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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

The Rolls Building
7 Rolls Buildings
Fetter Lane
London EC4A 1NL
11 March 2025

Before:
MR. JUSTICE MEADE

Between:

MOTOROLA MOBILITY, LLC **Claimant**
(a company incorporated under the laws of the State of Delaware, USA)

- and –

TELEFONAKTIEBOLAGET LM ERICSSON (publ) **Defendant**
(a company incorporated under the laws of the Kingdom of Sweden)

- -

Hearing dates: 13 – 15 January 2025

APPROVED JUDGMENT

REBECCA SABBEN-CLARE KC, **MICHELLE MENASHY** and **EDWARD CRONAN** (instructed by **Kirkland & Ellis**) appeared on behalf of the **Claimant**

JOSEPHINE DAVIES KC and **CHARLES CONNOR** (instructed by **Pinsent Masons LLP & Taylor Wessing LLP**) appeared on behalf of the **Defendant**

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Mr Justice Meade:

Introduction

1. This is my judgment following a preliminary issues trial ("PIT"). In this action the Claimant, Motorola Mobility, seeks a declaration that 354 of its cellular phone products, some dating back many years, fall within the scope of a global patent cross-licence agreement entered into with the Defendant, Ericsson, on 4 January 2011 (the "2011 Licence").

2. At the time the 2011 Licence was entered into the Claimant was called Motorola Mobility, Inc; it was converted into a Delaware LLC in 2012 with its current name. Nothing turns on this but it may help the reader to follow the various corporate entities involved and to which I return in more detail below. I will generally just refer to Motorola Mobility.

3. The critical provision of the 2011 Licence is clause 2.4A. This PIT is to determine that clause's proper construction, and to decide on whether or not there is an implied term of the 2011 Licence as described below.

Global context and historical overview

4. This PIT arises against the backdrop of a number of disputes across several jurisdictions between the Lenovo group of companies ("Lenovo"), which acquired Motorola Mobility in 2014 in circumstances described in more detail below, and Ericsson.

5. Lenovo and Ericsson have been negotiating towards a licence agreement covering the latter's mobile telephony patent portfolio for many years. Eventually, Ericsson alleged patent infringement against Lenovo and Motorola Mobility in a number of actions around the world: see *Lenovo Group Ltd & Ors v Telefonaktiebolaget LM Ericsson (publ) & Anor* [2024] EWHC 846 (Ch) in which Jonathan Richards J helpfully sets out the other ongoing proceedings at [10] – [22]. Jurisdictions other than the UK include the United States International Trade Commission ("ITC"). Lenovo began proceedings in the UK, which include but are not limited to this action.

6. In the UK proceedings with which Jonathan Richards J was concerned, a separate action from this one, Lenovo seeks a FRAND determination, and I will be hearing the FRAND trial starting in late April this year.

7. This action is not in itself capable of resolving the entire global dispute and it is not said to be. On any view it concerns only some of Ericsson's patents and only Motorola phones, not Lenovo products (subject to a minor dispute, which I note but need not resolve, about some phones branded Lenovo which are said by Lenovo actually to be Motorola products). It also concerns only money and not

(at least not directly) Ericsson's entitlement to injunctive relief in any jurisdiction. But Motorola Mobility, and Lenovo, say that a fundamental difference of opinion between the parties over the scope of the 2011 Licence is a major stumbling block to a global agreement being reached, and that resolving the scope may facilitate settlement.

8. Of note, in October 2023, Ericsson commenced patent infringement proceedings against Lenovo in the US ITC: ITC investigation 1376. The 1376 ITC proceedings concern some of the same Ericsson implementation patents (also referred to as "NEPs") referred to in these proceedings, and some of the same products are at issue.

9. On 15 November 2024, Administrative Law Judge ("ALJ") Cameron Elliot released his *Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond* concluding that there was no infringement.

10. Before the ITC, Motorola Mobility had also raised the 2011 Licence as a defence, making similar arguments to those advanced here with respect to the interpretation of clause 2.4A. ALJ Elliot found that Motorola Mobility had "not carried their burden to show that Motorola's Accused Products are commercially reasonable updates or extensions of Motorola phones licensed as of January 4, 2011". So the licence defence would have failed had there otherwise been infringement.

11. On 16 January 2025, the day after this PIT had concluded, the US ITC issued its final determination in ITC investigation 1376 ("ITC Determination"). The ITC adopted ALJ Elliot's findings except that it took no position on his conclusions "regarding Respondents' [Motorola Mobility's] licensing defence". This did not affect the overall result because there was no infringement anyway.

12. Motorola Mobility claims in this action that it was an implied term of the 2011 Licence that Ericsson would not bring infringement proceedings within the scope of the licence granted and that Ericsson acted in breach of that implied term by bringing the ITC claim (and other US proceedings).

13. No doubt because of the strong feelings and very large amounts of money involved, before me the parties took absolutely every point possible on the interpretation of the 2011 Licence. I think quite a number of the points went well beyond what would be in the mind of a person seeking objectively to interpret the 2011 Licence at its date. I have aimed to address most of the points taken but it would not be proportionate to deal with every one (this is already a very long judgment for a PIT of this kind, although in my defence a lot of it is the

contractual terms relied on) and I have not done so. In particular, I have left out some which were excessively speculative, or very minor, or unimportant.

14. Below, I will briefly explain the procedural history leading to the PIT, but before I do that it will be helpful to go back into the history of the Motorola mobile phone business and the 2011 Licence. In doing that I inevitably simplify considerably.

The commercial and corporate history

15. In the early 2000's, Ericsson and Motorola Inc. ("MI", also referred to as "Original Motorola" in the papers before me) were two of the major players in cellular standards, and in that context they made an agreement in 2005 which was a global, royalty-free patent cross-licence ("the 2005 Agreement"). The licence under the 2005 Agreement was not assignable, and it did not cover 4G, which was expressly excluded. It also only covered patents with a priority filing date up to 31 December 2008, the "Capture Date" (first used as a defined term in the 2010 Agreement).

16. Original Motorola had a very wide business, not just in mobile phones/handsets, and the 2005 Agreement covered other parts of its business, for example wireless infrastructure. The same applied to Ericsson, *mutatis mutandis*.

17. In 2010, Original Motorola and Ericsson renegotiated the arrangement under the 2005 Agreement. A number of things changed:

    i) 4G was included.

    ii) The Capture Date was extended to 31 December 2015.

    iii) Assignment of the patent licence was permitted in the event of a spin-out, and Original Motorola had possible spin-out(s) in mind, as was (in at least general terms) known to both parties.

18. The new arrangement was implemented in a further agreement between Original Motorola and Ericsson ("the 2010 Agreement"). The 2010 Agreement is drafted essentially as a list of amendments to the 2005 Agreement. It provided that if there was a spin-out then the licence could be assigned to the spun-out company, and it provided for the terms of the new licence with the spun-out company (I return to this in more detail below).

19. After the effective date of the 2010 Agreement (29 October 2010) a spin-out did in fact take place; one result was the 2011 Licence (whose effective date is 4 January 2011). Later in 2011, in August, Motorola Mobility was acquired by Google and still later, in 2014, Google sold the relevant business to Lenovo. I mention the acquisition by Google and later sale to Lenovo only for information:

they took place after the 2011 Licence was made and cannot form part of the factual matrix for it, although the fact that a spin-out was in contemplation does.

20. It is common ground that the 2005 Agreement and the 2010 Agreement, and the fact that the latter was made in the context of a possible spin-out, are all parts of the factual matrix for the interpretation of the 2011 Licence.

21. The structure of the spin-out was that Motorola Mobility, Inc. was a subsidiary of a company called Motorola Mobility Holding, Inc ("MMHI"). In the spin-out MMHI became an independent publicly traded company. Original Motorola retained some patents, and other patents were transferred to MMHI or Motorola Mobility.

22. Just as the acquisition by Google that took place in 2011 and the later 2014 sale to Lenovo are not legitimate matters to take into account in interpreting the 2011 Licence, the events in the current global litigation between Ericsson and Lenovo are nothing to the point. This PIT is about construing a contract made in 2011. The rights or wrongs of the broader FRAND dispute since 2023 are irrelevant to that exercise. Motorola Mobility included as Annex 2 to its opening skeleton a purported summary of the "International Context of the Dispute". That was a waste of effort for the reasons just given and I have paid no attention to it.

Procedural history

23. Motorola Mobility issued the claim form initiating these proceedings on 28 November 2023. As I have said, it alleged that 354 products fell within the 2011 Licence. Ericsson has accepted that just 55 are licensed – those of the products put in issue by Motorola Mobility that were already in existence at the date of the 2011 Licence.

24. The first case management conference ("CMC") took place on 9 May 2024. A second CMC took place on 23 July 2024, as a result of which Zacaroli J (as he then was) ordered on 31 July 2024 (the "31 July Order") that a PIT should take place, having determined that there was a sufficient case for certain issues concerning the construction of the 2011 Licence being determined as preliminary matters.

25. At the time of the second CMC, as now, the parties had pleaded several constructions of clause 2.4A (I list them below). Two of these were what have been referred to as "jackpot" constructions in that if they were right then essentially all Motorola mobile phones up to the present time have been and are licensed to the patents caught by the 2011 Licence (what those patents are is a subject of dispute, particularly since it is disputed whether the 2011 Licence

covers 5G patents filed before the Capture Date, an issue which is not for this trial).

26. Zacaroli J accepted that if Motorola Mobility were correct on any of its first through third constructions of Clause 2.4A, then a PIT would either resolve or significantly contribute to resolving the dispute between the parties, and would also narrow the fact-finding exercise at trial.

