



Neutral Citation Number: [2024] EWHC 2027 (Pat)

Case No: HP-2023-000041

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

Royal Courts of Justice, Rolls Building
Fetter Lane, London, EC4A 1NL

Date: 05/08/2024

Before :

MR JUSTICE ZACAROLI

Between :

MOTOROLA MOBILITY, LLC

Claimant

- and -

**TELEFONAKTIEBOLAGET LM ERICSSON
(publ)**

Defendant

**Rebecca Sabben-Clare KC and Michelle Menashy (instructed by Kirkland & Ellis
International LLP) for the Claimant**
**Josephine Davies KC and Fiona Petersen (instructed by Pinsent Masons LLP and Taylor
Wessing LLP) for the Defendant**

Hearing date: 23 July 2024

JUDGMENT

Mr Justice Zacaroli:

1. The claimant (“Motorola”) and the defendant (“Ericsson”) are counterparties to a global patent cross-licence agreement entered into on 4 January 2011 (the “2011 Licence”).
2. In this action, Motorola seeks, among other things, a declaration that some 354 of its cellular phone products, listed in Annex C to its particulars of claim, are within the scope of the 2011 Licence. This turns to a large extent on the true construction of the first sentence of clause 2.4A of the 2011 Licence, the material parts of which are as follows:

“The license grants provided in Sections 2.1, 2.3 and 2.4 above apply only to Licensed Wireless Mobile Device Products ... in the FIELD of Motorola Mobility as of the Effective Date hereof and commercially reasonable updates or extensions of such Licensed Products.”
3. The clause continues: “For the purpose of this Section 2.4A, the term “FIELD” means the practice of the Licensed Patents in any field or fields in which Motorola Mobility operates or could reasonably be expected to operate as of the Effective Date.”
4. By this application, Motorola seeks an order that the true construction of clause 2.4A be tried as a preliminary issue. At the first CMC in this matter, I directed that Motorola re-plead its case on construction, including pleading such facts as it contended formed part of the factual matrix, and directed that Ericsson, in answering the amended pleading, should do the same.
5. On the current state of the pleading, Motorola advances four alternative constructions of clause 2.4A. The first two are its positive case:
 - (1) The licence applies to any product if it is in a field or fields in which Motorola operated or could reasonably be expected to operate as of the Effective Date. This is on the basis that the words “as of the Effective Date” bite on the “FIELD of Motorola Mobility”, rather than the specified “Products”.
 - (2) Products are “commercially reasonable updates or extensions” (“CRUE”) of Licensed Products referred to at clause 2.4A, if they are the same type of product which was produced by Motorola as at the Effective Date. Accordingly, a cellular handset is, by virtue of being a cellular handset and nothing more, a CRUE of previous cellular handsets.
6. Ericsson disputes these constructions, and maintains that a cellular handset only falls within the scope of the 2011 Licence if it fell, as at the Effective Date, within the definition of “Licensed Wireless Mobile Device Products” as “Wireless Terminals” (as defined by clauses 1.34 and 1.19) or which is a “commercially reasonable update or extension of such Licensed Products”. This would, as I understood Ericsson’s case, require each of the 354 products listed in Annex C to the particulars of claim to be tested against that definition. Specifically, Ericsson contends that:

“A cellular handset which was developed or existed after the Effective Date is only a commercially reasonable update or extension (a “CRUE”) if:

a. A specific Wireless Terminal (within the scope set out above) is identified and was in fact the basis for the cellular handset claimed as a CRUE (the “Origin Product”).

b. The changes to the Origin Product that resulted in the cellular handset claimed as a CRUE must be of the sort that a reasonable person in the cellular handset development business would regard the latter as (i) an update and/or extension of the Origin Product, and (ii) one that is commercially reasonable. Accordingly, for a product to be a CRUE, it:

(i) must be a clear, direct and immediate derivation from the Origin Product in question, and

(ii) must not, without limitation: (1) use a different “platform” to the Origin Product (as the term platform is generally recognised in the field of cellular handset engineering, e.g. and without prejudice to the expert evidence that will be required on this point involving significant engineering and research and development to incorporate new and improved features); (2) support the 5G cellular standard; and/or (3) be part of a different “franchise” (as that term has been used by the Claimant in its statements of case).”

7. In its reply, Motorola offers two further alternative constructions, premised on the assumption that Ericsson is correct that CRUE has to be demonstrated on a device by device basis:

(1) CRUE includes all cellular handsets which have undergone the same or similar development process as those cellular handsets which existed or were in development as at the Effective Date.

(2) Alternatively, Motorola accepts Ericsson’s construction, but without any of the limitations referred to in paragraph 6 above. In other words, it denies that CRUE is limited to products which are a clear, direct and immediate derivation from an “Origin Product”, and denies that a CRUE cannot use a different platform, support the 5G standard, or be part of a different “franchise”.

