



Neutral Citation Number: [2025] EWCA Civ 182

Case No: CA-2024-002821

**IN THE COURT OF APPEAL (CIVIL DIVISION)**  
**ON APPEAL FROM THE HIGH COURT OF JUSTICE, BUSINESS AND PROPERTY**  
**COURTS OF ENGLAND AND WALES, INTELLECTUAL PROPERTY LIST (ChD),**  
**PATENTS COURT**  
**Mr Justice Richards**  
**[2024] EWHC 2941 (Pat)**

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 28 February 2025

Before :

**LORD JUSTICE NEWEY**  
**LORD JUSTICE ARNOLD**  
and  
**LADY JUSTICE FALK**

Between :

(1) LENOVO GROUP LIMITED  
(2) LENOVO (UNITED STATES) INC.  
(3) LENOVO TECHNOLOGY (UNITED KINGDOM)  
LIMITED  
(4) MOTOROLA MOBILITY LLC  
(5) MOTOROLA MOBILITY UK LIMITED  
- and -

**Claimants/  
Appellants**

(1) TELEFONAKTIEBOLAGET LM ERICSSON (PUBL)  
(2) ERICSSON LIMITED

**Defendants/  
Respondents**

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**Andrew Lykiardopoulos KC, James Segan KC and Kathryn Pickard** (instructed by  
**Kirkland & Ellis International LLP**) for the **Appellants**  
**Meredith Pickford KC, Nikolaus Grubeck and Edmund Eustace** (instructed by **Taylor**  
**Wessing LLP and Pinsent Masons LLP**) for the **Respondents**

Hearing date : 18 February 2025  
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**Approved Judgment**

This judgment was handed down remotely at 10.30am on 28 February 2025 by circulation to the parties or their representatives by e-mail and by release to the National Archives.



## Lord Justice Arnold:

### Introduction

1. This appeal requires us once again to consider whether a willing licensor of a portfolio of patents declared essential to one or more European Telecommunications Standards Institute (“ETSI”) standards (“standard-essential patents” or “SEPs”) would grant an implementer of those standards who has undertaken to take a licence to that portfolio on the terms to be determined by the Patents Court to be fair, reasonable and non-discriminatory (“FRAND”) an interim licence pending that determination. It is the third appeal on this issue to come before this Court in quick succession following *Panasonic Holdings Corp v Xiaomi Technology UK Ltd* [2024] EWCA Civ 1143, in which the Court declared that a willing licensor in Panasonic’s position would grant Xiaomi an interim licence, and *Alcatel Lucent SAS v Amazon Digital UK Ltd* [2025] EWCA Civ 43, in which the Court held that Amazon had a real prospect of success on their claim for a declaration that a willing licensor in Nokia’s position would grant Amazon an interim licence, and therefore Amazon should be permitted to amend their statements of case to advance that claim. In the present case Richards J declined to make a declaration that a willing licensor in the position of the Defendants (“Ericsson”) would grant the Claimants (“Lenovo”) an interim licence (or, to be more exact, cross-licence) for the reasons given in his judgment dated 19 November 2024 [2024] EWHC 2941 (Pat). The essential question on the appeal is whether *Panasonic v Xiaomi* was a decision confined to the specific facts of that case, as Ericsson contend, or whether the underlying reasoning is applicable more widely, as Lenovo contend. Once again, I granted permission to appeal and expedited the appeal because of the urgency of the matter. It is to be hoped that our decision in this case will provide the Patents Court with sufficiently clear guidance to avoid, or at least reduce, the need for further such appeals. It is therefore appropriate to reconsider the applicable principles. Most of these stem from the judgment of the UK Supreme Court in *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2020] UKSC 37, [2020] Bus LR 2422 (“UPSC”), which is of course binding on this Court, and subsequent decisions of this Court working out the implications of that judgment.
2. It is right to acknowledge at the outset that, as in the previous two appeals, matters have moved on since the first instance hearing due to the developments in the underlying litigation both in this jurisdiction and elsewhere. As a result, the issues have been clarified. This is no reflection on the judges who heard the applications at first instance.

### The general background to disputes of this nature

3. Although I have set out the general background to disputes of this nature in a number of judgments, it is worth doing so once again in order to put the issues and arguments in context. I have added a couple of points to previous accounts.
4. Standards exist so that different manufacturers can produce equipment which is interoperable. This has a number of advantages, of which the following are probably the most important. First, it enables different manufacturers to produce different components of a system. This spreads the investment required and enables specialisation. Secondly, it enables additional types of device to be connected to a system, producing network effects. Thirdly, it means that manufacturers of the same

type of device can compete with each other on both quality and price. Fourthly, it gives users of devices that comply with the standard the confidence that they will work anywhere. Standards are central to the development of modern technology, and their advantages are now familiar to many people worldwide through the development of telecommunications standards from 2G to 5G. As this example shows, standards have enabled major technological advances to be rapidly developed and commercialised in recent years. This has required huge investments to be made in research and development.

5. Standards are set by standards-development organisations (“SDOs”), also known as standards-setting organisations (“SSOs”), such as ETSI. SDOs such as ETSI typically have an intellectual property rights (“IPR”) policy which requires companies participating in the development of a new standard to declare when technical proposals they contribute are covered by SEPs (or, more usually at that stage, applications for SEPs). A patent is said to be standard-essential if implementation of the standard would necessarily involve infringement of the patent in the absence of a licence. Once a proposal is declared to be covered by a SEP, the patentee is required to give an irrevocable undertaking to grant licences of the SEP on FRAND terms. If the patentee declines to give such an undertaking, the proposal is not incorporated into the standard and some other technology is used instead. In this way a balance is struck between the interests of patentees and of implementers. Patentees are ensured a fair reward for the use of their inventions, and implementers are guaranteed access to those inventions at a fair price. This balance is in the public interest, because it encourages patentees to permit their inventions to be incorporated into standards and it encourages implementers to implement those standards. Because standards are global in nature, and are implemented by businesses which trade globally, the obligation to license SEPs on FRAND terms is also a global one.
6. In order to make IPR policies involving the licensing of SEPs on FRAND terms fully succeed, there are two particular potential evils that must be avoided. Although terminology is not entirely consistent, these evils are generally known as “hold up” and “hold out” respectively. In simple terms, “hold up” occurs if a patentee is able to ensure that a SEP is incorporated into a standard and implemented by implementers in circumstances which enable the patentee to use the threat of an injunction to restrain infringement to extract licence terms, and in particular royalty rates, which exceed the reasonable market value of a licence of the patented invention (i.e. treating the SEP as akin to a “ransom strip” of land). “Hold out” occurs if an implementer is able to implement a technical solution covered by a SEP without paying the reasonable market value for a licence (or perhaps anything at all). It will be appreciated that the FRAND undertaking is designed to prevent hold up by giving the implementer a defence to a claim for infringement and hence to an injunction, while the patentee’s ability to obtain an injunction to restrain infringement of a SEP by an implementer which is an unwilling licensee should prevent hold out.
7. Avoidance of hold up and hold out depends upon the existence of a well-functioning dispute resolution system, because it is in the interests of patentees to maximise the royalty rates they can obtain for licensing their SEPs, while it is in the interests of implementers to minimise the royalty rates they pay. In the absence of a negotiated agreement between a patentee and an implementer as to the terms of a FRAND licence, which may be facilitated but cannot be guaranteed by mediation, a dispute

resolution system is required to resolve disputes. The IPR policies of SDOs such as ETSI do not provide for any international tribunal to determine such disputes. It follows that, in the absence of an *ad hoc* agreement to arbitrate, the only dispute resolution systems available to such parties are the national courts competent to adjudicate upon patent disputes.

8. It is generally accepted, however, that patents are territorial. That is to say, they are proprietary legal rights created by the law of a nation state which confer a monopoly within the territory of that nation state, but not outside it. (The unitary EU patent now confers a monopoly within the territory of the participating EU Member States, but that does not detract from the basic principle.) Thus an inventor wishing to patent their invention must apply for a patent in every state in which they wish to obtain a monopoly: in any state where they do not obtain a patent, the invention may be freely used by other parties. It follows that patentees typically own families of corresponding patents in many countries of the world, although the costs of patenting everywhere are generally prohibitive.
9. The competence of the courts of one state to adjudicate upon a claim for infringement of a patent granted by another state is a complex and contested question, but it is (or at least was until very recently) generally accepted that, even if they have jurisdiction over the parties because of e.g. domicile, the courts of state A are not competent to adjudicate upon a claim for infringement of a patent granted by state B at least if the validity of that patent is in issue. Since it is commonplace for a claim for patent infringement to be met with a defence and/or counterclaim that the patent is invalid, the practical reality is that, for the most part, the courts of the state where the patent was granted have exclusive jurisdiction over the enforcement of that patent. It follows that SEPs must be enforced territory by territory.
10. For many years, this was perceived to give implementers who wish to (as the patentee would put it) hold out against taking a licence or (as the implementer would put it) resist exorbitant demands for a licence an important tactical weapon, which is to require the patentee to sue in every jurisdiction where the implementer exploits a patent family (or at least in a significant number of such jurisdictions). This placed a significant burden on patentees. Although it also placed a similar burden on implementers, the result was a war of attrition which tended to favour implementers because it led to delay in resolution of the dispute. Delay was in the interests of implementers for several reasons. First, it enabled implementers to invoke limitation periods applicable to infringement claims. Secondly, it meant that the implementer rather than the patentee had the use of the licence income until the dispute was resolved. Thirdly, by starving patentees of income from licensing, implementers could undermine the ability of patentees to take enforcement action.
11. Patentees reacted to this problem by seeking determinations that FRAND terms are global, enabling the courts of one country to set the terms of a global FRAND licence which the implementer must either accept or face exclusion from that country's market by an injunction to restrain patent infringement. In recent years the courts of some countries have held that they have jurisdiction to determine the terms of a global FRAND licence either with the consent of both parties or, in some cases, without such consent. If the courts of a single country determine the terms of a global FRAND licence, then that should (at least in theory) avoid the necessity for patent enforcement proceedings in multiple countries (whether it will actually have that result depends on

whether the implementer is willing to forego exploitation of the patented inventions in that territory in order to avoid having to take a licence on those terms). This approach by patentees frequently gives rise to jurisdictional issues, but *UPSC and Nokia Technologies OY v OnePlus Technology (Shenzhen) Co Ltd* [2022] EWCA Civ 947, [2023] FSR 11 establish that the courts of England and Wales have jurisdiction to determine FRAND terms on a global basis at least where one UK SEP has been found valid and essential (and therefore infringed unless the implementer takes a licence).

12. In addition to seeking determinations of FRAND terms on a global basis, it is common for patentees to seek determinations as to the FRAND terms of a licence of a portfolio of SEPs. Since it is often impracticable for the proprietor of such a portfolio to sue on all the patents in the portfolio even though the claim is limited to the patents subsisting in the country where the claim is brought, it is common for the patentee to select a handful of patents to enforce. Although the real issue between the parties is as to the FRAND terms for a licence of the portfolio, until recently implementers regarded it as in their interests where possible to challenge validity, essentiality and infringement of the selected patents. Unless and until the patentee can establish that at least one patent is valid, essential and infringed by the implementer, the patentee cannot obtain a final injunction to enforce the patent and thus may not be able to prevent hold out by the implementer.
13. This led to a problem of how to case manage the litigation in an efficient and effective manner. Trying all issues together in one trial would be very burdensome and impractical both for the parties and for the court. Accordingly, until recently, the practice in England and Wales has been to split the claim into a number of separate trials: first, a number of “technical trials” to determine issues of validity, essentiality and infringement of the selected patents, and then a “FRAND trial” to determine the FRAND terms for a licence of the portfolio after all or some of the technical trials. The problem with this approach is that it tends to lead to a massive waste of court time and parties’ costs on technical trials whose outcome has no bearing on the FRAND terms determined subsequently.
14. The courts have therefore sought to persuade parties to agree to the FRAND trial being heard first, because experience to date shows that (subject to any appeals) the court’s determination is usually accepted by both parties. Implementers have shown themselves increasingly ready to agree to this course. Furthermore, in the present case, case management decisions have been made which, as explained below, resulted in the FRAND trial being scheduled before any technical trial.
15. This change in implementers’ attitudes may be explained by the fact that, in two recent cases, the FRAND terms determined by the Patents Court were significantly closer to those offered by the implementers than to those sought by the SEP owners (although an appeal by the SEP owner in the first case led to an increase in the royalty payable by the implementer and an appeal by the SEP owner in the second case is presently being heard by this Court). Thus implementers have realised that it may actually be in their interests for the Patents Court to determine what terms are FRAND, and to do so sooner rather than later. To that end, an implementer who accepts the need for a licence to a SEP owner’s portfolio and is willing to undertake to take a licence on terms determined by the Patents Court to be FRAND can itself commence proceedings for a declaration rather than waiting to be sued for

infringement by the SEP owner (provided that the implementer can establish jurisdiction if this is contested).