27. At that CMC, there was a concern that if Ericsson's construction were accepted it would necessitate a very lengthy trial because it would require detailed fact finding about many individual mobile phones.

28. As this matter has progressed, it has become clearer to me that accepting Ericsson's construction of clause 2.4A ought not to necessitate thereafter an individualised assessment of every one of the disputed mobile phone products; rather, and with the guidance that I can provide in this judgment, I think that a few, well-chosen sample products would resolve things for practical purposes (and indeed, that is how the ITC proceedings were advanced). Ericsson has been rather uncooperative about engaging in the potential further determinations that would be involved on its construction and its admission being limited to only products actually in existence at the date of the 2011 Licence has been unhelpful, but Counsel for Ericsson acknowledged in oral closing submissions that Ericsson is able to narrow its infringement claim to "a limited selection of devices".

29. In any event, it is only with the benefit of hindsight and of this trial that I am able to say that looking at sample products is workable; at the time of Zacaroli J's decision the possibility of a fact-heavy trial if Ericsson's construction were accepted appeared much more real and the benefit of avoiding it if Motorola Mobility were right was one powerful factor leading to the order for this PIT.

30. A third CMC took place before me on 4–5 December 2024 at which Ericsson attempted to vacate the PIT and objected to the admissibility of much of Motorola Mobility's expert evidence from Dr Ingers (see further below). Ericsson maintained that the PIT was unworkable and pursuing the PIT was not a worthwhile attempt to limit the issues at trial. I dismissed that application but agreed that much of Dr Ingers' evidence attempted inappropriately to comment on the meaning of the 2011 Licence (a task for the court, not a witness) and was accordingly inadmissible.

The trial

31. This PIT accordingly took place from Monday 13 – Wednesday 15 January 2025 to determine the parties' rival contentions as to the meaning of clause 2.4A of the 2011 Licence and to decide an issue about whether the 2011 Licence contained an implied term.

32. While Zacaroli J's 31 July Order directed a time estimate of 2 days for the PIT, it became clearer during the course of the third CMC that more time would be required to resolve the issues. As such, I directed on 9 December 2024 ("the 9 December Order") that the PIT be extended to three days.

33. At the PIT, Ms Rebecca Sabben-Clare KC represented Motorola Mobility and undertook most of the oral advocacy. She led Ms Michelle Menashy (since appointed a KC) and Mr Edward Cronan who both made clear and very helpful submissions on the implied term issue and the alleged commercial absurdity arguments, respectively. Miss Josephine Davies KC undertook all the oral advocacy for Ericsson, leading Mr Charles Connor. I am mindful of the encouragement in the Patents Court Guide for parties to make greater use of junior advocates in deciding how to arrange representation. Both sides' approaches were reasonable. Splitting the advocacy on the Motorola Mobility side probably increased the total length of time used by it (which may be something to bear in mind for the future) and Ericsson ended up with less speaking time overall but I was satisfied there was no unfairness resulting from that.

34. On 17 January, after the conclusion of the PIT, Motorola Mobility provided an "Update and Summary" in which it attached the ITC Determination and set out a summary of its reply points given that "it was late in the day by the time it replied to Ericsson's submissions". Consequently, on 21 January, Ericsson submitted a response to Motorola Mobility's update which took issue with it, describing it as a "fig-leaf" for Motorola Mobility to re-argue points it already made in its oral submissions and skeleton. I rather agree with this (although the main point made in the Update, on Clause 15.1D, was a legitimate response to a point which largely came to prominence in Ericsson's closing submissions) but it did not make any difference in the end.

35. In its explanation of the ITC Determination, Motorola Mobility said that the ITC "expressly declined" to adopt the provisional findings below with respect to the 2011 Licence. However, Ericsson highlighted that this characterisation is incorrect and, as I have described above, the ITC actually took no position on ALJ Elliot's findings on the licensing defence.

The witnesses

36. Although the PIT largely turns on contractual construction, both parties adduced expert evidence. Motorola Mobility produced an expert witness report from Dr Joakim Ingers, while Ericsson relied on two expert reports from Mr Lennart Nielsen and one expert report from Mr Paul Melin.

37. Dr Ingers was instructed to address the terminology from the 2011 Licence and what a reasonable person in the cellular handset industry would understand. Zacaroli J's 31 July Order had granted permission to the parties to rely on expert evidence in the field of cellular handset development. Specifically, Zacaroli J's 31 July Order stated:

> "5. Each party has permission to rely on expert evidence in the field of cellular handset development on the following issues:
>
> (a) Would a reasonable person in the cellular handset development business have understood the phrase "a commercially reasonable update or extension" as meaning that a device would only be a commercially reasonable update or extension of a device in existence as at the Effective Date (as defined in the 2011 MM Licence) if it was a clear, direct and immediate derivation from the earlier device?
>
> (b) Would a reasonable person in the cellular handset development business have understood the phrase "a commercially reasonable update or extension" as meaning that a device would not be a commercially reasonable update or extension of an earlier device if it (i) used a different platform to the earlier device (as the term platform is generally recognised in the field of cellular handset engineering), (ii) supported the 5G cellular standard which the earlier device did not, or (iii) was part of a different "franchise" (as that term has been used by the Claimant in its statements of case) to the earlier device? and
>
> (c) The issues raised by paragraph 8C.3.2 of the Amended Reply."

38. Following the July CMC, Ericsson filed the expert report of Mr Nielsen, to which Motorola Mobility's expert, Dr Ingers, responded. However, Ericsson objected to that evidence for two reasons: (i) that large parts of the report constituted inadmissible or irrelevant evidence of Dr Ingers' view as to the interpretation of the 2011 Licence; and (ii) that aspects fell outside the scope of the permission granted by Zacaroli J. Ericsson also sought to adduce expert evidence in the field of cellular handset development in response to Dr Ingers' report. I granted the request for further evidence and ordered that, save for the factual points identified

in Annex A of my 9 December Order, the parts of Dr Ingers' report to which Ericsson objected did not have the status of evidence.

39. Mr Nielsen was instructed to prepare an expert report from the perspective of an individual working in the field of cellular handset development in January 2011. Mr Melin's evidence followed my 9 December Order. Mr Melin supervised all patent licence negotiations for Nokia's patent portfolio between September 2007 and October 2014. He responded to points arising from Dr Ingers' first expert report.

40. This procedural picture may seem messy, and it was. In essence, there were two areas for expert evidence: technical evidence about handset development, and commercial evidence about handset development and patent licensing. Mr Nielsen covered the technical, Mr Melin covered the commercial, and Dr Ingers covered both.

41. At the PIT, Motorola Mobility cross-examined only Mr Melin, proceeding on the basis that no technical matters were in issue and that it was unnecessary therefore to cross-examine Mr Nielsen. Ericsson cross-examined Dr Ingers. Nothing turns on it, but aspects of Ms Davies' cross-examination of Dr Ingers did touch on technical matters, resulting, in part, from technical answers he gave.

42. The parties also provided helpful joint expert reports that outlined areas of agreement and disagreement between: (i) Dr Ingers and Mr Nielsen; and (ii) Dr Ingers and Mr Melin. I have borne their contents in mind although much of what they contained is obvious anyway.

43. The experts gave their evidence very fairly and it was not submitted to the contrary. However, with a few exceptions, and this is not the fault of the experts themselves, I found the expert evidence unhelpful and a waste of time. For example, questions were asked to establish that companies in this field like certainty if they can get it, and that patent injunctions are bad for handset manufacturers. I did not need experts to tell me this.

The issues on construction and the parties' constructions contended for

44. As directed by Zacaroli J's 31 July Order, the issues for determination in relation to construction of the 2011 Licence are as follows:

> "**Issue 1:** On the true construction of the 2011 Licence, including in particular clause 2.4A, does the 2011 Licence grant a licence to Motorola Mobility to use the Relevant Patents (and whichever of the further Patents (if any) described at §18A of the APoC are found by the Court to be within the licence) for

all cellular handsets which were developed or existed as at the Effective Date and thereafter during the term of the licence, because cellular handsets were within the Field in which Motorola Mobility operated as of the Effective Date of the 2011 Licence?

Issue 2: If not, is a cellular handset a "commercially reasonable update or extension" of a cellular handset which falls within the licence, within the meaning of clause 2.4A, if:

1) It is the same type of product which was produced by Motorola Mobility as at the Effective Date? If so, is a cellular handset, by definition, a commercially reasonable update or extension of previous cellular handsets?

2) Alternatively, it is:

   a. developed by Motorola Mobility and has undergone the same or similar development process as those cellular handsets which existed or were in development as at the Effective Date; and/or

   b. what a reasonable person in the cellular handset development business would regard as (i) an update or extension of an Origin Product (via one or more cellular handsets) and (ii) one which is commercially reasonable?

3) Alternatively, it is what a reasonable person in the cellular handset development business would regard as (i) an update or extension of an Origin Product, and (ii) one which is commercially reasonable? If the answer is yes, must be a product:

   a. be a clear, direct and immediate derivation from the Origin Product in question; and

   b. not, without limitation, (a) use a different platform to the Origin Product, (b) support the 5G cellular standard and/or (c) be part of a different franchise?

Issue 3: Is there an implied term of the 2011 Licence that Ericsson would not pursue proceedings claiming, or founded upon allegations of, patent infringement against any product where Ericsson had granted a licence to use its Licenced [*sic*] Wireless Mobile Device Patents in respect of that product pursuant to the 2011 Licence?"