8. So far as the relevant factual matrix is concerned, Motorola pleads only three matters: (1) an earlier global patent cross-licence between another Motorola entity and Ericsson in 2005; (2) an amendment to that licence in 2010; and (3) the fact that it was inevitable, as both parties understood at the time, that there would be ongoing developments in cellular handsets during the term of the licence, which potentially had a life until 2035 or beyond.

9. For its part, Ericsson pleads no additional matters by way of factual matrix, and admits that in general each party knew (as any reasonable person in their positions would have known) that there would be developments in cellular handsets over time.

10. Shortly before the hearing, Motorola identified a further issue which it contended would be suitable for a preliminary determination, namely whether there is to be implied into the 2011 Licence a term that Ericsson would not pursue proceedings claiming, or founded on allegations of, patent infringement against any product in relation to which there has been or would be exhaustion of Ericsson's rights under the relevant patent by virtue of the operation of the 2011 Licence.
11. At the hearing of Motorola's application, on 23 July 2024, I announced my decision to order a preliminary issue in the terms sought by Motorola. I gave short reasons, with more detailed reasons to follow. These are set out below.

The law

12. The decision to order the trial of a preliminary issue is a case management one. A useful checklist of the matters to take into consideration was provided by Neuberger J in *Steele v Steele* [2001] CP Rep, as summarised by Hildyard J in *Wentworth Sons Sub-Debt SARL v Lomas* [2018] 2 BCLC 696, at §32:

“(1) First, would the determination of the preliminary issue dispose of the case or at least one aspect of it?

(2) Second, would the determination of the preliminary issue significantly cut down the cost and time involved in pre-trial preparation or in connection with the trial itself?

(3) Third, where as here the preliminary issue was one of law the Court should ask itself how much effort would be involved in identifying the relevant facts.

(4) Fourth, if the preliminary issue was one of law to what extent was it to be determined on agreed facts?

(5) Fifth, where the facts were not agreed the Court should ask itself to what extent that impinged on the value of a preliminary issue.

(6) Sixth, would determination of the preliminary issue unreasonably fetter the parties or the Court in achieving a just result?

(7) Seventh, was there a risk of the determination of the preliminary issue increasing costs and/or delaying the trial?

(8) Eighth, the Court should ask itself to what extent the determination of the preliminary issue may turn out to be irrelevant.

(9) Ninth, was there a risk that the determination of the preliminary issue could lead to an application for the pleadings to be amended so as to avoid the consequences of the determination?

(10) Tenth, taking into account the previous points, was it just to order a preliminary issue?”

13. As Mr David Stone, sitting as a Deputy High Court Judge, in *Binstead v Zytronic* [2018] EWHC 2182 (Ch) said, the court should be careful not to be overly enthusiastic in assuming the best outcome will occur should a preliminary trial take place.

Application in this case

14. The preliminary issue would not dispose of the case as a whole, not least because whatever the true construction of clause 2.4A, there remain issues to be determined other than the scope of the licence granted by that clause.
15. In determining the construction of clause 2.4A, however, the preliminary issue would finally dispose of a core issue in the case. More significantly, the determination of the preliminary issue (whichever way it is decided) would have a very significant impact on the scope of the trial.
16. If Motorola prevails on the basis of its first or second preferred construction, then the trial would be very significantly shorter. That is because it would not then be necessary to investigate either the technical specifications of each of the 354 products listed in Annex C to the particulars of claim, their differences from earlier products or versions, or the development process for each of them.
17. A product-by-product review would impose a very significant burden on the parties and the court. It is to be hoped that this could be cut down to some extent by identifying common elements or features among groups of the listed products which would enable some form of sampling to be undertaken. This would nevertheless likely require significant work and court time.
18. The prize of avoiding the wasted time and cost which would arise if it turned out after trial that Motorola's first or second preferred construction is correct, is an important factor pointing towards the trial of a preliminary issue.
19. Miss Davies KC, who appeared with Ms Petersen for Ericsson, submitted that the merits of Motorola's case were so weak as to point strongly against directing a preliminary issue. I note that the relevant case on construction was introduced by amendment, to which no objection was made. On the basis of my limited review of the clause and the very limited submissions I have received, I am not prepared to say that the merits are so weak as to detract from the benefits of a preliminary issue.
20. If Motorola prevailed on its third preferred construction of clause 2.4A, there would be some, albeit less, saving in time and cost for the parties and the court. That is because, as explained by Ms Sabben-Clare KC (who appeared with Ms Menashy for Motorola), the analysis of the development processes for the 354 products would require less detail and less time than a technical review of each product.
21. Even if Ericsson's construction is preferred, then the parties would have clarity as to the scope of the trial. Insofar as the limitations for which Ericsson contends (and which Motorola resists, in its fourth alternative argument on construction) raise true construction issues, as opposed to arguments as to the implementation of the clause, then there is similarly a benefit in resolving them at this stage, so as to define better the scope of the dispute at trial.