16. Some SEP owners have reacted to this development by a more aggressive pursuit of parallel proceedings in courts of other jurisdictions seeking injunctions to restrain infringement by the implementer of one or more SEPs in those jurisdictions. Typically, the jurisdictions selected for this purpose are ones that do not determine what terms are FRAND. The purpose of doing this can be to exert pressure on the implementer to agree to the terms demanded by the SEP owner rather than await the determination of the English courts of what terms are FRAND. Lenovo say that this is such a case.

#### Basic legal principles applicable to the determination of FRAND terms

17. The basic legal principles applicable to the determination of FRAND terms are now well established. For present purposes the following account will suffice.

#### *The ETSI IPR Policy*

18. The context and purpose of the ETSI IPR Policy in general, and of clause 6.1 of that Policy in particular, have been authoritatively analysed by the Supreme Court in *UPSC*. The ETSI IPR Policy is a contractual document governed by French law. By requiring a SEP owner to give an irrevocable undertaking to ETSI to grant a licence of the SEP on FRAND terms, clause 6.1 creates a *stipulation pour autrui*, that is to say, an obligation which a third-party implementer can enforce against the SEP owner: *UPSC* at [8]. The SEP owner's undertaking to grant a licence to any implementer on FRAND terms is thus a contractual derogation from a SEP owner's right under the general law to obtain an injunction to prevent infringement of its patent: *UPSC* at [14].
19. Clause 6.1 must be interpreted and applied in a manner which avoids both hold up by the SEP owner and hold out by an implementer. Hold up by the SEP owner will be avoided by ensuring that the SEP owner is held to its undertaking to ETSI. Hold out by the implementer will be avoided by allowing the SEP owner to enforce its normal right under the general law to obtain an injunction to prevent infringement of the SEP by the implementer save to the extent that this would be inconsistent with the SEP owner's undertaking: *UPSC* at [7], [10], [14] and [90].

#### *FRAND as a process*

20. Although the expression "FRAND" primarily refers to a result, it has been increasingly recognised since the decision of the Court of Justice of the European Union in Case C-170/13 *Huawei Technologies Co Ltd v ZTE Corp* [EU:C:2015:477] that the FRAND obligation extends to the process by which the parties negotiate for a licence: *UPSC* at [64]. What this means is that a SEP holder is required to behave consistently with its obligation to grant a licence on FRAND terms, and an implementer is required to behave consistently with its need to take a licence on FRAND terms. Thus the SEP holder should not behave in a manner which promotes hold up, and the implementer should not behave in a manner which promotes hold out. On the contrary, both parties should attempt in good faith to negotiate terms

which are FRAND: *InterDigital Technology Corp v Lenovo Group Ltd* [2024] EWCA Civ 743, [2024] RPC 24 at [39].

*Willing licensor and willing licensee*

21. FRAND terms are those that would be agreed by a willing licensor of a portfolio of SEPs and a willing licensee of that portfolio without discrimination. In this context, for the reasons given above, a willing licensor is one not intent on hold up and a willing licensee is one not intent on hold out. Because FRAND terms are those that would be agreed by a hypothetical willing licensor and a hypothetical willing licensee, the willingness of the actual SEP owner to grant a licence, or the actual implementer to take a licence, on those terms are irrelevant to the determination of what terms are FRAND: *InterDigital v Lenovo* at [40]. To put the same point another way, any SEP owner is a willing licensor at a high royalty rate and any implementer is a willing licensee at a low royalty rate, but the real question is whether the parties are willing to license at a royalty rate which is in fact FRAND. Thus to decide willingness one first has to determine what rate is FRAND, and then find out who is willing or unwilling to license at the FRAND rate: *Alcatel v Amazon* at [51].

*A range of terms may be FRAND*

22. It is not necessarily the case that only one set of terms is FRAND. On the contrary, a range of terms may all be FRAND. If so, the SEP owner can comply with its obligation by offering a licence on the FRAND terms that are most favourable to itself: *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2018] EWCA Civ 2344, [2018] RPC 20 at [118]-[129] (not challenged in *UPSC*). If the court determines a single FRAND royalty rate, it must take this into account when setting that rate: *InterDigital v Lenovo* at [275].

*Limitation and interest*

23. This Court held in *InterDigital v Lenovo* that limitation provisions under national law had no role to play in the determination of what terms were FRAND, and thus royalties should be paid by the implementer in respect of the whole period during which the implementer has been exploiting the SEP owner's portfolio. Key reasons for this conclusion were that the implementer required a licence from day one, that the implementer should pro-actively contact the SEP owner for a licence rather than sit back and wait for a demand, that the terms of the licence should not depend on the date it was entered into and that there should be no discrimination in favour of implementers who were slow to take a licence and against implementers who were quick to take a licence: [187]-[188]. In short, implementers should not be rewarded for hold out.
24. This Court also held in *InterDigital v Lenovo* that FRAND terms required the payment of interest by the implementer in respect of past sales in order to reflect the time value of money. In that case the Court upheld the judge's decision that the appropriate interest rate was 4% compounded quarterly. Again, this helps to ensure that implementers are not rewarded for hold out.

*Enforcement of FRAND determinations by the court*

25. I described the limited powers of a national court in the ordinary case to enforce its determination as to what terms are FRAND where negotiations between the parties have failed in *Optis Cellular Technology LLC v Apple Retail UK Ltd* [2022] EWCA Civ 1411, [2023] RPC 1 at [73]:

“... it is preferable that SEP owners and implementers should negotiate licences. This is reflected in the ETSI IPR Policy and in paragraph 4.4 of ETSI’s *Guide on Intellectual Property Rights* (which states that both members and non-members should engage in a negotiation process for FRAND terms). ... the importance of negotiation has been emphasised both by the CJEU in *Huawei v ZTE* and by the Supreme Court in *UPSC*. The present issue arises, however, when the parties cannot agree terms. In those circumstances the national court must resolve the dispute, as paragraph 4.3 of the ETSI Guide states and as both the CJEU and the Supreme Court recognised. As discussed above, the twin purposes of the ETSI IPR Policy are to avoid hold up and hold out. To achieve this it is necessary, in the absence of agreement between the parties, for the national court to be able to enforce its determination against both parties. The national court can only enforce its determination against the SEP owner by withholding an injunction from the SEP owner if it is unwilling to abide by its ETSI Undertaking by granting a licence on the terms determined to be FRAND. The national court can only enforce its determination against the implementer by granting an injunction against the implementer if it is unwilling to take a licence on the terms determined to be FRAND.”

26. As explained below, this case is different in that Lenovo have undertaken to enter into a cross-licence on the terms determined by the Patents Court to be FRAND (subject to adjustment on any appeal), although Ericsson have not.

Legal principles applicable to the grant of declarations

27. There was no dispute before the judge or this Court as to the principles applicable to the grant of declarations. These are well settled and there is no need to discuss them. The High Court has a general jurisdiction, which is recognised by CPR rule 40.20, to grant a declaration. The discretion is an unfettered one, meaning that its exercise is not dependent upon the claimant satisfying any threshold criteria. The key consideration is whether the declaration would serve a useful purpose: see in particular *Messier-Dowty Ltd v Sabena Ltd* [2000] 1 WLR 2040 at [41] (Lord Woolf MR).
28. The purpose of making the declaration must not only be useful, it must be legitimate. It is not appropriate for the court to make a declaration for the sole purpose of influencing a foreign court’s decision on an issue governed by the law of the foreign court: *Teva UK Ltd v Novartis AG* [2022] EWCA Civ 1617, [2023] Bus LR 820. As I said at [51]:

“... as a matter of principle, it is wrong for an English court to make a declaration solely for the purpose of influencing a decision by a foreign court on an issue governed by the law of the foreign court. It is not the function of the courts of England and Wales to provide advisory opinions to foreign courts seised of issues which fall to be determined in accordance with their own laws. The English courts have no special competence to determine such issues. If anything, it is likely that they have less competence than the local courts. It makes no difference that the English court and the foreign court are applying the same basic law. Furthermore, comity requires restraint on the part of the English courts, not (to adopt Floyd LJ’s graphic phrase) jurisdictional imperialism. ...”

29. Furthermore, it is not normally appropriate for an English court to offer a foreign court unsolicited advice even on an issue of English law: see *Howden North America Inc v ACE European Group Ltd* [2012] EWCA Civ 1624, [2013] ILPr 42 at [37] (Aikens LJ).

*Panasonic v Xiaomi*

30. Although I shall have to consider the reasoning in *Panasonic v Xiaomi* in more detail below, it is convenient to provide a summary of the decision here.
31. Panasonic had a portfolio of 3G and 4G SEPs. Xiaomi had been implementing those standards since 2011. There had been many years of unsuccessful negotiations. On 31 July 2023 Panasonic commenced proceedings against Xiaomi in England and Wales seeking *inter alia* a declaration that the global portfolio licence terms offered by Panasonic were FRAND, alternatively determination of what terms were FRAND. On 8 November 2023 both Panasonic and Xiaomi gave unconditional undertakings to the Patents Court to enter into a global licence on the terms determined by the Court to be FRAND (subject to adjustment as necessary on any appeal). An order was made for an expedited FRAND trial in late October 2024, and the judge assigned to hear that trial said that he would endeavour to give judgment by the end of 2024.
32. On 31 July 2023 Panasonic also commenced proceedings against Xiaomi for infringement of numerous SEPs in German national courts and in UPC German local divisions (“the German Proceedings”). Despite its undertakings given to the English court, Panasonic refused to undertake not to enforce any injunctions obtained in the German Proceedings prior to the decision of the English court on FRAND terms. On the contrary, Panasonic vigorously pursued the German Proceedings at great effort and expense.
33. Xiaomi requested that Panasonic grant Xiaomi an interim licence pending entry by the parties into the final licence following the determination of FRAND terms by the Patents Court. Panasonic refused even though Xiaomi offered to pay royalties under the interim licence. Xiaomi applied for a declaration that a willing licensor in the position of Panasonic would enter into an interim licence. Leech J refused Xiaomi’s application, but this Court allowed Xiaomi’s appeal and made the declaration.

34. On the appeal, there were four issues. First, was Panasonic in breach of its obligation to negotiate FRAND terms with Xiaomi in good faith? Secondly, would the grant of a declaration serve a useful purpose? Thirdly, would the grant of a declaration be contrary to comity with the German national courts and the UPC? Fourthly, if a declaration was granted, what terms for an interim licence would be FRAND?
35. In my judgment, with which Moylan LJ agreed, I concluded in summary as follows.
36. First, Panasonic was in breach of its obligation to negotiate FRAND terms in good faith. Panasonic had invoked the jurisdiction of the English courts to determine what terms for a licence of its SEP portfolio were FRAND, and had undertaken to grant a licence to Xiaomi on those terms. Moreover, Xiaomi had undertaken to take a licence on those terms. Thus Panasonic was assured of getting FRAND terms as a result of the English courts' determination. Panasonic's purpose in pursuing the German Proceedings was to try to force Xiaomi to agree to better terms for Panasonic than the English courts would determine to be FRAND. Furthermore, any rational SEP holder would want to be paid sooner rather than later, and yet Panasonic was refusing to agree to this because of its desire to coerce Xiaomi.
37. Secondly, the grant of a declaration would serve a useful purpose because it would require Panasonic to reconsider its position. It would not force Panasonic to change its mind, but there was a real prospect that Panasonic would do so.
38. Thirdly, the grant of a declaration would not be contrary to comity. If Panasonic did change its mind, that would relieve the German courts and the UPC of burdensome and wasteful litigation. If not, it would be a matter for those courts to make their own assessment of Panasonic's behaviour.
39. Fourthly, FRAND terms for an interim licence were midway between those offered by Xiaomi and those demanded by Panasonic for the period down to 31 December 2024.
40. After this Court gave its judgment, the parties agreed to enter into an interim licence on the terms indicated by the Court. Thus the Court's declaration did serve a useful purpose.