45. Motorola Mobility's skeleton helpfully set out how the parties' constructions of clause 2.4A correspond to the issues, which I set out here (it is rather repetitive to do so, but I have found it useful):

> "10. Motorola's primary construction is the subject of Issue 1, which reads as follows:
>
> *Issue 1: On the true construction of the 2011 MM Licence, including in particular clause 2.4A, does the 2011 MM Licence grant a licence to Motorola Mobility to use the Relevant Patents (and whichever of the further Patents (if any) described at §18A of the APoC are found by the Court to be within the licence) for all cellular handsets which were developed or existed as at the Effective Date and thereafter during the term of the licence, because cellular handsets were within the Field in which Motorola Mobility operated as of the Effective Date of the 2011 MM Licence?*
>
> This construction is referred to as "**Motorola's Primary Construction**", or the "**Field Construction**".
>
> 11. Issue 2 is then split into three sub-parts:
>
> *Issue 2: If not, is a cellular handset a "commercially reasonable update or extension" of a cellular handset which falls within the licence, within the meaning of clause 2.4A, if:*
>
> *1) It is the same type of product which was produced by Motorola Mobility as at the Effective Date? If so, is a cellular handset, by definition, a commercially reasonable update or extension of previous cellular handsets?*
>
> This construction is referred to as "**Motorola's Secondary Construction**", or the "**Phone is a Phone Construction**".
>
> *2) Alternatively, it is:*
>
> *a. developed by Motorola Mobility and has undergone the same or similar development process as those cellular handsets which existed or were in development as at the Effective Date; and/or*
>
> This construction is referred to as "**Motorola's Tertiary Construction**" or the "**Development Process Construction**".
>
> *b. what a reasonable person in the cellular handset development business would regard as (i) an update or*

> *extension of an Origin Product (via one or more cellular handsets) and (ii) one which is commercially reasonable?*
>
> This construction is referred to as "the "**Origin Product Construction**".
>
> *3) Alternatively, it is what a reasonable person in the cellular handset development business would regard as (i) an update or extension of an Origin Product, and (ii) one which is commercially reasonable? If the answer is yes, must a product:*
>
> *a. be a clear, direct and immediate derivation from the Origin Product in question; and*
>
> *b. not, without limitation, (a) use a different platform to the Origin Product, (b) support the 5G cellular standard and/or (c) be part of a different franchise?*
>
> This construction is referred to as the "**Ericsson's Construction**" or the "**Origin Product with Limitations Construction**"."

Relevant provisions of the agreements

46. I will set out the provisions of the 2005 Agreement, the 2010 Agreement and the 2011 Licence. I will do this in chronological order. I bear in mind that ultimately my task is to interpret the 2011 Licence but as I have already mentioned it was common ground that the earlier agreements are part of the factual matrix.

47. In setting out the terms I will briefly indicate some of the main ways in which they slot into the arguments. Setting out the relevant terms this way does not make for a flowing narrative but it will help the reader of this judgment appreciate the points made by the parties when I come to my analysis. It also, I hope, makes this judgment self-contained.

<u>The 2005 Agreement</u>

48. The final recital in the 2005 Agreement states:

> "WHEREAS, Ericsson and Motorola hereby wish to end all current patent disputes between the parties, including the court proceedings before the Swiss court, and grant one another licenses under their respective patents both within and outside the GSM area;"

49. Motorola Mobility rely on this for their argument that the 2011 Licence ought to be interpreted consistently with a desire for "patent peace".

50. The relevant clauses provide:

> "1 DEFINITIONS
>
> …
>
> 1.18 "Licensed Wireless Mobile Device Patents" shall mean those Patents (in any country of the world): i) whose infringement cannot be avoided in remaining compliant with the relevant Standard, including any de facto standards, either for technical reasons or for reasons of lacking commercially viable technical alternatives; ii) which cover implementations of the relevant Standard, including any de facto standards; or, iii) which are not essential to the Standards and are used by the other Party or its Affiliate (i.e., licensee) in connection with the manufacture, use and sale of Licensed Wireless Mobile Device Products. For the avoidance of doubt, such non-essential patents shall include patents related to user interfaces, applications and features not specified in a Standard, or in any de facto standard. The definition of Licensed Wireless Mobile Device Patents shall exclude patents to the extent they are related to the implementation of a 4th generation (4G) mobile air interface standard or features of a 4G system.
>
> …
>
> 1.24 "Patents" shall mean all patents and patent applications having a priority filing date on or before December 31, 2008, (including utility models) and like statutory rights other than design patents, which are (i) owned or controlled by a Party and/or its Affiliates, and (ii) not owned or controlled by a Party and/or its Affiliates but which is sub-licensable by such Party and/or its Affiliate.
>
> …
>
> 1.27 "Standards" shall mean the agreed specifications by the standardization bodies ETSI, TIA, ARIB, T1P1, CCSA, ITU and OMA and other relevant telecommunication standard setting bodies that are applicable to a mobile standard; namely, GSM (including GPRS and EDGE), WCDMA-FDD, WCDMA-TDD, TD-SCOMA, IS-95, cdma2000, PDC, US-TDMA, AMPS, TETRA, PHS and DECT, (including Push To Talk features implemented in these Standards), all as agreed upon by the respective standardization body or forum prior to January 1, 2007 as well as any subsequent releases or updates in respect of such standards which do not fundamentally alter the character thereof (i.e., wireless air-interface, framing structure, control, call set-up and connection management). For

the avoidance of doubt, the TETRA Standard has not been adopted in the U.S. or Canada, and no licenses are granted hereunder with respect to TETRA in the U.S. and Canada.

…

1.31 "Licensed Wireless Infrastructure Equipment Patents" shall mean those Patents (in any country of the world): i) whose infringement cannot be avoided in remaining compliant with the relevant Standard, including any de facto standards, either for technical reasons or for reasons of lacking commercially viable technical alternatives; ii) which cover implementations of the relevant Standard, including any de facto standards; or, iii) which are not essential to the Standards and are used by the other Party or its Affiliate (i.e., licensee) in connection with the manufacture, use and sale of Licensed Wireless Infrastructure Equipment. For the avoidance of doubt, such non-essential patents shall include patents related to user interfaces, applications and features not specified in a Standard, or in any de facto standard. The definition of Licensed Wireless Infrastructure Equipment Patents shall exclude patents to the extent they are related to the implementation of a 4th generation (4G) mobile air interface standard or features of a 4G system."

51. These clauses make clear that 4G was excluded and that both standards essential patents ("SEPs") and non-essential patents ("NEPs") were licensed.

52. The operative clauses contain the following:

"2 <u>LICENSE GRANT BY ERICSSON</u>

2.1 <u>Wireless Mobile Device Products</u>. Ericsson hereby grants to Motorola a royalty free, worldwide, nontransferable, non-exclusive license under Ericsson's Licensed Wireless Mobile Device Patents to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of Licensed Wireless Mobile Device Products.

2.2 <u>Wireless Infrastructure Equipment Products</u>. Ericsson hereby grants to Motorola a royalty free, worldwide, nontransferable, non-exclusive license under Ericsson's Licensed Wireless Infrastructure Equipment Patents to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of Licensed Wireless Infrastructure Equipment Products.

2.3 <u>Network Products</u>. Ericsson hereby grants to Motorola a royalty-free, world-wide, nontransferable, non-exclusive license under Ericsson's Licensed Network Product Patents to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of Licensed Network Products.

2.4 IDEN Products and PMR Products. Ericsson hereby grants to Motorola a royalty-free, worldwide, non-transferable, non-exclusive license under the Ericsson Licensed IDEN Patents and Licensed PMR Patents to make, Have Made, Have Copied, use, import, sell, offer for sale, lease, or otherwise dispose of Motorola's Licensed IDEN Products and Licensed PMR Products. In the event Motorola or its Affiliates make a formal assertion of a patent claim against any future manufacture, use or sale by Ericsson or its Affiliates of products equivalent to or competitive with any Licensed PMR Products or Licensed IDEN Products (either directly or indirectly through an assertion against Have Made producers or customers of Ericsson or its Affiliates with respect to such products [or related intermediate products] manufactured, used or sold by Ericsson or by its Affiliates), Ericsson shall have the option, upon sixty (60) days prior written notice to Motorola, to terminate, going forward from the date of such notice, all rights and licenses granted in this Article 2.4 with respect to Licensed PMR Products and Licensed IDEN Products (in the event such assertion is against products as described above).

…

3 LICENSE GRANT BY MOTOROLA

3.1 Wireless Mobile Device Products. Motorola hereby grants to Ericsson a royalty free, worldwide, nontransferable, non-exclusive license under Motorola's Licensed Wireless Mobile Device Patents to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of Licensed Wireless Mobile Device Products.

3.2 Wireless Infrastructure Equipment Products. Motorola hereby grants to Ericsson a royalty free, worldwide, nontransferable, non-exclusive license under Motorola's Licensed Wireless Infrastructure Equipment Patents to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of Licensed Wireless Infrastructure Equipment Products.

3.3 Network Products. Motorola hereby grants to Ericsson a royalty-free, world-wide, nontransferable, non-exclusive license under Motorola's Licensed Network Product Patents to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of Licensed Network Products."

53. These provisions identify the parties' different business areas and go to the "FIELD" arguments.

The 2010 Agreement

54. The 2010 Agreement was a "Release and Amendment" agreement with (as I have already mentioned) an Amendment Effective Date of 29 October 2010.