22. On the pleadings as they stand, no dispute of fact is identified as being relevant to the true construction of clause 2.4A. Miss Davies suggested that there may need to be some factual evidence surrounding the entry into the 2005 agreement and its amendment in 2010. There is no pleading of any such matters, however.
23. At the hearing, Miss Davies indicated that Ericsson may wish to amend its case to plead further facts. I gave directions for the service of further proposed amendments. I am not persuaded at this stage that any potential dispute over matters of fact (in the event of any amendment to the pleadings) is likely to be such as to make the issue unsuitable for preliminary determination. In the event that those amendments give rise to further factual evidence, then there may need to be a revision to the directions.
24. No issue requiring expert evidence arises on the state of the pleading in relation to the first three of Motorola's alternative constructions. The position is more nuanced in relation to Motorola's fourth alternative construction. On its face, this would appear to require expert evidence, since it raises the question whether a reasonable person in the cellular handset business would regard it as commercially reasonable (1) to include only developments which were a clear, direct and immediate derivation from the origin product or (2) to exclude developments using a different platform, supporting 5G, or being part of a different "franchise". It seems to me strongly arguable that these points are not in truth issues of construction, but questions as to the application of the clause, raising questions as to the scope of commercial reasonableness in the event that any of Motorola's first three preferred constructions are rejected. Both parties submitted, however, that these were questions of construction. Insofar as that line is maintained, then expert evidence (unless agreed) will likely be required. Accordingly, I indicated that directions would be given permitting such evidence.
25. Miss Davies also submitted that I ought not to order a preliminary issue because there is a hearing due to take place before the ITC in the United States in August 2024 at which the scope of the 2011 Licence will be considered. A preliminary decision is expected in November 2024, with a final decision likely to follow by March 2025. It may or not be the case that the decision reached by the ITC would result in an issue estoppel binding on the parties to this action. Ericsson has not sought to stay this action to await the outcome of the ITC proceedings (unsurprisingly, given that the 2011 Licence is governed by English law and includes a choice of jurisdiction clause in favour of England and Wales). The construction of clause 2.4A is therefore something which as matters stand will have to be resolved in this action at some point. While I accept that this weakens Motorola's claim that resolving the construction issue in this action would unlock all of the worldwide disputes between the parties, it is not a reason in my judgment for refusing to direct that the issue of the construction of clause 2.4A be resolved sooner, by way of preliminary issue, than it would otherwise be decided.
26. Having regard to the points identified by Neuberger J in *Steele v Steele* (above), I am satisfied that it is just to order a trial of the preliminary issue as to the construction of clause 2.4A of the 2011 Licence:
 - (1) It will dispose of an aspect of the case (the construction of clause 2.4A being an issue which must be determined one way or the other), and it will either dispose of a very significant part of the action, or provide clarity that a detailed investigation of the 354 products is required;

- (2) While it cannot be guaranteed that the determination of the preliminary issue would necessarily significantly cut down the cost and time involved in pre-trial preparation or at the trial itself, it will do if Motorola's first or second interpretation is preferred;
 - (3) On the basis of the pleadings as they stand, there would be little or no effort required in order to identify the relevant facts. Although Ericsson indicated a wish to amend its pleading, I did not understand the scope of that amendment to give rise to significant factual disputes;
 - (4) Depending on the further amendments referred to above, it may indeed be possible for the matter to proceed by way of agreed facts but, even if not, I consider the preliminary issue trial would still be of benefit;
 - (5) I do not consider that the determination of the preliminary issue would fetter either of the parties or the court in arriving at a just result;
 - (6) While the question of construction would need to be resolved at trial, if not before, there is necessarily a risk that costs would be increased by determining it as a preliminary issue, if Ericsson succeeds and all that is achieved is, therefore, clarity as to the scope of the dispute at trial. Even then, however, it may well assist in excluding one or more alternative routes of investigation (for example, because Motorola's third interpretation is either accepted or rejected);
 - (7) There does not appear to be any risk that the determination of the preliminary issue will turn out to be irrelevant, or that its relevance could be avoided by amendments to the pleading.
27. There is, of course, the risk that as the parties prepare for the trial of the preliminary issue, it starts to look less of a good idea. As I have noted above, there is a risk that Motorola's fourth interpretation, or at least parts of it, might give rise to a more significant dispute of fact or (more likely) expert opinion which expands the time needed for the trial of the preliminary issue to such an extent that its early resolution is impossible. If that happens, then the parties and/or the court may need to consider whether to abandon the trial of the preliminary issue altogether, or to reconsider its scope (or reconsider the extent to which Motorola's fourth interpretation truly raises issues of interpretation rather than application).

The implied term

28. So far as the implied term is concerned, this is a discrete point of construction, which should require little more than an analysis of the words of the 2011 Licence within the context of the agreement as a whole. It, too, would finally resolve that question of construction, and has the potential to cut out a substantial aspect of the case and the trial (this time, if it is determined in Ericsson's favour). It will add little in terms of work, cost and court time to the resolution of the construction of clause 2.4A. I consider that it is just to order its resolution by way of preliminary issue.