### The present dispute

#### *The need for a cross-licence*

41. Both Lenovo and Ericsson have portfolios of SEPs declared essential to the ETSI 4G and 5G standards. Thus both parties are SEP owners. Furthermore, both are implementers, although they are not direct competitors: Lenovo sell consumer devices such as mobile handsets, tablets and laptops, while Ericsson sell infrastructure equipment.
42. Under clause 6.1 of the ETSI IPR Policy, a declaration of essentiality may be given "subject to the condition that those who seek licences agree to reciprocate". The declaring party simply has to tick a box to make their undertaking to grant licences on FRAND terms conditional on reciprocity. The consequence of requiring reciprocity is that an implementer who seeks to invoke a SEP owner's FRAND undertaking must, if

the SEP owner requests, offer a licence on FRAND terms of its own SEPs. In such a case the result is liable to be a cross-licence.

43. Both Lenovo and Ericsson have indicated in their declarations to ETSI that they will require reciprocity. It is, therefore, common ground that, in so far as their respective undertakings to ETSI are invoked by way of defence to allegations of infringement of each other's SEPs, any FRAND licence will be a cross-licence.
44. It is also common ground that a FRAND cross-licence will be a global one. Neither party argues that country-by-country, or even region-by-region, licensing would be FRAND. It will be appreciated from what I have said above that this is therefore yet another case highlighting the tension between the territoriality of patents and the global nature of the FRAND obligation in the absence of any global dispute resolution mechanism for determining what terms are FRAND.
45. Lenovo have been manufacturing and selling devices which implement one or more of the relevant standards since 2008. Apart from the 2011 MM Licence discussed below, Lenovo have never held a licence from Ericsson and have not paid for their exploitation of Ericsson's SEPs. Ericsson claim to have been trying to negotiate a global cross-licence with Lenovo since 2008. Ericsson contend that this is a textbook example of hold out by an implementer.
46. Equally, however, Ericsson have been manufacturing and selling devices which implement one or more of the relevant standards without a licence from Lenovo and without paying for their exploitation of Lenovo's SEPs.
47. Ericsson's position is that Lenovo are nevertheless to blame for this state of affairs because (i) Ericsson's portfolio is larger than Lenovo's portfolio (for example, Ericsson claim to have 18% of 5G approved contributions against Lenovo's 1.4%, although Lenovo claim that Ericsson have 4.89% of 5G SEPs against Lenovo's 3%) and (ii) Ericsson have always been willing to negotiate a cross-licence. Lenovo's position is that Ericsson are to blame because Ericsson have consistently demanded royalty rates for their portfolio which exceed FRAND rates. Ericsson deny that the rates they seek are supra-FRAND rates.
48. At earlier stages of these proceedings both sides claimed that they would be a net recipient of royalties under a cross-licence. Ericsson's position was that Lenovo's claim to this effect was a recent one which was fanciful and made for tactical purposes. Be that as it may, Lenovo accepted in this Court that they will be net payers to Ericsson. As a result, although it is common ground that a FRAND licence will be a cross-licence, for the purposes of the present application Lenovo stand in the position of an implementer and Ericsson stand in the position of a SEP owner.

#### *The 2011 MM Licence*

49. In 2011 the Fourth Claimant ("Motorola") entered into a global patent licence agreement with the First Defendant under which Ericsson granted Motorola a licence covering certain Ericsson SEPs declared essential to the 4G standard and certain Motorola devices ("the 2011 MM Licence"). The 2011 MM Licence endures until the last of the licensed patents expires. Motorola was acquired by the Lenovo group in 2014. A key aspect of the overall dispute between the parties concerns the scope of

the 2011 MM Licence upon its true interpretation. Lenovo say that the dispute is potentially worth hundreds of millions of dollars, and Ericsson have not contradicted this.

50. The relevance of the 2011 MM Licence for present purposes is that it is not in dispute that, to the extent that Motorola benefits from the 2011 MM Licence, it does not need any further licence from Ericsson in respect of Ericsson's 4G SEP portfolio. According to Lenovo, the dispute over the 2011 MM Licence impacts on the dispute over the FRAND cross-licence in two ways. First, as is common ground, on Lenovo's interpretation of the 2011 MM Licence the licence covers more devices than it does on Ericsson's interpretation. Secondly, according to Lenovo, the fact that Motorola has the benefit of a licence for 4G-compatible devices under the 2011 MM Licence reduces the royalty that Lenovo should have to pay for a licence for 5G-compatible devices because Lenovo should only have to pay for the extra functionality which the Motorola devices covered by the 2011 MM Licence utilise. Ericsson do not accept this.

51. Article 12 of the 2011 MM Licence provides:

“The validity, performance, construction and interpretation of this Agreement shall be governed by the laws of the United Kingdom without regard to its conflicts of law provisions.

All disputes, differences or questions between the Parties related to the construction and interpretation of this Agreement shall be finally settled by the civil courts of London, United Kingdom.”

52. Lenovo contend that the second paragraph is an exclusive jurisdiction clause. Ericsson do not admit this, but have advanced no positive argument to the contrary.

*Ericsson's October 2023 offer*

53. On 11 October 2023 Ericsson wrote to Lenovo enclosing its latest offer of terms for a cross-licence (“Ericsson's October 2023 Offer”) and notifying Lenovo that Ericsson was commencing proceedings in the Federal Court for the Eastern District of North Carolina (“the EDNC”). Although Lenovo had previously rejected an offer of arbitration made by Ericsson in 2015, Ericsson again offered arbitration to resolve the dispute instead of pursuing court proceedings. Ericsson's offer to arbitrate remained open for 30 days, but was again not accepted by Lenovo.

54. The judge summarised Ericsson's October 2023 Offer at [82] as follows:

“i) A cross-licence would be granted until [31 December] 2028 under which Lenovo could use Ericsson's 4G and 5G SEPs in connection with its User Equipment and Ericsson could use Lenovo's 4G and 5G SEPs in connection with its infrastructure equipment.

ii) In relation to 5G smartphones or tablets, Lenovo could choose between paying (i) a royalty of \$5 per 5G smartphone or tablet

or (ii) 1% of net sales of 5G smartphones or tablets capped at \$4 per unit.

- iii) In relation to 4G smartphones and tablets, Lenovo would make a net payment under that cross-licence equal to 0.8% of net sales of relevant units, with an option for Lenovo to pay the fixed sum of \$0.65 per unit. However, no royalty would be due for 4G equipment that is already subject to the 2011 MM Licence.
- iv) The licence fee payable by Lenovo for use of Ericsson's 4G and 5G SEPs in other standards compliant equipment (such as notebooks and non-cellular H.26X tablets) was assumed to be equal and opposite to the licence fee payable by Ericsson for the use of Lenovo's SEPs in connection with Ericsson's infrastructure equipment. Therefore, the cross-licence would require a net payment from Lenovo to Ericsson equal to the sum of the two figures set out in paragraph ii) and iii) above.
- v) It appears to be common ground between Lenovo and Ericsson that the 5G proposal would cost Lenovo around \$1.50 per 5G device."

*Counter-offers by Lenovo*

- 55. Lenovo have made a series of counter-offers to Ericsson's October 2023 Offer. The judge considered counter-offers made by Lenovo in February 2024, which the judge summarised at [85], and in August 2024, which the judge summarised at [88]. Since the hearing before the judge, Lenovo have made further counter-offers in November 2024 and on 31 January 2025 ("Lenovo's January 2025 Offer"). Lenovo also claim to have made numerous offers in the past to submit the dispute to arbitration which Ericsson refused.
- 56. As with Ericsson's October 2023 Offer, Lenovo's January 2025 Offer is predicated upon a cross-licence which will run until 31 December 2028. The key terms of Lenovo's January 2025 Offer are that Lenovo will pay Ericsson \$0.65 per unit (net) for 4G units (a figure which is now agreed between the parties), a higher amount per unit for Lenovo 5G handset, tablet, laptop and PC units and a modest amount per unit for non-cellular HEVC units. Pending the outcome of the E&W II Proceedings referred to below, Lenovo's January 2025 Offer does not specify the rate payable in respect of Motorola 5G handsets (because, as explained above, Lenovo contend that a proportion of them are already licensed in respect of 4G by reason of the 2011 MM Licence), but for the purposes of the interim licence Lenovo have nevertheless proposed a per unit rate. In respect of the licence to Ericsson under Lenovo's 5G portfolio, Lenovo seek a payment by Ericsson of a lump sum of \$95 million.
- 57. As noted above, Lenovo accept that Lenovo's January 2025 Offer would lead to a net payment from Lenovo to Ericsson, albeit that the size of the net payment will be very substantially influenced by the outcome of the dispute over the 2011 MM Licence. For the purposes of the appeal, Lenovo have calculated, on the assumption that Ericsson are successful on all issues concerning the 2011 MM Licence:

- i) an eight-figure dollar sum which would be payable by Lenovo in accordance with the terms of Lenovo's January 2025 Offer for an interim licence to 31 December 2025 (and the interest payable thereon compounded annually at the prevailing US Treasury Bond rate);
- ii) a nine-figure dollar sum which would be payable by Lenovo in accordance with the terms of Ericsson's October 2023 Offer for an interim licence to 31 December 2025 (and the interest payable thereon compounded annually at the prevailing US Treasury Bond rate); and
- iii) a nine-figure dollar sum which represents the mid-point between the figures calculated in (i) and (ii).

*The EDNC Proceedings*

- 58. On 13 October 2023 Ericsson commenced two sets of patent infringement proceedings in the EDNC. In the first ("the EDNC I Proceedings"), Ericsson assert infringement of four US SEPs alleged to be essential to the 5G standard and claim (among other things): (i) a declaration that Ericsson have complied with their FRAND commitments and with the ETSI IPR policy; and (ii) if Ericsson have failed to comply with their FRAND obligations, that the EDNC determine a FRAND rate for a global cross-licence between Ericsson and Lenovo. In the second set of proceedings ("the EDNC II Proceedings"), Ericsson assert infringement of five US patents which are not alleged to be SEPs. The EDNC II Proceedings can therefore be ignored for present purposes. On 12 December 2023 Ericsson commenced a third set of proceedings ("the EDNC III Proceedings") in which Ericsson assert infringement of SEPs claimed to be essential to the International Telecommunications Union's HEVC/H.265 standard.
- 59. It appears that, for various reasons, the EDNC I Proceedings are unlikely to come to trial before late 2026 at the earliest. Indeed, they appear to have been dormant for a year.
- 60. Importantly, Richards J held when determining the Jurisdiction Application referred to below that, because of the way in which Ericsson had framed their claim for relief, there was a possibility that the EDNC would not ultimately determine a FRAND rate for a global cross-licence between Ericsson and Lenovo. He further found that this possibility could be avoided if Ericsson were to amend their claim to seek a determination of what rate is FRAND, but Ericsson declined to make the necessary amendment. That remains Ericsson's position.
- 61. Ericsson have offered to undertake to both the Patents Court (without prejudice to their contention that the English courts are not the proper jurisdiction for determining Ericsson's claims against Lenovo) and to the EDNC to enter into a cross-licence on terms which are consistent with the EDNC's judgment.
- 62. Lenovo have not offered an equivalent unconditional undertaking, but have said that they will accept a determination by the EDNC of what terms are FRAND if Ericsson cease their campaign of seeking and/or enforcing injunctions against Lenovo in the meantime. Ericsson have not agreed to that.