55. The relevant 2010 Amendment Agreement definitions state:

"**B. Amendment**

…

Delete Article 1.24 of the Global Patent License Agreement and replace with the following:

1.24 "Patents" shall mean all patents and patent applications having a priority filing date on or before December 31, 2015 (the "Capture Date"), (including utility models) and like statutory rights other than design patents, which are (i) owned or controlled by a Party and/or its Affiliates, and (ii) not owned or controlled by a Party and/or its Affiliates but which are sub-licensable by such Party and/or its Affiliates, provided that solely with respect to the licenses and rights granted hereunder by Motorola to Sony-Ericsson and by Sony-Ericsson to Motorola, the Capture Date shall be limited to December 31, 2008 for patents and patent applications whose claims are directed to non-essential features or functions of Licensed Wireless Mobile Device Products ("Non-Essential Mobile Device Patents"). For the avoidance of doubt, Non-Essential Mobile Device Patents shall not include Patents whose infringement cannot be avoided in remaining compliant with the relevant Standard, including any de facto standards, either for technical reasons or for reasons of lacking commercially viable technical alternatives.

Delete Article 1.27 of the Global Patent License Agreement and replace with the following:

1.27 "Standards" shall mean the agreed specifications by the standardization bodies ETSI, TIA, ARIB, T1P1, CCSA, ITU, OMA and IEEE and other relevant telecommunication standard setting bodies that are applicable to a mobile standard; namely, GSM (including GPRS and EDGE), WCDMA-FDD, WCDMA-TDD, TD-SCOMA, IS-95, cdma2000, PDC, US-

TOMA, AMPS, TETRA, PHS, DECT, LTE, 802.11 (WIFI) and 802.16 (WIMAX), (including Push to Talk features implemented in these Standards), all as agreed upon by the respective standardization body or forum prior to December 31, 2015 as well as any subsequent releases or updates in respect of such standards which do not fundamentally alter the character thereof (i.e., wireless air-interface, framing structure, control, call set-up and connection management). For the avoidance of doubt, the TETRA Standard has not been adopted in the U.S. or Canada, and no licenses are granted hereunder with respect to TETRA in the U.S. and Canada."

…

56. These provisions extend the Capture Date and bring 4G patents in.

57. The assignment clause, Clause 15, provides:

"***Delete Article 15 of the Global Patent License Agreement and replace with the following:***

15. ASSIGNMENT

Neither this Agreement nor any license or rights hereunder, in whole or in part, shall be assignable or otherwise transferable by any Party without the written consent of the other Party. Any attempt to do so in contravention of this Article shall be void and of no force and effect. For the avoidance of doubt, nothing in this Agreement shall limit or prohibit either Party from assigning its Patents to third parties provided that all such assignments are subject to the licenses granted within this Agreement. Notwithstanding the foregoing, however subject to the license limitations in Article 15.1 and Article 15.3, either Party (the "Assigning Party") may, upon notice to the other Party (the "Non-Assigning Party), assign its rights and delegate its duties according to the following:

15.1 Each Party shall have the right to assign its rights and obligations under this Agreement and retain such rights for itself when all or substantially all of the equity or assets of a business (including but not limited to the entire business of such Party) are "spun out" from such Party by way of a sale, joint venture, spin-off or otherwise ("Spin Out") to create a new legal entity (the "Spun Out Party"), but only under the conditions described in Articles 15.1 A), B), C) and D) below:

A) the Spun Out Party shall acquire all rights under this Agreement but only to the extent that such rights apply to Licensed Products in the Field of the business spun out from the Assigning Party ("Spun Out Products") and commercially reasonable updates or extensions of such Spun Out Products, and the Spun Out Party shall assume all obligations to the Non-Assigning Party in relation to Licensed Products. For the avoidance of doubt, none of the rights under this Agreement shall apply either to: i) products produced, developed or under development prior to the Spin Out by any parent company (other than the Assigning Party) or by any acquirer of the Spun Out Party, or any Affiliates of such acquirer (hereinafter "Acquirer") ,; ii) natural evolutions of such previously produced, developed or under development products of such parent company or Acquirer that are not commercially reasonable updates or extensions of such Spun Out Products; or, iii) products developed or produced by any such parent company or Acquirer subsequent to the Spin Out, provided that this limitation on products developed by such parent company or Acquirer subsequent to the Spin Out shall not restrict the offer or sale of Spun Out Products or the development, manufacture or sale of commercially reasonable updates or extensions of the Spun Out Products by the Spun Out Party or its successor business entities. The Spun Out Party or its parent company or Acquirer shall have the burden of proving that disputed products are Spun Out Products and not excluded from the rights under this Agreement as provided in sub- sections i), ii) or iii) of the previous sentence; and

B) the Assigning Party shall retain all rights under this Agreement, but only to the extent that such rights apply to Licensed Products in the Field in which the Assigning Party operates immediately following the Spin Out ("Retained Products") and commercially reasonable updates or extensions of such Retained Products, and the Assigning Party shall retain all obligations in relation to Licensed Products to the Non-Assigning Party;

C) provided that the Spun Out Party is operated as a separate identifiable business and not merged with an Acquirer, no rights or obligations hereunder shall be enjoyed or assumed by an Acquirer of such Spun Out Party, notwithstanding the status of such Acquirer as an Affiliate of the Spun Out Party hereunder; and

D) in the event of a Spin-Out, the rights and licenses applicable to each of the specific Business Segments (as defined herein) or parts thereof of the Assigning Party may either be assigned to the Spun Out Party or retained by the Assigning Party but may not be both assigned and retained with respect to the particular Business Segment(s) or part(s) thereof that is(are) the subject of the Spin-Out. For the purpose of clarification, "parts" of a Business Segment, as used herein, would not include different product versions of a Licensed Product within that Business Segment, and the Parties shall not manipulate the interpretation of Business Segments in order to multiply the licenses granted with respect to Wireless Terminals and Wireless Infrastructure Equipment for the Business Segments other than Mobile Devices and Infrastructure, beyond the specific product types included in such other Business Segments.

The term "Field" means the practice of the Licensed Patents in any field or fields in which the Spun Out Party, or the Assigning Party, as the case may be, operates or could reasonably be expected to operate as of the date of the Spin Out. For the avoidance of doubt, other than as expressly provided in Article 12A with respect to Non-Essential Mobile Device Patents and Licensed Wireless Mobile Device Products, nothing in this Article 15 shall create any rights or licenses with respect to any products other than Licensed Products or with respect to any patents other than Licensed Patents.

15.2 For the avoidance of doubt, following any Spin Out, the Non-Assigning Party shall retain all of its rights under this Agreement with respect to both the Assigning Party and the Spun Out Party, and in each case, with respect to both Spun Out Products and Retained Products.

15.3 Notwithstanding the above provisions in this Article 15, should the Acquirer of the Spun Out Party (including but not limited to the entire business of Motorola or Ericsson) be a Competitor (for the purpose of this Amendment "Competitor" shall mean a company that, prior to or at the time of the Spin Out, is making, using or selling products or offering services that compete with the Non-Assigning Party or its Affiliates' products or services. As regards the Mobile Devices Business Segment, a Competitor shall be a company having an annual sale of Wireless Terminals of more than one (1) million units) of the Non-Assigning Party immediately prior to such acquisition, then after such acquisition this Global Patent License Agreement shall apply only to an annual dollar volume of sales of certain Spun Out Products in the Mobile Devices Business Segment of Motorola or Ericsson and in the Infrastructure Business Segment of Motorola as follows: i) the license for Wireless Terminals shall be subject to a cap of US$15,000,000,000.00 (Fifteen Billion US Dollars) of annual sales, exclusive of regular trade discounts, rebates, etc. actually credited, ("Net Sales") of Wireless Terminals by the Spun Out Party, provided that, in the event the annual dollar volume of Net Sales of Wireless Terminals by the Spun Out Party is greater than US$15,000,000,000.00 (Fifteen Billion US

Dollars) in total for the four calendar quarters immediately preceding such acquisition (the "Pre-acquisition Annual Net Sales"), the cap shall be increased to an amount equal to 1.2 times the Pre-acquisition Annual Net Sales; and ii) the license for Wireless Infrastructure Equipment shall be subject to a cap of US$5,000,000,000.00 (Five Billion US Dollars) of annual Net Sales of Cellular Wireless Infrastructure Equipment (not including any infrastructure equipment compliant with TETRA, Association of Public Safety Communications Officials International Project 25 (P25 or APCO25), IDEN or 802.11 unless such infrastructure equipment is multimode (other than at a system level) with infrastructure equipment that is compliant with any of the Standards other than TETRA or 802.11) by the Spun Out Party. For the avoidance of doubt, there shall be no annual dollar volume limits on Licensed Products other than for Wireless Terminals and Cellular Wireless Infrastructure Equipment, in the case of Motorola being the Assigning Party, and for Wireless Terminals, in the case of Ericsson being the Assigning Party, as expressly provided above. Any excess volumes not covered by this Agreement shall be unlicensed. As to the unlicensed portion (if any) of the Spun Out Party's sales, the Non-Assigning Party shall commit to: i) offer the Acquirer the option to extend the terms and conditions of any pre-existing license covering the same product category between the Non-Assigning Party and the Acquirer to cover such unlicensed portion, further provided that if the option to extend is so exercised and if the pre-existing license agreement covering the same product category between the Non-Assigning Party and the Acquirer includes royalty payments that have been or are payable through a lump- sum payment then no incremental royalties are due from the Acquirer to the Non-Assigning Party to cover such unlicensed portion during the term which such lump-sum payment refers to; ii) offer the Acquirer a license to its Licensed Patents on FRAND terms, where applicable, and iii) refrain from seeking injunctive relief against the Acquirer in the interim, unless the Non- Assigning Party and the Acquirer are already in litigation with one another or the Acquirer refuses to commit to pay royalties on the unlicensed portion of the Spun Out Party's sales in accordance with the Non-Assigning Party's usual and customary terms, with due credit given for the value (if any) of the Acquirer's Licensed Patents (not including those Licensed Patents of the Spun Out Party) to be cross-licensed by the Acquirer to the Non-Assigning Party.

