think its analysis of SEPs, the FRAND undertaking, and the discretion to award damages in lieu of an injunction are highly relevant by analogy. Its reasoning and conclusions were not available to Birss J, in particular in relation to damages in lieu, which was not argued before him.
322. The Supreme Court in *UPSC* made a very clear decision that the normal position is that there should be an injunction against an infringer. It particularly stressed that that ought to be the case where the infringer has the means to get a licence, as Apple does, but does not take it. Apple's allegations of dominance do not change the fact that it is now able to invoke Optis' obligation to grant a FRAND licence, but does not want to.
323. In connection with the argument on damages in lieu of an injunction, the Supreme Court held ([164]) that the existence of the SEP owner's FRAND obligation, which Optis has confirmed it will honour, means that there is no possibility of the threat (or grant) of an injunction leading to exorbitant fees, and it held that damages are not an adequate remedy in lieu because in the absence of an injunction there would still be the threat to the SEP owner of a proliferation of litigation internationally and, hence, hold-out.

324. For these reasons, I think the effect of the Supreme Court's reasoning in *UPSC* is that withholding an injunction will tend to leave the SEP owner with an inadequate remedy, and frustrate that goal of the ETSI FRAND regime to prevent hold-out.
325. That is only part of the picture because there may be positive purposes from the withholding of an injunction, to which I will come in a moment, but I think it means that the position has moved on from when Birss J gave his judgment in *UPHC*.
326. As I say, I must consider on the other side of the coin what positive effects withholding an injunction might achieve in the context of a finding of abuse of dominance. That must, I think, depend on what the abuse is and what its effects are or might be. In the present case, as I have explained above, there are two related aspects. The first is the seeking and thereafter imposition of excessive royalties. The possibility of non-FRAND royalties being compelled from Apple no longer exists though, as the Supreme Court made clear at [164]. The Court is going to set FRAND rates and Optis is going to have to respect them. The second aspect is disruption of negotiations and the risk of Apple having been rushed into agreeing excessive royalties without adequate knowledge of Optis' portfolio or basis for its requested rates. That too has ceased to have effect. The parties are just too far apart to have settled, but Optis has had to plead out its case on rates to the Court's satisfaction and Apple knows where it stands. I said above that it is necessary to consider the aggregate effect of the assumed abuses, as Apple has pleaded, but it does not make any difference at this stage. The alleged abuses have no continuing effect separately or in totality.
327. In this context, I asked Ms Demetriou in the course of argument what the purpose of withholding an injunction would be; would it just be to seek to deter other SEP owners from behaving in the way that Apple says Optis has? She said that it would not just be deterrence. She said that if Apple were right and Optis had carried out a policy of frustrating negotiations by ridiculous demands so Apple did not know where it stood, in pursuit of excessive royalties, then the Court would be endorsing and assisting that policy if it granted an injunction.
328. I reject this: by insisting on Optis undertaking to honour the Court's FRAND determination and by ensuring that Optis' FRAND position is explained, the Court is preventing any further effect of such abuse (if there was one).
329. I think the key relevant factors here are:
- i) Optis accepts it must give a licence and will obey the Court's decision as to the FRAND terms.
  - ii) Apple has the means to obtain a licence but has not taken them.
  - iii) Damages would not be an adequate remedy in lieu of an injunction.
  - iv) Any effect of the abuses alleged has ceased and/or is prevented by the Court's process already.



- v) There are alternative financial remedies available to Apple by way of damages, costs or the limitation of Optis' recovery (see *UPHC* at [795]).
330. These all militate in Optis' favour and it would be wrong to withhold an injunction. One can imagine that in other, different situations it would be appropriate to refuse an injunction, especially if the SEP owner had not committed to adhere to the Court's decision on FRAND. Another example might be if the SEP owner was seeking an injunction at a time when it had still not explained the basis for the rates sought, although I think that is very unlikely to occur in the context of UK litigation.
331. As I have said, I must also consider whether it is appropriate to make this decision now, without waiting until Trial E. I think it is. My reasoning assumes that Apple will prove the abuses at Trial E that it alleges. I have concluded that the effect of those abuses, if any, has ceased or been prevented, and that will not change.

### **THIRD ISSUE – DISCRETION**

332. I have already said that Apple accepted that most of the issues that it raised under the head of discretion also fell to be decided in connection with the policy underlying clause 6.1 and/or the relevant competition law. I agree with this. I have found that there is a powerful interest in SEP owners being granted injunctions where infringement is found, provided that they respect their own FRAND commitments, and provided that there is not an abuse of dominance which the Court needs to address by refusing an injunction. Where both those provisos are met, an injunction will generally be granted and there will be little if any room for any further consideration of the Court's discretion.
333. Optis cited the decision of Birss J in *Evalve v Edwards* [2020] EWHC 513 (Pat) as further support for its argument that any question of discretion ought to be answered in its favour. That case did not concern SEPs or the competition law issues that they give rise to, but patents for medical devices in a context where the defendant relied on the risks to patient health if its device, which it said was superior to the claimant's, at least arguably and at least in some patients, was enjoined. The decision contains a detailed review of the statutory framework for patents and the applicable principles for the grant or withholding of an injunction where the public interest is engaged, with consideration of *Coventry v Lawrence*. In its general thrust it is certainly in Optis' favour as it emphasises the adverse effects on patentees of being subjected to, effectively, a compulsory licence for which there is no specific statutory basis. Apple did not make any submissions on it. Although it provides some general thematic support for Optis I think *UPSC* is much more important for its focus on the specific context of SEPs.
334. In the light of the above, I will in this section simply address Apple's points made under the heading of discretion which have some potential significance separate from what I have already covered on the other issues.