*The US International Trade Commission (“the ITC”)*

63. As the judge explained:

- “66. The ITC is not a court. It operates as an autonomous, non-partisan entity within the executive branch, as distinct from the judicial branch, of the US federal government. Its remit includes the conduct of investigations (Section 377 Investigations) that focus on addressing claims of unfair competition by imported products that allegedly violate US intellectual property rights.
67. The ITC conducts Section 377 Investigations relating to alleged breaches of intellectual property rights in two phases. In its initial ‘violation phase’, an Administrative Law Judge (ALJ) considers whether a breach has taken place following evidentiary hearings. The ITC Commissioners have the power to review the ALJ’s determination with the decision of the ITC Commissioners constituting final determination of the violation phase.
68. If the conclusion following the violation phase is that there is indeed a violation of US intellectual property rights, the ITC is required to consider the appropriate response to those violations. For the purposes of the present application, the relevant remedies are:
- i) a ‘limited exclusion order’ (LEO) that bars specified persons from importing infringing articles; and
  - ii) a ‘cease and desist’ order (CDO) that prohibits activities specified in the CDO (for example the sale and distribution in the US of infringing articles).
69. Even if it finds that there is infringement following conclusion of the violation phase, the ITC is entitled to decline to make either an LEO or a CDO if it concludes that to do so would conflict with statutory public interest factors. Those factors include competitive conditions in the US economy and the impact on US consumers.
70. Both sides’ experts ... agree that a Section 377 Investigation involving alleged infringement of SEPs will involve the ITC considering whether the SEP holder has violated its applicable commitment to license its SEPs on FRAND terms. That said, neither expert identified a single case in which, following a finding that a SEP was infringed at the violation phase, the ITC declined to make an exclusion order because of a SEP-holder’s failure to comply with its FRAND Commitment.

...

71. In cases of complexity or novelty, the ITC is entitled to obtain a brief from the US Office of Unfair Import Investigations (OUII). The OUII has delivered such a brief in connection with Ericsson's proceedings against Lenovo. I ... proceed on the basis of matters on which the experts appeared to be agreed namely that:
- i) The OUII is independent of both the parties, the ALJ and the ITC Commissioners.
  - ii) The OUII's function is to provide its own institutional perspective on the issues under consideration.
  - iii) The ALJ and the ITC ... accords the OUII's views at least as much weight as they give to the views of the parties, but are not bound by the OUII's views and there have been cases in which they disagree with those views.
  - iv) Before issuing its brief, the OUII was entitled to, and did in this case, participate in the evidentiary hearing before the ITC and question witnesses."
64. On 11 and 12 October 2023 Ericsson commenced two patent infringement proceedings against Lenovo in the ITC ("ITC I" and "ITC II"), alleging infringement of the same US patents which are the subject of the EDNC I and EDNC II Proceedings. Ericsson subsequently filed a third patent infringement proceeding in the ITC on 12 December 2023, alleging infringement of the same US patents which are the subject of the EDNC III Proceedings. In the ITC proceedings, Ericsson seek LEO and CDO orders against many of Lenovo's products. The USA is Lenovo's largest market.
65. On 17 December 2024 the ALJ issued an Initial Determination in the ITC I proceedings finding that certain of Lenovo's smartphones infringe Ericsson's patents. At the time of the hearing before this Court, a Recommended Determination on Remedy was imminent. A Final Determination was due to be issued by the ITC by 17 April 2025. If the Final Determination was in favour of Ericsson, an LEO would take effect by 16 June 2025.
66. The OUII filed a brief in the ITC I proceedings on 17 September 2024 ("the OUII Brief"). In its Brief the OUII contended that imposing a remedy in connection with Ericsson's complaint would not raise FRAND-related public interest concerns. Since Ericsson relied heavily on the OUII Brief both before the judge and before this Court, it is necessary to consider the OUII's reasoning. We were not shown the full version of the OUII Brief, but only the redacted public version. Nevertheless, the OUII's reasoning is clear enough. It may be summarised as follows:
- i) Under French law, a SEP owner's declaration to ETSI creates an obligation to (a) negotiate in good faith towards a FRAND licence or (b) make a FRAND offer (page 82).

- ii) According to US case law cited by the OUII, rather than evaluating the specific terms of a licence offer, a “good faith” determination must consider the overall course of negotiations, including all offers and counter-offers. Initial offers do not have to be on FRAND terms so long as a FRAND licence eventually issues. A SEP owner would breach its obligation to negotiate in good faith if (a) its behaviour revealed its unwillingness to license its SEPs at all or (b) its behaviour revealed an unwillingness to license its SEPs on FRAND terms. Similar conduct by an implementer would also be a breach of the good faith obligation, rendering it an “unwilling licensee” (page 83).
  - iii) The OUII’s view was that “Ericsson’s licensing offer from October 11, 2023 and continued correspondence from Ericsson to Lenovo regarding their proposal indicates that Ericsson has and is engaged in negotiations in good faith” (page 92).
  - iv) The OUII’s view was that “Ericsson’s [October 2023 O]ffer does not indicate bad faith” (page 95). This was because comparison with comparable licences showed that (a) Ericsson’s 5G Offer was “within the FRAND range” (pages 97-98), (b) “the cross-license component of Ericsson’s offer is not so unreasonable as to indicate bad faith” (page 100) and (c) Ericsson’s 4G offer was “well within the range of terms accepted by other companies” (page 101).
  - v) The OUII’s view was that “Ericsson’s understanding of the 2011 [MM Licence] is not so unreasonable as to show that Ericsson’s offer was in bad faith” (page 102).
  - vi) The OUII’s view was that Lenovo “technically” was not an unwilling licensee because Lenovo agreed to be bound by the E&W I Proceedings referred to below, but “Lenovo’s willingness appears to be qualified by terms set by its preferred forum (the UK court) after all appeals have been exhausted” and “Lenovo has not agreed to be bound by EDNC or any other U.S. court” (page 109).
  - vii) “In the absence of any evidence of patent hold-up behaviour by Ericsson ..., the [OUII] submits that there is no reason to conclude, based on FRAND considerations, that exclusionary relief would have adverse effects on competitive conditions in the U.S. economy or on U.S. consumers” (page 111).
67. For completeness, I note that on 16 January 2025 the ITC issued its Final Determination in the ITC II proceedings affirming the conclusion of the ALJ that there had no been Section 337 violation by Lenovo of the patents asserted by Ericsson in those proceedings.
68. Lenovo have also brought proceedings in the ITC against Ericsson, on 19 December 2023 and 11 March 2024. Inevitably, these are less far advanced than the proceedings commenced by Ericsson.

*Proceedings in England and Wales*

69. Lenovo have issued three claims in this jurisdiction:

- i) This claim, HP-2023-000036, which was issued on 13 October 2023, seeks (a) declarations of essentiality and infringement concerning Lenovo's European Patent (UK) No. 3 780 758, (b) declarations that various Ericsson SEPs are invalid and/or non-essential and (c) the determination of FRAND terms for a global cross-licence ("the E&W I Proceedings").
  - ii) HP-2023-000041, issued on 28 November 2023, seeks a determination as to which of Motorola's products are licensed under the terms of the 2011 MM Licence ("the E&W II Proceedings").
  - iii) HP-2024-000005, issued on 12 February 2024, is a claim for alleged infringement by Ericsson of Lenovo's European Patent (UK) No. 3 646 649 ("EP 649") ("the E&W III Proceedings").
70. There have been a number of relevant applications in the English proceedings. Unless otherwise stated, all the following applications were made in the E&W I Proceedings:
- i) On 28 November 2023 Lenovo made an application which sought, among other things, (a) a declaration that willing parties in the position of Lenovo and Ericsson would agree to a short-term licensing regime pending the determination of FRAND terms for a final cross-licence, and a declaration as to the terms of an appropriate short-term licence agreement between the parties ("the "Short-Term Licence Application") and (b) expedition of the FRAND trial ("Lenovo's Expedition Application").
  - ii) On 5 December 2023 Ericsson made an application challenging the jurisdiction of the English court ("the Jurisdiction Application") and in the alternative seeking a case management stay pending determination of the EDNC I Proceedings ("the Stay Application").
  - iii) On 8 December 2023 Meade J decided that the Short-Term Licence Application could not be heard until after the Jurisdiction Application and the Stay Application had been determined: [2023] EHC 3222 (Pat).
  - iv) The Jurisdiction and Stay Applications were refused by Richards J for the reasons he gave in a judgment dated 18 April 2024: [2024] EWHC 846 (Pat). In that judgment Richards J commented at [81] that it was "extraordinarily wasteful" for the parties to be pursuing two proceedings that were directed to the same issue, but noted that the risk of parallel proceedings was inevitable for the reasons I have touched on in paragraph 11 above. He went on to say at [120] that "[t]he sooner [the dispute] is brought to an end by the determination of a FRAND global cross-licence the better". Ericsson did not appeal against this decision.
  - v) On 13 February 2024 Lenovo issued an application in the E&W III Proceedings for an interim injunction to restrain alleged infringement of EP 649 by Ericsson pending trial. This application was dismissed by Bacon J on 23 May 2024: [2024] EWHC 1267 (Pat). An appeal by Lenovo to this Court was dismissed on 30 September 2024: [2024] EWCA Civ 1100.

- vi) On 5 June 2024 Ericsson applied for expedition of the technical trial (“Ericsson’s Expedition Application”).
  - vii) On 21 June 2024 Richards J granted Lenovo’s Expedition Application and refused Ericsson’s Expedition Application for the reasons he gave in his judgment of that date: [2024] EWHC 1734 (Pat). The FRAND trial has been listed to be heard at the end of April 2025. The technical trial has been listed to be heard in October 2025.
  - viii) Ericsson did not attempt to appeal against the order for expedition of the FRAND trial. Ericsson did, however, seek permission to appeal against the refusal to expedite the technical trial. I refused that application on 23 July 2024.
  - ix) The Short-Term Licence Application was heard by Richards J on 22-24 October 2024 and dismissed by him on 19 November 2024. It is this judgment which is the subject of the present appeal.
  - x) Meade J heard the trial of a preliminary issue in the E&W II Proceedings concerning the interpretation of the 2011 MM Licence on 13-15 January 2025 and reserved judgment. It appears that, if Lenovo are successful on this issue, that will be largely, if not entirely, determinative of the E&W II Proceedings. If Ericsson are successful, there will have to be a factual enquiry as to which products are covered by the 2011 MM Licence on Lenovo’s interpretation. No date has yet been set for the trial of that factual enquiry.
71. For reasons that will appear, I should explain that, as is often done in such cases, in making or opposing the various applications discussed above, both parties relied (in addition to other evidence) upon witness statements made by their respective solicitors with conduct of the case: Nicola Dagg for Lenovo and Thomas Foster for Ericsson. Mr Foster explained in a number of his statements that, where he referred to the knowledge, beliefs or views of Ericsson, this was based upon information and instructions from Robert Earle, VP Patent Assertion and Enforcement for Ericsson.

*Lenovo’s undertaking*

72. In paragraph 67 of their Particulars of Claim in the E&W I Proceedings served in October 2023 Lenovo pleaded as follows:
- “... Lenovo hereby undertakes to this Court that it will enter into a licence agreement in the form that is determined to be FRAND at the FRAND trial in these proceedings or, to the extent that there any appeals of the judgment of the FRAND trial, a licence agreement that is finally determined to be FRAND on appeal.”
73. This undertaking is ambiguously drafted. As the judge explained at [61], however, Lenovo clarified during the hearing before him that their undertaking was to enter immediately into whatever cross-licence the Patents Court determines to be FRAND, with any adjustments that may be necessary as a result of any appeal(s) being made subsequently. It emerged during the course of the hearing before this Court that this

undertaking had never formally been embodied in a court order. If only for the sake of good order, I consider that it should be. I will therefore proceed on the basis that the undertaking will be incorporated into this Court's order.