In the event of a Spin Out of an Assigning Party's Business Segment subject to a cap, the Spun Out Party or the Acquirer (the "Reporting Party") shall, each year, on or before March 1 (the "Report Date"), make written reports to a mutually agreed internationally recognized independent auditor (the "Auditor") stating, in each such report, the total number of units of Spun Out Products that are Wireless Terminals and the total annual net sales of Spun Out Products that are Wireless Terminals or Cellular Wireless Infrastructure Equipment, as applicable and commercially reasonable updates or extensions of such Products (the "Reportable Products") sold or otherwise disposed of during the preceding calendar year in U.S. dollars. The Auditor shall then report to the Non-Assigning Party only whether the Spun Out Party has reached the cap, as defined above in this Article, or not. The details of the reports sent to the Auditor by the Reporting Party shall be treated as confidential information of the Reporting Party and thus shall not be shared with the Non-Assigning Party.

The Non-Assigning Party shall have the right, upon written notice to the Reporting Party received by the Reporting Party within two (2) years after each Report Date, through the Auditor, to examine the books and records of the Reporting Party related to the prior calendar year to enable the Auditor to verify the accuracy of the reports. The Auditor shall report to the Non- Assigning Party only whether the Spun Out Party has reached the cap as defined above in this Article or not, and whether the Spun Out Party has underreported (and by how much) as specified below. If the Reporting Party does not receive written notice from the Non-Assigning Party within two (2) years from the Report Date as stated above, the Non-Assigning Party shall have no further right to audit the annual sales of Reportable Products for such prior calendar year.

The cost of any audit conducted by the Auditor shall be borne by the Non-Assigning Party unless: (i) such audit determines that the Spun Out Party has underreported the total annual net sales of such Reportable Products by more than five percent (5%) and (ii) the annual net sales of Reportable Products are greater than the corresponding cap amount. The Reporting Party shall be required to preserve and maintain all such books and records required for audit for a period of three (3) years after the calendar year for which the books and records apply. The Reporting Party shall be required, prior to the agreed date for the Auditor visit to its premises, to provide the Auditor with its books and records, as requested by the Auditor. The Auditor shall have the right to analyze and verify such books and records at its own premises. For the avoidance of all doubt, such books and records shall be treated as confidential information of the Reporting Party and thus shall not be shared with the Non-Assigning Party.

15.4 Within thirty (30) days after any Spin Out as described in this Article 15, the Assigning Party shall provide written notice thereof to the Non-Assigning Party, and within ninety (90) days after such notice, the Non-Assigning Party and the Spun Out Party shall in good faith negotiate and execute a separate written license agreement covering the Spun Out Products and commercially reasonable updates and extensions thereof, with substantially the same terms and conditions as the Global Patent License Agreement as amended by this Amendment, and subject to continuing benefits under divested patents similar to those granted in Article 10 of the Global Patent License Agreement. Concurrently, the Parties shall negotiate and execute an amendment to the Global Patent License Agreement in order to implement the provisions of Article 15.1 D). The form of such separate written license agreement and the amendments to the Global Patent License Agreement in connection with the first Spin Out contemplated by Motorola for its Mobile Devices and Home Business Segments shall be substantially as set forth in the attached Annex A. For the avoidance of doubt, such separate written license agreements shall: a) include a license to Licensed Patents acquired by the Spun Out Party after the date of the Spin Out but on or before December 31, 2015; and, b) include a license to Licensed Patents filed after such Spin Out in the name of any Acquirer, where at least one of the inventors listed in the patent application is or was an employee of the Spun Out Party.

15.5 Motorola has announced that it has entered into an agreement under which Nokia Siemens Networks will acquire the majority of Motorola's wireless network infrastructure assets, and that it expects to complete closing activities by the end of 2010, subject to customary closing conditions including regulatory approvals. Notwithstanding the provisions of Article 15.1, Motorola shall not assign any of its rights and obligations under this Agreement in connection with this Nokia Siemens Networks transaction."

58. There are various points about this:

i) It allows assignment in limited circumstances and with detailed surrounding provisions.

ii) It contains a definition of "Field", although as will appear below this is not in identical terms to the 2011 Licence.

iii) It contains provisions about the position of the Assigning Party (this would in due course be Motorola Inc.), the Spun Out Party (in due course, Motorola Mobility) and the Non-Assigning Party (Ericsson).

iv) It contains additional provisions if the Acquirer of the Spun Out party is a competitor of the Non-Assigning Party, in particular a cap on the amount of product licensed ($15 billion). Motorola Mobility rely on this to answer a point made by Ericsson that it would be rational for clause 2.4A of the 2011 Licence to be narrow, *inter alia* to protect the non-assigning party against acquisition by a competitor.

v) There is a 30 day notice provision in clause 15.4, and following that period the Non-Assigning Party and the Spun Out Party were to negotiate a separate licence. This was argued to be relevant to the "short runway" point (see below).

vi) Clause 15.4 also refers to the first licence, for spin-out by Original Motorola of its Mobile Devices and Home Business Segments, being as set out in Annex A. In fact, Annex A has not been located by the parties, but there is no suggestion that it was different from the 2011 Licence in a material way.

<u>The 2011 Licence</u>

59. Motorola Mobility and Ericsson entered into the 2011 Licence with (as I have also said above) an effective date of 4 January 2011. Clause 12 provides that the 2011 Licence shall be governed by English law and subject to English jurisdiction.

60. One must bear in mind, although it is easy to forget sometimes, that Original Motorola is not a party. So the assignment provisions of the 2011 Licence relate to what would happen if Motorola Mobility were to assign the licence on.

61. The parties referred to the following parts of the 2011 Licence recitals in argument:

> "WHEREAS, Ericsson and Motorola, Inc. (hereinafter "Motorola") entered into a cross-license agreement in the year 2005 - granting each other rights under, inter alia, their respective GSM and Third Generation (3G) Standard Essential properties (the "2005 Agreement"),
>
> …..
>
> WHEREAS, Ericsson and Motorola agreed in the 2010 Amendment to that each Party shall have the right to assign its rights and obligations under the 2005 Agreement as amended by the 2010 Amendment when all or substantially all of the equity or assets of a business are "spun out" from such party by way of a sale, joint venture, spin-off or otherwise ("Spin Out"),
>
> ……

WHEREAS, Ericsson and Motorola, agreed in the 2010 Amendment that in the event of a Spin Out by Motorola, Ericsson and the Spun Out Party would negotiate and execute a separate written license agreement covering Licensed Products in any field in which the Spun Out Party operates or could be reasonably expected to operate as of the date of the Spin Out ("Spun Out Products") and commercially reasonable updates and extensions thereof,"

62. The third of those recitals (the fifth in the 2011 Licence, two are omitted from the above) bears an obvious relationship to clause 2.4A and Motorola Mobility argued that it was relevant to construction of clause 2.4A, at least if the latter were ambiguous, and supported its position.

63. With respect to definitions contained within Clause 1 that were relied on before me, the 2011 Licence says:

"1. <u>DEFINITIONS</u>

…

1.7 "Have Made by ODM" shall mean products sourced from a third party according to the specifications and testing requirements of a Party or of its Affiliates, fielded under the brand of the Party (including a brand of Sony-Ericsson provided it remains an Affiliate of Ericsson) or under the brand of a telecommunications operator purchasing the products from the Party or from an Affiliate of a Party, and warranted by the Party or by its Affiliate.

…

1.9 "Licensed IDEN Products" shall mean Motorola Mobility's proprietary (i.e., substantially proprietary Motorola Mobility owned technology, which is not specified in one or more of the Standards) Integrated Digitally Enhanced Network products, including subscriber terminals, base stations, base station controllers, switching center, operation and maintenance center, network management center, and related Test Equipment; all excluding intermediate products ("not ready to use products" directly making or contributing into making a device or system compliant with IDEN technology).

…

1.19 "Licensed Wireless Mobile Device Products" shall mean Wireless Terminals, Wireless Terminal Accessories, Modems and related Test Equipment; all excluding Intermediate Products.

1.20 "Licensed Wireless Infrastructure Equipment Products" shall mean Wireless Infrastructure Equipment and related Test Equipment; all excluding Intermediate Products.

…

1.21 "Modems" shall mean a device (such as PCMCIA card) that when inserted into a slot in another device gives said other device capabilities to transmit and receive information compliant with a Standard. The Modem shall perform at least all of the functionality for an applicable Standard and be ready for use by the end user once sold.

…

1.24 "Patents" shall mean all patents and patent applications having a priority filing date on or before December 31, 2015 (the "Capture Date"), (including utility models) and like statutory rights other than design patents, which are (i) owned or controlled by a Party and/or its Affiliates, and (ii) not owned or controlled by a Party and/or its Affiliates but which are sub-licensable by such Party and/or its Affiliates, provided that solely with respect to the licenses and rights granted hereunder by Motorola Mobility to Sony-Ericsson and by Sony-Ericsson to Motorola Mobility, the Capture Date shall be limited to December 31, 2008 for patents and patent applications whose claims are directed to non-essential features or functions of Licensed Wireless Mobile Device Products ("Non-Essential Mobile Device Patents"). For the avoidance of doubt, Non-Essential Mobile Device Patents shall not include Patents whose infringement cannot be avoided in remaining compliant with the relevant Standard, including any de facto standards, either for technical reasons or for reasons of lacking commercially viable technical alternatives.