### **The Court cannot compel the taking of a licence**

335. Apple contends that the Court cannot compel the taking of a licence under FRAND terms. In support of that proposition it cited the Court of Appeal's judgment in *TQ Delta*. I agree that the Court cannot compel the taking of a licence. *UPSC* makes clear that the Court can grant an injunction against UK patent infringement and the implementer can choose to invoke the contractual right to a licence under clause 6.1, or otherwise submit to an injunction. I do not think Optis argued otherwise.

### **UPSC at [151] maintains the balance between SEP owner and implementer**

336. Apple contends that the Supreme Court held at [151] that there is a practice in the UK of not granting an injunction prior to FRAND terms being decided and that that practice maintains the balance between SEP owner and implementer. I have rejected Apple's interpretation of [151], however, and found that the balance is in favour of an injunction in the absence of FRAND terms.

### **Premature to exercise the discretion; SEP owner not prejudiced by waiting**

337. Apple next contends that there are issues relevant to the Court's discretion which await determination at Trial E – it points particularly to the allegation that Apple has made a FRAND offer – and that there is no detriment to a SEP owner in waiting until the FRAND trial to get an injunction.
338. In my reasoning up to here I have assumed that Apple has made a FRAND offer. However, that just means that it has made an offer which falls within the FRAND range. It is therefore a highly qualified offer. A key limitation is, for reasons that Birss J explained in *UPHC*, that it has not accepted that it will take a licence on the terms the Court decides. So this provides no basis for thinking that if it is found at Trial E that the assumption is correct, and Apple's offer was in the FRAND range, that the Court will react by refusing an injunction.
339. Relatedly, Apple says that the discretion's exercise must await findings as to Optis' allegedly abusive conduct. Again, I have assumed in Apple's favour that that conduct occurred, but have found in relation to the competition law issues that it would only be appropriate to withhold an injunction to curtail abusive behaviour, not merely in order to punish past conduct. The same logic applies.
340. As to the allegation that the SEP owner is not prejudiced by having to wait for its injunction, I have found above that damages are not an adequate remedy, and that (among other things) having to wait in a state of uncertainty as to whether other proceedings in other jurisdictions are needed is a form of potential hold-out which damages the patentee. To make the patentee wait for a year or more (it would have been two years had the patent in Trial A not expired) from infringement finding to FRAND trial would be almost like a compulsory licence, and that is not justified. It is not just a question of an interim position pending a further determination but a substantive loss of rights for the patentee in respect of an ageing property right.

341. In short, my finding is that an injunction is clearly merited even assuming in Apple's favour the matters that are for determination at Trial E. There is no benefit in waiting until Trial E and it would be unjust on Optis to do so.

**Implementer forced to make a decision without full information**

342. Apple submits that the grant of an injunction would be unfair on implementers because they would have to make a very important decision without full information.
343. I accept that the grant of an injunction would mean that implementers have to make such a decision. But I have held that that is not inconsistent with the policy of FRAND, and I have held on the facts that they have to make decisions about future liabilities for multi-territorial patent decisions, and have the capabilities and information to do so to a reasonable degree. They also want and intend to carry on using the standard world-wide and to accumulate damages in any event.

**Novelty**

344. Apple contends that because the issues raised in this trial are novel it would be wrong to grant an injunction prior to its being able to consider what to do in the light of my judgment. I agree with Apple that it is obviously fair to give it a chance to react to the judgment before any injunction is granted. This is a narrower issue than whether an injunction should be withheld altogether as a matter of discretion. Apple's written submissions said that it would wish to consider giving a modified Contingent Undertaking. I am sceptical if anything short of committing to the terms that will be awarded at Trial E will serve, but I will allow Apple time to consider it.

**Conclusion on discretion**

345. Other than that Apple ought in fairness to be allowed to consider its reaction to this judgment before any injunction, I reject its arguments on discretion.

**FOURTH ISSUE – CONTINGENT UNDERTAKING**

346. I have held that Apple does have to give a binding commitment to the FRAND terms to be found in Trial E if it is to avoid an injunction. But my decision may be appealed (I express no views about the merits of an appeal being permitted or succeeding at this stage), my decision in Trial B is also under appeal, and I have also held that Apple is not too late to make such a commitment (that too may be the subject of an appeal).
347. In those circumstances it is not possible to say that the Contingent Undertaking definitely will or will not apply.