74. Ericsson have not given an equivalent undertaking.

*Proceedings in Brazil*

75. On 21 November 2023 Ericsson filed without notice to Lenovo a complaint in the State Court of Rio de Janeiro alleging the infringement of two Brazilian SEPs and seeking a preliminary injunction with the aim of effectively preventing the sale by Lenovo of 5G-compatible mobile devices in Brazil. On 27 November 2023 the State Court granted Ericsson's request for a preliminary injunction and Lenovo is currently subject to a substantial penalty for each act of alleged infringement. On 7 August 2024 the Brazilian appeal court upheld the preliminary injunction. Lenovo have continued to market their devices in Brazil despite the injunction. Ericsson applied to the State Court on 11 June 2024 seeking enforcement of the injunction and asking the Court to order Lenovo to deposit with the Court the penalty for each act of non-compliance on a monthly basis. On 27 August 2024 the State Court made the order sought, but Lenovo have appealed and the Court has stayed the order pending the appeal. Brazil is Lenovo's second largest market. Lenovo claim to have offered to pay Ericsson the full royalty rate claimed by Ericsson in respect of sales in Brazil, creditable against a final FRAND cross-licence determination, in return for a stay or non-enforcement of injunctive relief. Lenovo also claim that Ericsson refused this offer.

*Proceedings in Colombia*

76. The position in Colombia is complicated, and it is unnecessary to set out the details. The broad picture is that, during November and early December 2023, Ericsson filed 31 *ex parte* applications for preliminary injunctions against Lenovo. As a result, Ericsson have obtained various preliminary injunctions, some but not all of which have subsequently been revoked on appeals by Lenovo. Colombia is another significant market for Lenovo. Again, Lenovo claim to have offered to pay Ericsson the full royalty rate claimed by Ericsson, creditable against a final FRAND cross-licence determination, in return for a stay or non-enforcement of injunctive relief. Again, Lenovo claim that Ericsson refused this offer. On 12 December 2024 Ericsson applied to expand the preliminary injunctions they have obtained to all of Lenovo's 5G products. On 20 and 24 January 2024 Ericsson commenced two new actions against a Lenovo distributor, one of which was subsequently withdrawn.

*Counterclaims by Lenovo in the EDNC*

77. In the EDNC Proceedings Lenovo have counterclaimed for a determination of FRAND terms. Lenovo have also applied for an anti-suit injunction to restrain enforcement by Ericsson of the Brazilian and Colombian injunctions. That application was refused by the EDNC. On 24 October 2024 the Court of Appeals for the Federal Circuit ("the CAFC") allowed an appeal by Lenovo and remanded the application to the EDNC.

*Other proceedings brought by Lenovo*

78. On 31 January 2024 and 16 August 2024 Lenovo brought proceedings against Ericsson in the Unified Patent Court for alleged infringement of certain SEPs.

French law and Ericsson's respondents' notice

79. As noted above, the ETSI IPR Policy is governed by French law. Ericsson have served a respondents' notice challenging the judge's treatment of French law. It is convenient to address this as a discrete topic before turning to consider the remainder of the judge's judgment and Lenovo's grounds of appeal.
80. Before proceeding further, it should be explained that English procedural law treats foreign law as a question of fact. If foreign law is relied upon, and is disputed, it must therefore be proved by evidence from a suitably qualified expert. The expert's primary task is to explain the relevant sources of foreign law and their institutional context. The expert's secondary task is to identify the relevant principles of the foreign law which may be derived from those sources. It is not necessary for present purposes to go into such questions as the limits of the expert's role, the extent to which the court may itself analyse the foreign materials or the extent to which the court's task differs from its ordinary task when making findings of fact.
81. In *Nokia Technologies OY v OnePlus Technology (Shenzhen) Co Ltd* [2023] EWHC 1912 (Pat), [2024] RPC 1 Meade J made findings as to the principles of French contract law which were relevant to the interpretation and application of clause 6.1 of the ETSI IPR Policy after receiving written and oral expert evidence on this subject adduced by both parties. He set out at [168]-[201] principles which were agreed by the experts. He also considered a disputed question at [202]-[216], but for present purposes that can be ignored. In *Panasonic v Xiaomi* [2024] EWHC 1733 (Pat) Leech J received written evidence from the parties' experts, but there was no cross-examination. As he recorded at [37], it was common ground that Meade J's statements of French law at [168]-[201] were accurate.
82. Leech J set out at [38] three further propositions of French law which were agreed by the experts in his case (evidence references omitted):
- “134. It is common ground between the parties that, as a matter of French law, a contract must be negotiated, formed, and performed in good faith pursuant to Article 1104 of the Civil Code ..., and that therefore a SEP holder is required under French law to perform the ETSI obligation in good faith.
135. It is also common ground that there is no definition of good faith for the purpose of Article 1104 of the Civil Code; and that applying that concept is a highly fact sensitive question, which would be assessed by a French Court '*in concreto*' (i.e. in light of all the facts and circumstances) ....
136. Both experts agree however that, in broad terms, good faith requires a party to perform its obligation in such a way that is

consistent with the ‘spirit’ or ‘purpose’ of the obligation, not just the black letter of the obligation. ...”

83. In my judgment in *Panasonic v Xiaomi* I quoted these propositions at [48]. At [49] I quoted Leech J’s further finding at [44] based on the expert evidence before him that “in principle good faith in the performance of a contract can lead to the creation or modification of a party’s rights as opposed to giving rise to a claim for damages or, perhaps, preventing a party from enforcing their own express obligations under the relevant contract”.

84. Section 4 of the Civil Evidence Act 1972 provides, so far as relevant:

“(2) Where any question as to the law of any country or territory outside the United Kingdom, or of any part of the United Kingdom other than England and Wales, with respect to any matter has been determined (whether before or after the passing of this Act) in any such proceedings as are mentioned in subsection (4) below, then in any civil proceedings (not being proceedings before a court which can take judicial notice of the law of that country, territory or part with respect to that matter)—

- (a) any finding made or decision given on that question in the first-mentioned proceedings shall, if reported or recorded in citable form, be admissible in evidence for the purpose of proving the law of that country, territory or part with respect to that matter; and
- (b) if that finding or decision, as so reported or recorded, is adduced for that purpose, the law of that country, territory or part with respect to that matter shall be taken to be in accordance with that finding or decision unless the contrary is proved:

Provided that paragraph (b) above shall not apply in the case of a finding or decision which conflicts with another finding or decision on the same question adduced by virtue of this subsection in the same proceedings.

- (3) Except with the leave of the court, a party to any civil proceedings shall not be permitted to adduce any such finding or decision as is mentioned in subsection (2) above by virtue of that subsection unless he has in accordance with rules of court given to every other party to the proceedings notice that he intends to do so.
- (4) The proceedings referred to in subsection (2) above are the following, whether civil or criminal, namely—
  - (a) proceedings at first instance in any of the following courts, namely the High Court ...;

- (b) appeals arising out of any such proceedings as are mentioned in paragraph (a) above;

...

- (5) For the purposes of this section a finding or decision on any such question as is mentioned in subsection (2) above shall be taken to be reported or recorded in citable form if, but only if, it is reported or recorded in writing in a report, transcript or other document which, if that question had been a question as to the law of England and Wales, could be cited as an authority in legal proceedings in England and Wales.”

85. CPR rule 33.7 provides:

- “(1) This rule sets out the procedure which must be followed by a party who intends to put in evidence a finding on a question of foreign law by virtue of section 4(2) of the Civil Evidence Act 1972.
- (2) He must give any other party notice of his intention.
- (3) He must give the notice –
  - (a) if there are to be witness statements, not later than the latest date for serving them; or
  - (b) otherwise, not less than 21 days before the hearing at which he proposes to put the finding in evidence.
- (4) The notice must –
  - (a) specify the question on which the finding was made; and
  - (b) enclose a copy of a document where it is reported or recorded.”

86. On 11 October 2024 Lenovo served a notice on Ericsson pursuant to section 4(3) of the 1972 Act and rule 33.7(2) that Lenovo intended to rely upon the findings as to French law contained in my judgment in *Panasonic v Xiaomi* at [47]-[49], namely the findings set out in paragraphs 82-83 above, for the purposes of Lenovo’s Short-Term Licence Application. Ericsson do not dispute the findings made by Meade J in *Nokia v OnePlus* at [168]-[201] or the findings made by Leech J in *Panasonic v Xiaomi* at [38], but they do dispute the finding made by Leech J at [44]. To that end, Ericsson challenge Lenovo’s reliance upon the notice on the bases that (i) it was served out of time and (ii) they have served expert evidence contrary to Leech J’s finding. These issues are academic for the reason I shall explain, but I shall nevertheless deal with them for completeness.

87. The judge held at [26] that the notice was in time because it was served at the same time as Lenovo’s evidence in reply. Ground 3 of Ericsson’s respondents’ notice

challenges this conclusion. Ericsson contend that, on the proper construction of rule 33.7(3)(a), the notice should have been served at the same time as Lenovo's evidence in chief. As the judge held, however, the notice was served on the latest date for serving witness statements, which was 11 October 2024. Ericsson's contention involves reading words into rule 33.7(3)(a) which are not there. Ericsson argue that this is necessary to avoid the potential for procedural unfairness, but any procedural unfairness can be addressed in other ways.

88. The judge held at [28] that, given that Lenovo had served a valid notice, he was required to take the proposition of French law stated in it as established unless Ericsson proved the contrary. He further held that the evidence of Ericsson's expert did not do so since it simply revealed a disagreement with the evidence of Lenovo's expert without demonstrating that Ericsson's expert's view was to be preferred to that of Lenovo's expert. Ericsson's ground 2 is that the judge erred in his interpretation of section 4(2) of the 1972 Act and applied the wrong burden of proof. Ericsson argue that, given the procedural context created by Lenovo's application, once Ericsson had served expert evidence disputing the proposition in question, the burden lay on Lenovo to demonstrate to a high degree of assurance that the proposition was correct.
89. I do not accept this argument. Section 4(2) is clear that the burden lies on the party disputing the proposition in question to prove the contrary. As the judge correctly held, Ericsson did not discharge that burden by serving expert evidence which was no more persuasive than the expert evidence served by Lenovo. The procedural context does not justify shifting the burden of proof mandated by the statute onto Lenovo. Counsel for Ericsson relied upon a passage from the judgment of Moore-Bick J in *Phoenix Marine Inc v China Ocean Shipping Co* [1991] 1 All ER (Comm) 138 at 143-144, but that passage is concerned with the standard of proof, not the burden of proof. Moore-Bick J may well have been correct to conclude that section 4(2) is not to be interpreted "as if it laid down a general rule that the presumption [that the earlier finding is correct] cannot be displaced except by particularly cogent evidence", but that does not assist Ericsson.
90. Ground 1 of Ericsson's respondents' notice is that, even if the judge reached the correct conclusion as to the effect of Lenovo's notice, he failed to apply the disputed principle of French law to the facts of the case. Ericsson contend that the disputed principle of French law does not provide any basis for Lenovo's claim that they are entitled to an interim cross-licence. This ground is moot because, at least before this Court, Lenovo did not rely upon the disputed principle of French law, but confined their case to the principles which are common ground.

#### Lenovo's position in outline

91. Lenovo's position in a nutshell is that, given that Lenovo have undertaken to enter into a global cross-licence on the terms determined to be FRAND by the Patents Court, and that determination can be expected in the relatively near future, there can be no justification for Ericsson pursuing claims for injunctions and equivalent relief against Lenovo in other jurisdictions. The purpose of doing so can only be to place pressure on Lenovo to agree to terms which are more favourable to Ericsson than those determined to be FRAND by the Patents Court. Furthermore, any rational SEP owner would accept Lenovo's offer to take an interim licence now under which royalties are paid by Lenovo to Ericsson at an appropriate rate, with subsequent

adjustment if required as a result of the Patents Court's determination, because any business would rather have the use of the money now rather than have to rely upon the inadequate compensation provided by an award of interest later. Ericsson's conduct is, Lenovo contend, clearly a breach of Ericsson's obligations under clause 6.1 of the ETSI IPR Policy, specifically their obligation to negotiate a cross-licence on FRAND terms with Lenovo in good faith.