1.25 "Platforms for Wireless Terminals" shall mean a software and/or hardware and/or firmware system, whether or not in a physical embodiment, relating to the internal architecture of a Wireless Terminal which makes a Wireless Terminal compliant with a Standard, including without limitation PCB layout, software including protocol stacks hardware, firmware, tools, interoperability and test data as well as all other technology necessary to design a Wireless Terminal.

1.26 "Platforms for Wireless Infrastructure Equipment" shall mean a software and/or hardware and /or firmware system, whether or not in a physical embodiment, relating to at least a part of the internal architecture of a Wireless Infrastructure Equipment which makes a Wireless Infrastructure Equipment compliant with a Standard, including without limitation PCB layout, software including protocol stacks, hardware, firmware, tools, interoperability and test data as well as all other technology necessary to design at least a part of a Wireless Infrastructure Equipment.

1.27 "Standards" shall mean the agreed specifications by the standardization bodies ETSI, TIA, ARIB, T1P1, CCSA, ITU, OMA and IEEE and other relevant telecommunication standard setting bodies that are applicable to a mobile standard; namely, GSM (including GPRS and EDGE), WCDMA-FDD, WCDMA-TDD, TD-SCOMA, IS-95, cdma2000, PDC, US-TOMA, AMPS, PHS, DECT, LTE, 802.11 (WIFI) and 802.16 (WIMAX), (including Push to Talk features implemented in these Standards), all as agreed upon by the respective standardization body or forum prior to December 31, 2015 as well as any subsequent releases or updates in respect of such standards which do not fundamentally alter the character thereof (i.e., wireless air-interface, framing structure, control, call set-up and connection management).

…

1.30 "Wireless Infrastructure Equipment" shall mean all network equipment (whether implemented in hardware and/or software and/or firmware form) in a wireless network when such wireless network is capable of enabling, managing, supervising, or securing a communication of voice, data and/or multimedia information in compliance with any one or more of the Standards. This definition shall include but not be limited to equipment in the radio network and the core network such as base stations, base station controllers, radio network controllers, mobile switching centers, SGSN, GGSN, VLR (Visiting Location Register), HLR (Home Location Register), AUC (Authentication Centers), MLC (Mobile Location Centers), Media Gateways, and IP Multimedia Subsystems (IMS). This definition shall exclude Platforms for Infrastructure Equipment.

1.31 "Licensed Wireless Infrastructure Equipment Patents" shall mean those Patents (in any country of the world): i) whose infringement cannot be avoided in remaining compliant with the relevant Standard, including any de facto standards, either for technical reasons or for reasons of lacking commercially viable technical alternatives; ii) which cover implementations of the relevant Standard, including any de facto standards; or,

iii) which are not essential to the Standards and are used by the other Party or its Affiliate (i.e., licensee) in connection with the manufacture, use and sale of Licensed Wireless Infrastructure Equipment. For the avoidance of doubt, such non-essential patents shall include patents related to user interfaces, applications and features not specified in a Standard, or in any de facto standard.

1.32 "Wire-line Infrastructure Equipment and Terminals" shall include all equipment in a fixed network, and user terminals connectable to such fixed network (whether implemented in hardware and/or software and/or firmware form), which provide, enable, manage, supervise, or secure a communication to or for a user wherein the user is connected to such network via an access point (terminal) connection wherein the said access point (terminal) connection is fixed during the communication.

1.34 "Wireless Terminals" shall mean complete and ready to use wireless communication devices (including hardware, software and/or firmware) which can be used without any additional equipment or components intervening between the device and the end user (other than power supplies) for the end user to initiate or receive wireless data, multi-media and/or voice transmissions in compliance with any one or more of the Standards. Examples of Wireless Terminals include, but are not limited to, cellular handsets (including smartphones), laptop computers, notepad computers, personal/mobile internet devices (MIDs/PIDs) and customer premises equipment (CPE). For the avoidance of doubt, USB dongles, PCMCIA cards and separate and externally connected substantially equivalent end user products which allow an end user to initiate or receive wireless data, multi-media and/or voice transmissions in compliance with any one or more of the Standards are Wireless Terminals. For the avoidance of doubt, such separate and externally connected substantially equivalent end user products shall not be designed to be integrated or embedded into another product.

1.35 "Wireless Terminal Accessories" shall mean complete and ready to use accessories such as chargers, batteries, headsets, etc. supplied for use with Wireless Terminals.

…

1.37 "Licensed Embedded Module" shall mean a module designed to be integrated or embedded into (a) laptop computers and personal computers (PCs) only, but not into: cellular handsets (including smartphones), personal/mobile internet devices (MIDs/PIDs) or customer premises equipment (CPE) or (b) machine-to-machine (M2M) devices such as vending machines, meters or vehicles."

64. Although I do not think attention was focused on it in the argument before me, it may be noted that clause 1.17 defines "Licensed Products" (referred to in clause 2.4A) in such a way as to include the other more specific categories of "Licensed … Products" such as Licensed Wireless Mobile Device Products. Clause 1.34 was debated in relation to the issue of whether clause 2.4A is concerned with actual products or rather with conceptual product categories (see below).

65. I turn to the operative provisions. First there are the mutual licence grants (I omit clause 2.4A for now):

"2. <u>LICENSE GRANT BY ERICSSON</u>

2.1 <u>Wireless Mobile Device Products</u>. Ericsson hereby grants to Motorola Mobility a royalty free, worldwide, nontransferable, non-exclusive license under Ericsson's Licensed Wireless Mobile Device Patents to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of Licensed Wireless Mobile Device Products.

2.1A <u>Licensed Embedded Modules</u>. Notwithstanding the provisions of Articles 2.7 and 2.8, for the period from the Effective Date up to and including December 31, 2013, Ericsson hereby grants to Motorola Mobility a royalty free, worldwide, nontransferable, non-exclusive license under Ericsson's Patents identified in sub-Articles (i) and (ii), but not (iii), of Ericsson's Licensed Wireless Mobile Device Patents, to the extent applicable to wireless features and functionality, to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of a maximum of two million (2,000,000) Licensed Embedded Modules during calendar year 2011, three million, five hundred thousand (3,500,000) Licensed Embedded Modules during calendar year 2012 and five million (5,000,000) Licensed Embedded Modules during calendar year 2013. For the avoidance of doubt, for the years prior to 2011, there is no cap on Licensed Embedded Modules. With regard to a single customer, Motorola Mobility is only licensed up to a cap of one million (1,000,000) Licensed Embedded Modules sold to one single customer during each calendar year 2011 to 2013. In the event a customer of Motorola Mobility for such Licensed Embedded Module asserts a patent or patent application in a litigation or administrative proceeding against Ericsson or its Affiliates, then the provisions of this Article 2.1A may be suspended by Ericsson for sales to such asserting customer and shall thereafter be of no further force or effect with respect to the sale of Licensed Embedded Modules to such asserting customer. For the avoidance of doubt, the license to Licensed Embedded Modules for non-asserting customers shall not be affected by such suspension but shall continue in its entirety. Such suspension, if elected for such asserting customer, shall become effective immediately upon the filing of such litigation or administrative proceeding by such asserting customer. The suspension against such asserting customer shall be withdrawn upon thirty (30) days written notice from Ericsson or with immediate effect if such asserting customer withdraws its litigation or administrative proceeding against Ericsson. Upon withdrawal of the suspension, the provisions of this Article 2.1A shall resume in their entirety. For the avoidance of doubt, and notwithstanding whether any suspension to an asserting custom er under this Article 2.1A has been elected, this Article 2.1A shall be of no force or effect after December 31, 2013.

2.2 Intentionally deleted.

2.3 Network Products. Ericsson hereby grants to Motorola Mobility a royalty-free, world-wide, nontransferable, non-exclusive license under Ericsson's Licensed Network Product Patents to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of Licensed Network Products.

2.4 IDEN Products. Ericsson hereby grants to Motorola Mobility a royalty-free, worldwide, non-transferable, non-exclusive license under the Ericsson Licensed IDEN Patents to make, Have Made, Have Copied, use, import, sell, offer for sale, lease, or otherwise dispose of Motorola Mobility's Licensed IDEN Products. In the event Motorola Mobility or its Affiliates make a formal assertion of a patent claim against any future manufacture, use or sale by Ericsson or its Affiliates of products equivalent to or competitive with any Licensed IDEN Products (either directly or indirectly through an assertion against Have Made producers or customers of Ericsson or its Affiliates with respect to such products [or related intermediate products] manufactured, used or sold by Ericsson), Ericsson shall have the option, upon sixty (60) days prior written notice to Motorola Mobility, to terminate, going forward from the date of such notice, all rights and licenses granted in this Article 2.4 with respect to Licensed IDEN Products (in the event such assertion is against products as described above). In the event Motorola Mobility or its Affiliates make such a formal assertion against such manufacture, use or sale by Ericsson or its Affiliates (either directly or indirectly through an assertion against Have Made producers or customers of Ericsson or its

Affiliates with respect to such products [or related intermediate products] manufactured, used or sold by Ericsson) of such products equivalent to or competitive with Licensed IDEN Products, Motorola Mobility agrees that damages would not be recoverable for such activities prior to the date of such assertion.