## **RELIEF**

348. I have concluded that Optis is substantially correct about the meaning of clause 6.1 and that Apple should be enjoined unless it commits to taking a FRAND licence on the terms decided at Trial E.

349. However, I have concluded that Optis is wrong about whether clause 6.1 means that an implementer permanently loses the right to a licence if it declines one at some stage, or is an unwilling licensee in the sense Optis argued. This means that I reject Optis' claim for an unqualified injunction. That rejection gives rise to a procedural issue.

### **Unqualified injunction or FRAND injunction - pleading**

350. The usual form of injunction simply states that the Defendant must not "infringe European Patent (UK) No. x xxx xxxB1".

351. Apple's position is that Optis will be entitled to a FRAND injunction following Trial E, if Apple rejects the Court-determined FRAND licence and if Apple's competition law defences fail.

352. The form of FRAND injunction was explained by Birss J in *UP Remedies*, as I have set out above.

353. In the context of the way the arguments developed a trial, I found the notion that Apple might permanently lose, or have already lost, its entitlement to a FRAND licence unattractive, based primarily on the decision of Birss J in *UP Remedies*, but also as a matter of principle. I made clear during this trial that I thought I ought, in the event that Optis was generally successful but lost on its argument for an unqualified injunction (which is what has happened), to consider making a FRAND injunction instead of an unqualified one.

354. Optis adopted this as a fall back. Apple objected that it was not open to Optis to do so on the pleadings. I will therefore decide this procedural objection.

355. At an earlier stage in the proceedings, Apple pleaded that if, contrary to its primary case, it had lost the right to rely on Optis' undertaking because of not giving an unconditional commitment, then it ought to be able to give such an undertaking at a later date and so recover the right. As a result, in due course and on reviewing the pleadings, Optis proposed to amend to seek a FRAND injunction as a fallback. The application came before me in June 2021, shortly before trial.

356. At the June hearing, Apple opposed the amendment on the grounds that Prof Farrell's modelling only covered the effect of an unqualified injunction and that there would not be time before trial for him to do modelling of a FRAND injunction. He put in a short report to that effect. When it was pointed out that Apple had raised the possibility of subsequently giving an unconditional undertaking in its pleading and then being able to enforce Optis' undertaking (so raising very similar considerations as a FRAND injunction), Ms Demetriou, after taking instructions, said that Apple would not so argue.

357. On that basis, Optis withdrew its amendment at that stage.
358. In my view, Apple's objection to my considering a FRAND injunction is insubstantial and I reject it. Apple itself says that there should be a FRAND injunction at the end of the day (post Trial E) if it loses, and its objections to Optis' seeking an unqualified injunction, which to a considerable extent I accept, are based on the notions that implementers should not be forced to pay supra-FRAND rates and ought to be able, if initially enjoined, later to accept a FRAND licence. So really the notion of a FRAND injunction was embedded in Apple's own arguments.
359. Apple renewed at trial its objection, made in June, that Prof Farrell had not been able to model a FRAND injunction. As I make clear elsewhere in this judgment, the economists' evidence could have only a very modest role, at most, in the interpretation of clause 6.1 and Apple presented no real argument for supposing that a FRAND injunction, if modelled, would change the overall analysis materially.
360. The real strategic dynamic here was that Apple wanted to pen Optis into arguing for something relatively more extreme and open to criticisms (the unqualified injunction) and to prevent discussion of the obvious and more moderate approach (a FRAND injunction) which might meet those criticisms.
361. I will also make appropriate declarations. Their precise form will require argument.

## CONCLUSIONS

362. My main conclusions are:

- i) As matters stand, Apple is not entitled to rely on Optis' undertaking to ETSI under clause 6.1. of the ETSI IPR policy.
- ii) Apple can only rely on Optis' undertaking to ETSI if it (Apple) commits to enter into the FRAND licence determined at Trial E.
- iii) Apple should be permitted a short time to consider whether it wishes to commit in that way, or offer some other undertaking.
- iv) I cannot in the circumstances of this Trial F conclude whether or not Apple's allegations that Optis has abused a dominant position will succeed. That can only be decided after Trial E.
- v) However, I can conclude now that Apple's allegations of abuse of a dominant position cannot prevent the grant of an injunction to restrain the infringement of Optis' patent that I found at Trial B.
- vi) Apple is liable to be enjoined from infringing the patent that I found valid and infringed in Trial B. I will consider whether in fact to grant an injunction once Apple has had a chance to consider this judgment and decided whether to offer some undertaking.

vii) The proper form of that injunction is a FRAND injunction and I reject Optis' case that there should be an unqualified injunction.

363. I will hear Counsel as to the form of Order if it cannot be agreed. I direct that time for seeking permission to appeal shall not run until after the hearing on the form of Order (or the making of such Order if it is agreed). I will want to deal with the form of Order hearing quickly because of the possible interplay between an appeal from this decision and Trial E. If necessary, I will deal with permission to appeal separately from, and in advance of, the other consequential issues.