92. In those circumstances Lenovo seek a declaration that a willing licensor in the position of Ericsson would agree to enter into, and would enter into, an interim cross-licence of their SEP portfolio pending the determination by the Patents Court of the FRAND terms of the final cross-licence and would do so upon the terms determined by the Court to be FRAND. Lenovo's proposal in this Court is that the Court should "split the difference" between the parties' offers in respect of the period until 31 December 2025, but Lenovo say that they are prepared if the Court considers it appropriate to pay at the full rate demanded by Ericsson in accordance with Ericsson's October 2023 Offer for that period. Lenovo rely upon *Panasonic v Xiaomi* as supporting their application, although they acknowledge that there are factual differences between that case and the present one.

#### Ericsson's position in outline

93. Ericsson's position in a nutshell is that they are entitled to enforce their SEPs in any court or tribunal of competent jurisdiction unless and until Lenovo actually enter into a cross-licence. It is clear from the Supreme Court's analysis of the ETSI IPR Policy in *UPSC* that SEP holders are entitled to obtain injunctions restraining infringement in order to force implementers to choose between taking a licence and abandoning the relevant market. Ericsson say that the fact that Lenovo have undertaken to enter into a cross-licence on the terms determined by the Patents Court to be FRAND makes no difference to this. It is clear from the ETSI IPR Policy and the ETSI Guidelines that the parties should negotiate the terms of the licence, and that court determination is a last resort. Ericsson dispute that their intention is to obtain supra-FRAND terms from Lenovo. Furthermore, Ericsson place strong reliance upon the OUII Brief as representing an independent and impartial assessment that Ericsson's October 2023 Offer was within the FRAND range. Thus Ericsson deny any breach of clause 6.1.
94. Ericsson contend that the present case is distinguishable from *Panasonic v Xiaomi* for three key reasons. First, unlike Panasonic, Ericsson have not invoked the jurisdiction of the English courts to determine FRAND terms on a global basis. Rather, it is Lenovo who have done so. Secondly, unlike Panasonic, Ericsson have not undertaken to enter into a cross-licence on the terms determined by the Patents Court to be FRAND. Thirdly, Ericsson's position is that, if any court is to determine what terms are FRAND, it should be the EDNC, which was first seised of the dispute, rather than the English courts.

#### The judge's judgment in outline

95. In considering the judge's judgment I should begin by explaining that, consistently with the way in which Lenovo originally characterised the relief sought by their application, the judge referred to the licence proposed by Lenovo as a "Short-Term Licence". Although I initially thought that this was merely a terminological

difference, it turned out during the course of argument to be more significant for reasons I shall come to later.

96. The judge's key conclusions were as follows. First, the judge found that he was "not satisfied to a high degree of assurance that the pressure [exerted by Ericsson on Lenovo] is directed at securing supra-FRAND rates, or even rates that are significantly in excess of what the English courts or EDNC will ultimately determine to be FRAND" ([97]).
97. Secondly, despite finding that "[i]t is certainly arguable that, given Lenovo's offer of undertakings, Ericsson is exerting unfair and unreasonable pressure in pursuing injunctive relief when it should be negotiating towards a FRAND rate either as part of the English or EDNC proceedings or in separate settlement discussions" ([112]), he could not "conclude to a high degree of assurance that, in the circumstances of this case, Ericsson was failing to act in good faith" ([120]).
98. Thirdly, he was not satisfied that the terms of the Short-Term Licence proposed by Lenovo were FRAND, and in particular that Lenovo's proposed lump sum was FRAND ([105]–[106]).
99. Fourthly, the Judge was not satisfied that the Declaration would have "significant utility" and found that "considerations of comity and utility point against the making of the Declaration" ([133]).

#### Lenovo's grounds of appeal

100. Lenovo have four grounds of appeal. Ground 1 is that the judge was wrong to conclude that Ericsson's obligation of good faith did not require it to enter into an interim licence. Ground 2 is that the judge was wrong to conclude that the interim licence proposed by Lenovo was not FRAND. Ground 3 is that the judge was wrong to conclude that the declaration sought by Lenovo would serve no useful purpose. Ground 4 is that the judge was wrong to conclude that making of the declaration would be contrary to the principle of comity.
101. Lenovo do not dispute that the judge was correct to direct himself that he needed to have a high degree of assurance in order to grant Lenovo relief they sought: see *Panasonic v Xiaomi* at [69]–[73].

#### The period to be covered by an interim licence

102. It is convenient before turning to the grounds of appeal first to consider an issue which emerged during the hearing as to the period to be covered by an interim licence, or to be more accurate the period which should be taken as the basis for calculating the royalty payable under an interim licence. Lenovo seek a declaration modelled on that made by this Court in *Panasonic v Xiaomi*. That declaration was that a willing licensor in the position of Panasonic would enter into an interim licence whose term ended when the parties entered into the final licence on terms determined by the Patents Court, but the calculation of the amount payable by Xiaomi assumed that that would occur by 31 December 2024.

103. In the present case Lenovo propose, as indicated above, that the amount payable by Lenovo should be calculated on the assumption that this will occur by 31 December 2025. Ericsson dispute the validity of this assumption, on the basis that the FRAND trial may not determine FRAND terms for a final cross-licence by that date because of ongoing issues concerning the 2011 MM Licence.
104. I acknowledge that, at the time of the FRAND trial, there may well be ongoing issues concerning the 2011 MM Licence. I see no reason to think that this will delay the determination by the Patents Court of the FRAND terms for a final cross-licence beyond 31 December 2025. If necessary, the order can include an adjustment mechanism to deal with this. This will be facilitated by the fact that the judge scheduled to hear the FRAND trial is Meade J, who heard the preliminary issue concerning the 2011 MM Licence.

Ground 1: good faith

105. As explained above, there is no dispute that French law requires a SEP owner to perform its obligation to grant an implementer a licence on FRAND terms in good faith, and this requires the SEP owner to negotiate the terms of such a licence in good faith. Whether a party has complied with the requirement of good faith is a fact-sensitive question, which must be objectively assessed.
106. Lenovo's argument starts from the two preliminary points which I identified in *Panasonic v Xiaomi*:
- “79. .... The first is that SEPs differ in a key respect from other patents. Normal patents are monopoly rights, and the primary remedy for infringement is an exclusionary injunction so as to preserve the monopoly. This is not true of SEPs, because they are subject to the SEP holder's obligation to grant licences to any implementer who desires a licence on FRAND terms. An implementer is entitled to such a licence as of right. Thus SEPs are not property rights of the same status as other patents. In effect, the SEP regime is a liability regime in which the SEP holder's remedy is a financial one. The only role for an injunction in this regime is to enforce the SEP holder's entitlement to that financial remedy.
80. The second point is that the implementer is entitled to a licence from the first day it implements the standard provided that it is willing to take a licence on FRAND terms. This is the corollary of the points I made in *InterDigital v Lenovo* at [187]-[188] .... Furthermore, the implementer is entitled to a licence which is continuous and not subject to interruption by injunctions obtained by the SEP holder.”
107. Lenovo acknowledge that, unlike Panasonic in *Panasonic v Xiaomi*, Ericsson did not invoke the jurisdiction of the English courts to determine FRAND terms on a global basis and have not undertaken to enter into a cross-licence on the terms determined by the Patents Court to be FRAND. Lenovo argue that these factual differences from *Panasonic v Xiaomi* are not material, because what matters is that, like Xiaomi,

Lenovo have undertaken to enter into a global cross-licence on the terms determined by the Patents Court to be FRAND (subject to any adjustment required on appeal). This undertaking will be enforceable by Ericsson with severe sanctions for non-compliance by Lenovo (see *Panasonic v Xiaomi* at [37]). It follows that Ericsson are guaranteed to receive payment in full of the royalty which the Patents Court determines to be FRAND (or as adjusted on appeal) in respect of the entire period since Lenovo started implementing any of the relevant standards, taking into account the fact that a range of rates may be FRAND, together with realistic interest in respect of past sales. Thus Ericsson will not need to rely upon the threat of an injunction in this jurisdiction in order to enforce the Patents Court's determination as to FRAND terms. The fact that Ericsson have not undertaken to enter into a cross-licence on the terms determined by the Patents Court to be FRAND does not affect this. It simply means that Ericsson will be free to decline to accept the terms determined by the Patents Court. (That would prevent Ericsson from enforcing any of their SEPs against Lenovo in this jurisdiction, but Ericsson do not seek to do so.)

108. In those circumstances, Lenovo contend that the central question posed by this Court in *Panasonic v Xiaomi* at [82] also arises here: what is the point of Ericsson pursuing the Brazilian, Colombian and US proceedings, and attempting to exclude Lenovo's products from those commercially important markets, with all the massive attendant effort and expense for both parties? Lenovo argue that, just as in *Panasonic v Xiaomi*, there can only be one answer to that question: Ericsson wish to coerce Lenovo into accepting terms more favourable to Ericsson than the English courts will determine to be FRAND.

109. In considering Ericsson's response to Lenovo's arguments, I shall begin by quoting paragraph 10 of Ericsson's skeleton argument in opposition to this appeal. This is a statement of Ericsson's position made with Ericsson's authority (represented, it would appear, by Mr Earle) (footnotes omitted):

“Over the past 16 years, however, the parties have been unable to agree the terms of such a FRAND Cross-Licence. Ericsson contends this is largely due to Lenovo engaging in a sustained strategy of ‘hold-out’ (*using the technical solution covered by a SEP without paying the reasonable market value for a licence*), seeking by any means to avoid taking a licence and thus knowingly infringing Ericsson's intellectual property. At no point during the 16 years of negotiations prior to these proceedings had Lenovo offered any interim payment or licence.”

110. This statement makes two complaints about Lenovo's behaviour. The first complaint is that Lenovo have engaged in hold out for 16 years. Let it be assumed that Ericsson are right that Lenovo engaged in hold out prior to October 2023. Such behaviour is not to be condoned. But the position now is that Lenovo have undertaken to enter into a cross-licence on the terms determined by the English courts to be FRAND. Thus Ericsson are guaranteed to receive full payment of whatever net amount is found to be FRAND in respect of Lenovo's exploitation of Ericsson's SEPs from day one until 31 December 2028 with realistic interest on past sales. Lenovo will not be rewarded by the English courts for having held out in the past. Ericsson do not suggest that there is

any doubt about the willingness or ability of Lenovo to pay whatever sum the English courts order. Thus Lenovo cannot be accused of holding out now.