…

3. LICENSE GRANT BY MOTOROLA MOBILITY

3.1 Wireless Mobile Device Products. Motorola Mobility hereby grants to Ericsson a royalty free, worldwide, nontransferable, non-exclusive license under Motorola Mobility's Licensed Wireless Mobile Device Patents to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of Licensed Wireless Mobile Device Products.

3.1A Licensed Embedded Modules. Notwithstanding the provisions of Articles 3.6 and 3.7, for the period from the Effective Date up to and in eluding December 31, 2013, Motorola Mobility hereby grants to Ericsson a royalty free, worldwide, nontransferable, non-exclusive license under Motorola Mobility's Patents identified in sub-Articles (i) and (ii), but not (iii), of Motorola Mobility's Licensed Wireless Mobile Device Patents, to the extent applicable to wireless features and functionality, to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of a maximum of two million (2,000,000) Licensed Embedded Modules during calendar year 2011, three million, five hundred thousand (3,500,000) Licensed Embedded Modules during calendar year 2012 and five million (5,000,000) Licensed Embedded Modules during calendar year 2013. For the avoidance of doubt, for the years prior to 2011, there is no cap on Licensed Embedded Modules. With regard to a single customer, Ericsson is only licensed up to a cap of one million (1,000,000) Licensed Embedded Modules sold to one single customer during each calendar year 2011 to 2013. In the event a customer of Ericsson for such Licensed Embedded Module asserts a patent or patent application in a litigation or administrative proceeding against Motorola Mobility or its Affiliates, then the provisions of this Article 3.1A may be suspended by Motorola Mobility for sales to such asserting customer and shall thereafter be of no further force or effect with respect to the sale of Licensed Embedded Modules to such asserting customer.

…

> 3.3 Network Products. Motorola Mobility hereby grants to Ericsson a royalty-free, world-wide, nontransferable, non-exclusive license under Motorola Mobility's Licensed Network Product Patents to make, Have Made, Have Copied, Have Made by ODM, use, import, sell, offer for sale, lease or otherwise dispose of Licensed Network Products.
>
> …"

66. Clause 2.1 was materially the same as in the 2005 Agreement although of course the licensee is different. It is a broad licence grant for Wireless Mobile Device Products.

67. Clauses 2.3 and 2.4 likewise contain licence grants for Network Products and IDEN products. Clause 2.2. is "intentionally deleted" and the reason for that is that in the 2005 Agreement it contained the licence grant for infrastructure, and that business was not being spun out. Clause 3 gives Ericsson licences in similarly broad terms as before.

68. Clause 2.4A, the subject of this PIT, states:

> "2.4A The license grants provided in Sections 2.1, 2.3 and 2.4 above apply only to Licensed Wireless Mobile Device Products, Licensed Network Products and Licensed IDEN Products in the FIELD of Motorola Mobility as of the Effective Date hereof and commercially reasonable updates or extensions of such Licensed Products. 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. For the avoidance of doubt, in the event of an acquisition of Motorola Mobility by an acquiring party, none of the rights under this Agreement shall apply either to: i) products produced, developed or under development prior to such acquisition by such acquiring party, or by any Affiliates of such acquiring party (hereinafter "Acquirer''); ii) natural evolutions of such previously produced, developed or under development products of such Acquirer that are not commercially reasonable updates or extensions of such Motorola Mobility's Licensed Products; or, iii) products developed or produced by any such Acquirer subsequent to such acquisition, provided that this limitation on products developed by such Acquirer subsequent to such acquisition shall not restrict the offer or sale of Motorola Mobility's Licensed Products or the development, manufacture or sale of commercially reasonable updates or extensions of Motorola Mobility's Licensed Products. Motorola Mobility or its Acquirer shall have the burden of proving that disputed products are Motorola Mobility's Licensed Products and not

> excluded from the rights under this Agreement as provided in sub- sections i), ii) or iii) of the previous sentence."

69. "CRUE" was used at trial as an acronym for "commercially reasonable updates or extensions".

70. Clause 2.4A is a one-way provision: there is no equivalent limit on the licences granted to Ericsson.

71. I consider I should construe clause 2.4A as it was written and will do so, but the arguments are easier to follow if one appreciates that it is written in four sentences. The first sentence is:

> "The license grants provided in Sections 2.1, 2.3 and 2.4 above apply only to Licensed Wireless Mobile Device Products, Licensed Network Products and Licensed IDEN Products in the FIELD of Motorola Mobility as of the Effective Date hereof and commercially reasonable updates or extensions of such Licensed Products."

72. This states that the broad licences of clauses 2.1, 2.3 and 2.4 apply "only" as specified.

73. The second sentence is:

> "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."

74. And this defines "FIELD" for the purposes of the first sentence.

75. The third sentence is:

> "For the avoidance of doubt, in the event of an acquisition of Motorola Mobility by an acquiring party, none of the rights under this Agreement shall apply either to: i) products produced, developed or under development prior to such acquisition by such acquiring party, or by any Affiliates of such acquiring party (hereinafter "Acquirer''); ii) natural evolutions of such previously produced, developed or under development products of such Acquirer that are not commercially reasonable updates or extensions of such Motorola Mobility's Licensed Products; or, iii) products developed or produced by any such Acquirer subsequent to such acquisition, provided that this limitation on products developed by such Acquirer subsequent to such acquisition shall not restrict the offer or sale of Motorola Mobility's Licensed Products or the development, manufacture

> or sale of commercially reasonable updates or extensions of Motorola Mobility's Licensed Products."

76. This covers how the earlier provisions are to work if Motorola Mobility is later acquired, by reference (in part) to products developed by the acquirer. It is expressed to be an avoidance of doubt provision.

77. The fourth sentence is:

> "Motorola Mobility or its Acquirer shall have the burden of proving that disputed products are Motorola Mobility's Licensed Products and not excluded from the rights under this Agreement as provided in sub- sections i), ii) or iii) of the previous sentence."

78. And this allocates the burden of proof in the scenarios the subject of the third sentence.

79. Moving on to other operative provisions relied on by the parties, pursuant to Clause 5 the parties released each other from all claims on account of any act of patent infringement:

> "5. <u>RELEASE</u>
>
> Each Party, for itself and its present Affiliates, hereby releases the other Party and the other Party's present Affiliates, from all claims, demands and rights of action which the first mentioned Party or any of its present Affiliates may have on account of any act of patent infringement or alleged patent infringement prior to the Effective Date. This release shall extend to all customers of such other Party and such other Party's present Affiliates who have purchased or used products released herein, and shall include the subsequent use or sale by such customers of the released products that they have purchased prior to the Effective Date."

80. This was relied on for the "patent peace" point.

81. Clause 8 states the conditions for termination:

> "8. <u>TERM AND TERMINATION</u>
>
> …
>
> 8.3 <u>Change of Control</u>. In the event that 50% or more of either Party's ownership changes by merger, acquisition, consolidation, transfer, or otherwise, and the acquirer in such merger, acquisition, consolidation, transfer or otherwise, is a

> competitor of the other Party, such other Party shall have the right, at its own sole and absolute discretion, to terminate all licenses and rights granted herein (both those granted by itself and by the other Party) with respect to the activities of the Parties and their Affiliates after the date of such termination, or allow assignment of the Agreement."

82. This was relied on by Motorola Mobility as one of the ways that Ericsson could protect itself in the event of an acquisition of Motorola by a competitor (the other was the cap in clause 15.3).

83. Clause 12, the jurisdiction provision, states:

> "12. GOVERNING LAW
>
> The validity, performance, construction and interpretation of this Agreement, shall be governed by the laws of the United Kingdom without regard to its conflict 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."

84. Clause 15 provides the conditions under which assignment may occur:

> "15. ASSIGNMENT
>
> Neither this Agreement nor any license or rights hereunder, in whole or in part, shall be assignable or otherwise transferable by any Party without the written consent of the other Party. Any attempt to do so in contravention of this Article shall be void and of no force and effect. For the avoidance of doubt, nothing in this Agreement shall limit or prohibit either Party from assigning its Patents to third parties provided that all such assignments are subject to the licenses granted within this Agreement. Notwithstanding the foregoing, however subject to the license limitations in Article 15.1 and Article 15.3, either Party (the "Assigning Party") may, upon notice to the other Party (the "Non-Assigning Party), assign its rights and delegate its duties according to the following:
>
> 15.1 Each Party shall have the right to assign its rights and obligations under this Agreement and retain such rights for itself when all or substantially all of the equity or assets of a business (including but not limited to the entire business of such Party) are "spun out" from such Party by way of a sale, joint venture, spin-off or otherwise ("Spin Out") to create a new legal

entity (the "Spun Out Party"), but only under the conditions described in Articles 15.1 A), B), C) and D) below:

A) the Spun Out Party shall acquire all rights under this Agreement but only to the extent that such rights apply to Licensed Products in the Field of the business spun out from the Assigning Party ("Spun Out Products") and commercially reasonable updates or extensions of such Spun Out Products, and the Spun Out Party shall assume all obligations to the Non-Assigning Party in relation to Licensed Products. For the avoidance of doubt, none of the rights under this Agreement shall apply either to: i) products produced, developed or under development prior to the Spin Out by any parent company (other than the Assigning Party) or by any acquirer of the Spun Out Party, or any Affiliates of such acquirer (hereinafter "Acquirer''); ii) natural evolutions of such previously produced, developed or under development products of such parent company or Acquirer that are not commercially reasonable updates or extensions of such Spun Out Products; or, iii) products developed or produced by any such parent company or Acquirer subsequent to the Spin Out, provided that this limitation on products developed by such parent company or Acquirer subsequent to the Spin Out shall not restrict the offer or sale of Spun Out Products or the development, manufacture or sale of commercially reasonable updates or extensions of the Spun Out Products by the Spun Out Party or its successor business entities. The Spun Out Party or its parent company or Acquirer shall have the burden of proving that disputed products are Spun Out Products and not excluded from the rights under this Agreement as provided in sub- sections i), ii) or iii) of the previous sentence; and