111. The second complaint is that, prior to November 2023, Lenovo had not offered any interim payment or licence pending a determination (or agreement) of FRAND terms for the final cross-licence. One might think that, in those circumstances, Ericsson would greet Lenovo's current proposal to pay a nine-figure dollar sum for an interim cross-licence with open arms. Instead, Ericsson's response has been to fight Lenovo's application tooth and nail.
112. Against that background, I turn to consider Ericsson's answer to the question posed in paragraph 108 above. In his oral submissions counsel for Ericsson focussed upon the ITC I proceedings. I agree that this constitutes a good test of Ericsson's conduct. As explained above, the USA is Lenovo's largest market. Ericsson is attempting in the ITC I proceedings to exclude a large proportion of Lenovo's products from that market. The ITC I proceedings are well advanced, and it appears that Ericsson have a reasonable prospect of obtaining the relief they seek.
113. It is common ground that the ITC will not determine FRAND terms for a cross-licence. Its remit is limited to considering whether FRAND-based public interest considerations require the denial of remedies which would otherwise be appropriate. It appears probable that the ITC will approach that question in the same manner as the OUII did in the OUII Brief, which is not to say that it will necessarily reach the same conclusion. Essentially, that approach involves an assessment of whether Ericsson's conduct in their negotiations with Lenovo has been manifestly contrary to good faith.
114. I should make it clear before proceeding further that nothing I say in this judgment is intended to imply any criticism of the ITC. On the contrary, for the reasons discussed below, it is incumbent on the English courts to respect the ITC's jurisdiction. There is no suggestion by Lenovo that the ITC is doing anything other than conscientiously applying the relevant principles of US law.
115. But the question remains: what is Ericsson's purpose in pursuing the ITC I proceedings when they are guaranteed to get whatever the English courts determine is FRAND plus interest? Counsel for Ericsson gave three answers to this question. The first was that it provided what he described as "legitimate commercial leverage". The second was that it provided the opportunity for a final resolution of the dispute, because it was probable that, if the ITC granted the relief Ericsson sought, Lenovo would be forced to accept Ericsson's October 2023 Offer. The third was that Ericsson perceived that they were doing well in the ITC and were likely to prevail there.
116. As counsel for Lenovo pointed out in reply, these three reasons all collapse into one: Ericsson want to force Lenovo to accept Ericsson's October 2023 Offer by getting relief from the ITC which leaves Lenovo with no commercially viable alternative course. Ericsson argue that this is entirely legitimate since it simply involves Ericsson exercising legal remedies properly open to them. Lenovo argue that this is contrary to Ericsson's obligation of good faith.
117. Who is right about this can be tested by assuming that Ericsson's October 2023 Offer is, as Ericsson contend, FRAND. On that hypothesis, that is what the English courts will determine, and the effect of Lenovo's undertaking is that Ericsson will get full

payment of the amount calculated in accordance with that offer plus interest. What then is the advantage to Ericsson in pursuing the ITC I proceedings?

118. There are only two possible answers to this question. The first is that propounded by counsel for Ericsson when pressed on it: pursuing the ITC I proceedings will achieve the same result as a determination by the English courts, but more quickly. The problem with this answer is that it is belied by Ericsson's conduct. As I observed in *Panasonic v Xiaomi* at [84], any rational SEP owner would want to be paid sooner rather than later. Moreover, for that reason, any rational SEP owner would positively want the implementer to enter into an interim licence so that the SEP owner could receive at least partial payment for the final licence more quickly, and then get the remainder later. Indeed, as we have seen, one of Ericsson's own complaints to this Court about Lenovo's conduct is that Lenovo failed to offer to enter into an interim licence prior to November 2023. Yet now that a nine-figure dollar payment from Lenovo is on the table, Ericsson refuse to accept it.
119. Ericsson's answer to this point was to raise an argument which was not raised by Panasonic in *Panasonic v Xiaomi*. Ericsson relied upon evidence given by Mr Foster, particularly in paragraph 88 of his fifth witness statement, that a payment by Lenovo to Ericsson under an interim licence would "not provid[e] Ericsson with any payment that could be recognised as revenue under generally accepted accounting principles (meaning that Ericsson could not use that money until a final licence is signed)".
120. There are a number of problems with this evidence. The first is that generally accepted accounting principles are concerned, and concerned only, with proper accounting practice. They are not legal documents like statutes or contracts. They are documents written by accountants for accountants. It follows that the question of what is generally accepted accounting practice, as well as the question of whether a particular set of accounts has been prepared in accordance with that practice, is a question of fact to be determined with the assistance of expert evidence: see *Ball UK Holdings Ltd v Revenue and Customs Commissioners* [2018] UKUT 407 (TCC), [2019] STC 193 at [37] and [40] (Falk J, as she then was, and Judge Cannan). Mr Foster does not claim to possess any accountancy qualification. Nor does he identify any informant as having informed him of what he says. Even if one assumes that Mr Foster was informed by Mr Earle, there is no evidence that Mr Earle possesses any accountancy qualification. On the other hand, as counsel for Ericsson pointed out, Lenovo served no evidence to contradict what Mr Foster had said about generally accepted accounting principles.
121. The second problem is that Mr Foster does not explain what Ericsson accounts would be affected by the accounting principle in question or in what way they would be affected. At most, it could be inferred that the relevant accounts might need to include a contingent liability recognising that there was a material risk that some or all of the money might have to be repaid (if there was such a risk in Ericsson's view). If that was so, and any shareholder, lender or other investor wanted to understand the reasons for this, a note could refer to the court's judgment (and an electronic version could include a hyperlink). Thus there can be no difficulty in terms of transparency.
122. The third problem is that there is no evidence that this accounting treatment would have any real-world consequences for Ericsson. The nearest is the parenthesis in Mr Foster's statement quoted in paragraph 119 above. As Newey LJ observed during the

course of argument, the parenthesis cannot be correct because there would be nothing to stop Ericsson depositing the money in an interest-bearing account, which would be a use of it. Moreover, as Falk LJ observed, accounting principles cannot place a legal impediment on any use of the money. When faced with these points, counsel for Ericsson abandoned reliance upon the parenthesis. Thus the accounting treatment would not alter the fact that Ericsson would have the use of the money until the determination by the Patents Court. Furthermore, Ericsson would only have to repay any of the money if the Patents Court held that FRAND terms differed from those demanded by Ericsson: if Ericsson's October 2023 Offer were found to be FRAND, there would be no question of any repayment.

123. In short, there is nothing in the evidence in the present case to undermine the conclusion I reached in *Panasonic v Xiaomi*. That makes it unnecessary to consider whether a further answer to Ericsson's argument is that in any event it does not apply in so far as the sum paid by Lenovo for an interim licence calculated in accordance with Lenovo's January 2025 Offer for the period to 31 December 2025 would include an irreducible minimum amount payable by Lenovo for the final cross-licence for the period to 31 December 2028. Counsel for Ericsson disputed that Lenovo's January 2025 Offer had the effect that an irreducible minimum amount was payable by Lenovo. As indicated above, my understanding is that is indeed the effect of Lenovo's January 2025 Offer, but there is more room for debate as to precisely what that irreducible minimum amount is. This is a matter that, had it proved necessary, we could have asked Lenovo to clarify.
124. This leaves the second answer to the question posed in paragraph 115 above. This is that Ericsson want to achieve a better outcome than a determination by the English courts would provide (or indeed, for the reasons explained in paragraph 153 below, than a determination by any court would provide). To put it at its lowest, Ericsson must perceive that there is at least a material risk that the English courts will determine that Ericsson's October 2023 Offer was not FRAND, whether on its own terms or with reference to the correct interpretation of the 2011 MM Licence, and that FRAND terms for the cross-licence are closer to those offered by Lenovo, and Ericsson must be determined to avoid that risk. In my judgment this is indeed the true explanation for Ericsson's conduct.
125. The remaining question is whether Ericsson's conduct is inconsistent with the requirement imposed by French law to perform their obligation to ETSI in good faith, which obliges them to negotiate terms with Lenovo which are FRAND in good faith.
126. On any view Ericsson's conduct is not as egregious as that of Panasonic in *Panasonic v Xiaomi*. Part of the reasoning which led to the conclusion that Panasonic's conduct was indefensible was that its pursuit of injunctions in other jurisdictions was inconsistent with Panasonic having invoked the jurisdiction of the English courts to determine terms FRAND terms on a global basis and with Panasonic having undertaken to the English courts to enter into a licence on the terms determined by the English courts to be FRAND. Ericsson have neither invoked the jurisdiction of the English courts nor given such an undertaking.
127. Nevertheless, I accept Lenovo's submission that the core reason for the conclusion reached in *Panasonic v Xiaomi* is equally applicable here. As I put it at [86]:

“... As discussed above, FRAND is a process and not merely an end-point. Panasonic is not complying with its obligation to negotiate a licence with Xiaomi in good faith, and thereby avoid hold-up, but aiming to coerce Xiaomi into accepting terms more favourable to Panasonic than the Patents Court would determine to be FRAND.”

128. In the present case Ericsson is also aiming to coerce Lenovo into accepting terms more favourable to Ericsson than the English courts would determine to be FRAND, or at the very least to avoid the risk that the English courts would determine that FRAND terms are less advantageous to Ericsson than those sought by Ericsson. (Again, for the reasons explained in paragraph 153 below, the same goes for determination by any other court.)
129. In the final analysis, Ericsson’s position is that they are simply exercising the legal rights which are available to them in another jurisdiction and this cannot be contrary to their obligation of good faith. I accept the premise of this argument, but I do not accept that the asserted conclusion follows from it for two reasons. The first is that, as explained above, the whole point of a SEP owner’s obligation to ETSI is that it is a derogation from the patentee’s normal entitlement to enforce its patent by means of an injunction (or equivalent relief such as an LEO or CDO). Secondly, the purpose and effect of an obligation of good faith is to act as a constraint upon a party’s ability to enforce its strict legal rights solely with regard to its own interests. Ironically, this is the very reason that English contract law, unlike French contract law, has historically been reluctant to embrace obligations of good faith save in limited circumstances. To put it bluntly, Ericsson’s position amounts to saying that they are entitled to use their raw legal power to compel Lenovo to submit. That might well have been a legitimate response to a long period of hold out by Lenovo, but as explained above Lenovo are no longer holding out even if they were previously. On the contrary, Lenovo have now accepted that they must pay Ericsson whatever an independent and impartial court determines to be FRAND plus interest. In those circumstances coercion by Ericsson is no longer justified. Accordingly, Ericsson are in breach of their obligation of good faith.
130. Finally, I should address the judge’s reasons for reaching the contrary conclusion. He found the OUII Brief persuasive that Ericsson’s October 2023 Offer was comfortably within the FRAND range in so far as it offered a licence for Ericsson’s portfolio ([92]-[93]). He considered he had no basis on which to gauge the value of Lenovo’s portfolio ([94]). Accordingly, he was not satisfied to a high degree of assurance that, in exerting pressure on Lenovo to accept Ericsson’s October 2023 Offer, Ericsson were necessarily seeking supra-FRAND rates ([95]). Accordingly, he concluded at [97]:

“Of course, logic suggests that Ericsson would not pursue expensive litigation for injunctive relief unless it thought it would benefit from that litigation to Lenovo’s detriment. I am quite prepared to accept that Ericsson believes it will obtain a good commercial result if it is able to exert pressure on Lenovo to settle at or around the terms of the October 2023 Offer. However, while the contrary is arguable, I am not satisfied to a high degree of assurance that the pressure is directed at

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

131. With respect to the judge, this does not answer the question which I posed in paragraph 108 above. Furthermore, in so far as the judge’s conclusion rests upon his attempts to determine whether the parties’ respective offers were FRAND, that exercise was both unnecessary for the purposes of answering that question and inappropriate because the judge was not in position to make that assessment without the benefit of the expert evidence on the point which will be available at the FRAND trial. Indeed, the judge criticised evidence on the subject given by Ms Dagg for that very reason ([83]).

Ground 2: Lenovo’s proposed interim licence

132. The judge’s judgment betrays some confusion as to the nature of the relief that Lenovo are seeking. This is not necessarily the judge’s fault.
133. As the judge correctly noted at [9]-[13], Lenovo have not applied for an interim declaration pursuant to CPR rule 25.1(1)(b). They seek a declaration that will not be reconsidered at trial. Thus the application is for relief which is determinative of this particular issue. It is for this reason that a high degree of assurance is required: *Panasonic v Xiaomi* at [71]-[73].
134. The judge recorded at [37] that counsel then appearing for Lenovo “characterised the judgment in *Panasonic [v Xiaomi]* as ‘a significant advance [that] involves the English court innovatively creating *an interim remedy* for a short-term FRAND licence *to hold the ring pending the final FRAND trial*’ [my emphases]”. Despite this, the judge went on to say at [103] that:

“Lenovo argues that there is nothing special about the Short-Term Licence and that *it is wrong to describe that as an ‘interim’ licence*. While the licence is potentially short-term, Lenovo argues that it is still a FRAND licence with the result that the basic obligation in Clause 6.1 obliges [Ericsson] to offer it [my emphasis].”

135. The judgment does not attempt to resolve the apparent contradiction between these statements. It seems that the judge proceeded on the basis of the second statement of Lenovo’s argument rather than the first, because he went on:

“105. If the Short-Term Licence were an interim licence designed to ‘hold the ring’ until a final FRAND determination, I am prepared to assume, without deciding, that willing licensors and licensees might be prepared to adopt a more rough and ready approach to setting the rate recognising its interim nature. However, if the Short-Term Licence is to be analysed as a specimen of a ‘normal’ FRAND licence, its terms would need to be FRAND. In order to be ‘non-discriminatory’, it would need not to be unduly generous to either Lenovo or to Ericsson.

106. I have no expert evidence that satisfies me that even the key terms of the Short-Term Licence are FRAND.”
136. As Lenovo submit, the judge thereby fell into error. As I have subsequently explained in *Alcatel v Amazon* at [75]:
- “... Amazon’s application for an interim licence will not require the court to determine most of the issues which will arise at the RAND trial. It will simply require the Court to determine (1) whether Amazon are entitled to an interim licence and (2) if so, what terms are appropriate. As can be seen from *Panasonic v Xiaomi*, the question of what terms are (F)RAND for an interim licence is quite different to the question of what terms are (F)RAND for a final licence, and determining such terms is a much more limited task. As Amazon submit, this is because the interim licence is only designed to hold the ring pending determination of the terms of the final licence, and the payments made pursuant to it will be adjusted to the extent necessary in consequence of the determination of the terms of the final licence.”
137. I would add that the non-discrimination aspect of the FRAND obligation is not about courts being even-handed between SEP owner and implementer. It is about ensuring that the SEP owner does not discriminate between implementers who are similarly situated: see *UPSC* at [103]-[127].
138. In addition to the error identified above, the judge held at [107] that it was a flaw in Lenovo’s proposal that “the Lump Sum that Ericsson receives cannot be recognised as Ericsson’s revenue for accounting purposes”. This is incorrect for the reasons given in paragraphs 119-122 above.

### Ground 3: useful purpose

139. As in *Panasonic v Xiaomi*, Lenovo argue that the declaration would serve a useful purpose principally because it would force Ericsson to reconsider its position. Lenovo also argue that, if it has that effect, it will have the further useful purposes of (i) preserving the utility of the E&W I and II Proceedings and (ii) avoiding further burdensome and wasteful litigation elsewhere. These secondary purposes are dependent on the primary purpose, however.
140. As in *Panasonic v Xiaomi*, Ericsson’s response to this argument is stark. Just like Panasonic, they say that, even if this Court declares that a willing licensor in their position would grant an interim licence, they will simply ignore the declaration. Accordingly, they say, making the declaration cannot serve any useful purpose vis-à-vis Ericsson. Indeed, Ericsson say that they have less reason to fear censure by this Court than Panasonic because they have not invoked the jurisdiction of the English court and have not undertaken to abide by their determination of FRAND terms.
141. If Ericsson were really that insouciant, one has to ask why they would have expended considerable time, effort and money in resisting Lenovo’s application. They could have let the application go by default and ignored any resulting declaration. Certainly,

Ericsson need not have invested further time, effort and money in resisting the appeal after having succeeded before the judge.

142. In my judgment, making the declaration sought by Lenovo would serve a useful purpose in forcing Ericsson to reconsider its position. It would not force Ericsson to change their mind, but in my judgment there is a realistic prospect that they will do so. Ericsson may not presently intend to change their position, but parties' intentions can change, as the example of Panasonic shows. Faced with a decision by this Court that Ericsson are in breach of their obligation of good faith and a formal declaration that a willing licensor would enter into an interim licence, would Ericsson really persist in conduct that this Court has unequivocally and publicly condemned? I not only hope that Ericsson will see the error of their ways, but consider that there is a real prospect of them doing so.
143. The judge was distracted in his consideration of this issue by the fact that the first useful purpose which Lenovo relied upon before him was that the declaration would be relevant to the courts of the USA, Brazil and Colombia. This understandably led the judge to consider utility and comity together, but these are distinct issues. So far as the purpose principally relied on by Lenovo in this Court is concerned, the judge's main reasons for rejecting this were those he gave at [128]:

“However, the facts of this case are much less stark. Lenovo criticises Ericsson's pursuit of injunctions as being designed to oust the jurisdiction of either the English courts or the ENDC as ‘rate-setting courts’. However, that is inaccurate since there is no ‘rate-setting court’ whose determination of FRAND terms both sides have agreed to accept. Moreover ... I am unable to conclude to any high degree of assurance that, even if the declaration were made and Ericsson did think again about its actions, it would choose to enter into a Short-Term Licence. In my judgment, even if I made the Declaration, there is a clear likelihood that, Ericsson would conclude that, since the Lump Sum payable under the Short-Term Licence cannot be recognised for accounting purposes, it is insufficiently worth having to outweigh the disbenefit of having to give up its injunctions.”

144. Again, I do not accept the point about accounting purposes for the reasons given above. I will address the jurisdictional point in the context of comity. The judge did not ask himself why Ericsson were opposing the application if they were determined to ignore any declaration made.

#### Ground 4: comity

145. It is telling that, both in their skeleton argument and in counsel's oral submissions, Ericsson addressed ground 4 first, arguing that the relief sought by Lenovo clearly offended the principle of comity regardless of the merits of Lenovo's other grounds (not that Ericsson accepted that the other grounds had any merit). This stance is understandable, because comity is an even more important issue in this case than it was in *Panasonic v Xiaomi* given that Ericsson have not invoked the jurisdiction of the English courts nor given an undertaking to the English courts.

146. Counsel for Ericsson cited two general statements concerning the principle of comity. This was described by the US Supreme Court in *Hilton v Guyot* 159 U.S. 113, 164 (1895) as “the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its laws”. Similarly, in *Credit Suisse Fides Trust v Cuoghi* [1998] QB 818, Millett LJ said at 827 that “comity between the courts of different countries requires mutual respect for the territorial integrity of each other's jurisdiction”.
147. Neither side took issue with how I put it in *Panasonic v Xiaomi* at [94]:
- “... Comity in this context means that the courts of this jurisdiction should respect the ability of courts [in other countries] to decide issues falling within their respective competencies, and should be cautious about granting any relief which might interfere with such courts’ exercise of their own jurisdictions or which might be perceived as an attempt to do so (unless there are proper grounds for the grant of an [anti-suit injunction]).”
148. There is no dispute that this principle extends to the ITC. Although it is not a court, it is a quasi-judicial body whose decisions can be appealed to the CAFC. As I have said above, its decisions are entitled to respect.
149. Lenovo submit that my reasoning in *Panasonic v Xiaomi* at [96]-[97] is equally applicable in this case. If the declaration does induce Ericsson to reconsider their position and to grant Lenovo an interim licence, that would promote comity because it would relieve the courts and tribunals of the USA, Brazil and Colombia of a great deal of burdensome and wasteful litigation. If, on the other hand, Ericsson decide to ignore the declaration and to pursue the proceedings in the USA, Brazil and Colombia, it will be entirely for those courts and tribunals to make their own assessment of the parties’ conduct, including their conduct in the English proceedings, and to decide what, if any, relief to grant Ericsson for any infringements they may find established in the absence of a licence. Thus making the declaration would not be contrary to comity.
150. I accept this submission. The judge did not give any discernible reasons for rejecting it, which may be attributable to the way in which Lenovo put their case on useful purpose before him.
151. Ericsson advanced two arguments, neither of which provides an answer to Lenovo’s submission, but which I should nevertheless deal with.
152. The first is that making the declaration sought by Lenovo would be contrary to comity because the courts and tribunals of the USA (specifically, the EDNC and the ITC) were first seised of the dispute between the parties. There is no doubt that, viewed from a jurisdictional perspective, this is an important consideration. As I explained, however, Ericsson failed in their challenge to the jurisdiction of the English courts and did not appeal. In those circumstances we must proceed on the basis that the English courts are properly seised of the FRAND dispute. Furthermore, as Lenovo

point out, the English courts have exclusive jurisdiction to determine the issues concerning the 2011 MM Licence, which have a significant impact on what terms for the cross-licence are FRAND. In those circumstances, the legal centre of gravity, although not the commercial centre of gravity, of the overall dispute is in England.

153. In the absence of a global dispute mechanism for determining FRAND disputes, or an *ad hoc* agreement to arbitration, the possibility of jurisdictional conflict is inescapable. Leaving aside Lenovo's point about the exclusive jurisdiction clause in the 2011 MM Licence, the principled answer to this might be that the court first seised should determine what terms are FRAND. In the present case, however, it is plain that Ericsson do not want the EDNC to determine FRAND terms for the cross-licence any more than they want the English courts to do so. If Ericsson wanted the EDNC to determine FRAND terms in preference to the English courts, they would have made the simple amendment to their claim in the EDNC I Proceedings which Richards J identified as being appropriate in his judgment on the Jurisdiction Application as long ago as 18 April 2024 and would have undertaken to accept the EDNC's determination as to FRAND terms. Ericsson have not done so. By contrast, Lenovo have offered to accept the EDNC's determination as to FRAND terms if Ericsson drop their campaign to obtain injunctions and equivalent relief, but Ericsson have not agreed to this. On the contrary, Ericsson have vigorously pursued such relief, in particular in the ITC. This demonstrates that Ericsson's stance is not driven by jurisdictional preference with respect to FRAND determination. It is driven by a preference for the exclusionary power of a national injunction (or equivalent relief) over FRAND determination by *any* court. This is hold up.
154. The second argument is that making the declaration sought by Lenovo would promote forum shopping. Since SEP owners like Ericsson forum shop every time they commence infringement proceedings against an implementer, the premise for this argument can only be that forum shopping by SEP owners is acceptable whereas forum shopping by implementers is unacceptable. When asked to justify that premise, counsel for Ericsson was unable to do so. The principled answer is that forum shopping by both SEP owners and implementers is equally to be deprecated. Regrettably, however, the potential for forum shopping is an inevitable feature of the present ETSI IPR Policy. I would also point out that Ericsson's approach may suit large and well-resourced SEP owners, but it would not be viable for smaller, less well-resourced ones.
155. In conclusion, I entirely accept that, as counsel for Ericsson submitted, jurisdictional imperialism is to be eschewed. As I have explained, however, it is common ground in this case that a FRAND cross-licence would be global. *UPSC* establishes that, in such a case, the English courts have jurisdiction to determine what terms are FRAND on a global basis. A critic might argue that, to that extent, a degree of jurisdictional imperialism is already hard-wired into the English courts' approach to these issues. The declaration sought by Lenovo is less intrusive into the jurisdictions of foreign courts and tribunals than a global FRAND determination.

#### FRAND terms for an interim licence

156. In my judgment the approach taken to determining what terms for an interim licence would be FRAND taken in *Panasonic v Xiaomi* at [100] is equally applicable here. Accordingly, the sum payable by Lenovo by way of royalty should be the mid-point

figure referred to in sub-paragraph 57(iii) above. The sum paid under the interim licence should be adjustable in accordance with the Patents Court's determination of FRAND terms for the final cross-licence.

### Conclusion

157. For the reasons given above I conclude that: (1) Ericsson are in breach of their obligation of good faith under clause 6.1 of the ETSI IPR Policy by pursuing claims for injunctions and equivalent remedies in foreign courts and tribunals despite Lenovo having undertaken to enter into a licence on the terms determined by the Patents Court to be FRAND (subject to adjustment on any appeal) and having offered to submit to determination of FRAND terms by the EDNC; (2) a willing licensor in the position of Ericsson would enter into an interim licence with Lenovo pending that determination, and FRAND terms for that licence would be those set out in the preceding paragraph; (3) making the declaration sought by Lenovo would serve a useful purpose; and (4) the declaration should not be refused on the grounds of comity. I would therefore allow the appeal.

### **Lady Justice Falk:**

158. I agree.

### **Lord Justice Newey:**

159. I also agree.