B) the Assigning Party shall retain all rights under this Agreement, but only to the extent that such rights apply to Licensed Products in the Field in which the Assigning Party operates immediately following the Spin Out ("Retained Products") and commercially reasonable updates or extensions of such Retained Products, and the Assigning Party shall retain all obligations in relation to Licensed Products to the Non-Assigning Party;

C) provided that the Spun Out Party is operated as a separate identifiable business and not merged with an Acquirer, no rights or obligations hereunder shall be enjoyed or assumed by an Acquirer of such Spun Out Party, notwithstanding the status of such Acquirer as an Affiliate of the Spun Out Party hereunder; and

> D) in the event of a Spin-Out, the rights and licenses applicable to each of the specific Business Segments (as defined herein) or parts thereof of the Assigning Party may either be assigned to the Spun Out Party or retained by the Assigning Party but may not be both assigned and retained with respect to the particular Business Segment(s) or part(s) thereof that is(are) the subject of the Spin-Out. For the purpose of clarification, “parts” of a Business Segment, as used herein, would not include different product versions of a Licensed Product within that Business Segment, and the Parties shall not manipulate the interpretation of Business Segments in order to multiply the licenses granted with respect to Wireless Terminals and Wireless Infrastructure Equipment for the Business Segments other than Mobile Devices and Infrastructure, beyond the specific product types included in such other Business Segments.

The term “Field” means the practice of the Licensed Patents in any field or fields in which the Spun Out Party, or the Assigning Party, as the case may be, operates or could reasonably be expected to operate as of the date of the Spin Out. For the avoidance of doubt, other than as expressly provided in Article 12A with respect to Non-Essential Mobile Device Patents and Licensed Wireless Mobile Device Products, nothing in this Article 15 shall create any rights or licenses with respect to any products other than Licensed Products or with respect to any patents other than Licensed Patents.

…

15.3 Notwithstanding the above provisions in this Article 15, should the Acquirer of the Spun Out Party (including but not limited to the entire business of Motorola Mobility or Ericsson) be a Competitor (for the purpose of this Amendment “Competitor’’ shall mean a company that, prior to or at the time of the Spin Out, is making, using or selling products or offering services that compete with the Non-Assigning Party or its Affiliates’ products or services. As regards the Mobile Devices Business Segment, a Competitor shall be a company having an annual sale of Wireless Terminals of more than one (1) million units) of the Non-Assigning Party immediately prior to such acquisition, then after such acquisition this Global Patent License Agreement shall apply only to an annual dollar volume of sales of certain Spun Out Products in the Mobile Devices Business Segment of Motorola Mobility or Ericsson as follows: the license for Wireless Terminals shall be subject to a cap of US$15,000,000,000.00 (Fifteen Billion US Dollars) of annual sales, exclusive of regular trade discounts, rebates, etc. actually credited, (“Net Sales”) of Wireless Terminals by the Spun Out Party, provided that, in the event the annual dollar volume of

Net Sales of Wireless Terminals by the Spun Out Party is greater than US$15,000,000,000.00 (Fifteen Billion US Dollars) in total for the four calendar quarters immediately preceding such acquisition (the "Pre-acquisition Net Annual Sales"), the cap shall be increased to an amount equal to 1.2 times the Pre-acquisition Net Annual Sales. For the avoidance of doubt, there shall be no annual dollar volume limits on Licensed Products other than for Wireless Terminals as expressly provided above. Any excess volumes not covered by this Agreement shall be unlicensed. As to the unlicensed portion (if any) of the Spun Out Party's sales, the Non-Assigning Party shall commit to: i) offer the Acquirer the option to extend the terms and conditions of any pre-existing license covering the same product category between the Non-Assigning Party and the Acquirer to cover such unlicensed portion, further provided that if the option to extend is so exercised and if the pre-existing license agreement covering the same product category between the Non-Assigning Party and the Acquirer includes royalty payments that have been or are payable through a lump-sum payment then no incremental royalties are due from the Acquirer to the Non-Assigning Party to cover such unlicensed portion during the term which such lump-sum payment refers to; ii) offer the Acquirer a license to its Licensed Patents on FRAND terms, where applicable, and iii) refrain from seeking injunctive relief against the Acquirer in the interim, unless the Non-Assigning Party and the Acquirer are already in litigation with one another or the Acquirer refuses to commit to pay royalties on the unlicensed portion of the Spun Out Party's sales in accordance with the Non-Assigning Party's usual and customary terms, with due credit given for the value (if any) of the Acquirer's Licensed Patents (not including those Licensed Patents of the Spun Out Party) to be cross-licensed by the Acquirer to the Non-Assigning Party.

In the event of a Spin Out of an Assigning Party's Business Segment subject to a cap, the Spun Out Party or the Acquirer (the "Reporting Party") shall, each year, on or before March 1 (the "Report Date"), make written reports to a mutually agreed internationally recognized independent auditor (the "Auditor") stating, in each such report, the total number of units and the total annual net sales of Spun Out Products that are Wireless Terminals and commercially reasonable updates or extensions of such Products (the "Reportable Products") sold or otherwise disposed of during the preceding calendar year in U.S. dollars. The Auditor shall then report to the Non-Assigning Party only whether the Spun Out Party has reached the cap, as defined above in this Article, or not. The details of the reports sent to the Auditor by the Reporting Party shall be treated as confidential information of the Reporting Party and thus shall not be shared with the Non-Assigning Party.

The Non-Assigning Party shall have the right, upon written notice to the Reporting Party received by the Reporting Party within two (2) years after each Report Date, through the Auditor, to examine the books and records of the Reporting Party related to the prior calendar year to enable the Auditor to verify the accuracy of the reports. The Auditor shall report to the Non-Assigning Party only whether the Spun Out Party has reached the cap as defined above in this Article or not, and whether the Spun Out Party has underreported (and by how much) as specified below. If the Reporting Party does not receive written notice from the Non-Assigning Party within two (2) years from the Report Date as stated above, the Non-Assigning Party shall have no further right to audit the annual sales of Reportable Products for such prior calendar year.

The cost of any audit conducted by the Auditor shall be borne by the Non-Assigning Party unless (i) such audit determines that the Spun Out Party has underreported the total annual net sales of such Reportable Products by more than five percent (5%) and (ii) the annual net sales of Reportable Products are greater than the corresponding cap amount. The Reporting Party shall be required to preserve and maintain all such books and records required for audit for a period of three (3) years after the calendar year for which the books and records apply. The Reporting Party shall be required, prior to the agreed date for the Auditor visit to its premises, to provide the Auditor with its books and records, as requested by the Auditor. The Auditor shall have the right to analyze and verify such books and records at its own premises. For the avoidance of all doubt, such books and records shall be treated as confidential information of the Reporting Party and thus shall not be shared with the Non-Assigning Party.

15.4 Within thirty (30) days after any Spin Out as described in this Article 15, the Assigning Party shall provide written notice thereof to the Non-Assigning Party, and within ninety (90) days after such notice, the Non-Assigning Party and the Spun Out Party shall in good faith negotiate and execute a separate written license agreement covering the Spun Out Products and commercially reasonable updates and extensions thereof, with substantially the same terms and conditions as the Global Patent License Agreement as amended by this Amendment, and subject to continuing benefits under divested patents similar to those granted in Article 10 of the Global Patent License Agreement. Concurrently, the Parties shall negotiate and execute an amendment to the Global Patent License Agreement in order to implement the provisions of Article 15.1 D). For the avoidance of doubt, such separate written license agreements shall: a) include a license to Licensed Patents acquired by the Spun Out Party after the date of the Spin Out but on or before

> December 31, 2015; and, b) include a license to Licensed Patents filed after such Spin Out in the name of any Acquirer, where at least one of the inventors listed in the patent application is or was an employee of the Spun Out Party."

The 2011 Licence Construction

Principles of contractual construction

85. The parties were in general agreement regarding the applicable principles of contract construction. However, the parties took slightly different views about the use of recitals to aid construction, which I address below. I first address the general principles that the parties agreed on.

86. There have been a number of cases of high authority dealing with the relevant principles. Given the general agreement between the parties, I can usefully take the summary from *Arnold v Britton* [2015] UKSC 36 ("*Arnold*"). *Arnold* concerned the interpretation of provisions within two sets of leases of holiday chalets. In 2012, the first, and earlier, tenant leases had a service charge of £311 whereas the later leases had a service charge of £3,366. The Supreme Court held that any unfairness was not a reason to depart from the natural meaning of the words in the clause. In coming to that conclusion, the Supreme Court set out guidance on interpretation of contractual provisions, describing seven factors that should be considered.:

> "15. When interpreting a written contract, the court is concerned to identify the intention of the parties by reference to "what a reasonable person having all the background knowledge which would have been available to the parties would have understood them to be using the language in the contract to mean", to quote Lord Hoffman in *Chartbrook Ltd v Persimmon Homes Ltd* [2009] AC 1101, para 14. And it does so by focussing on the meaning of the relevant words, in this case clause 3(2) of each of the 25 leases, in their documentary, factual and commercial context. That meaning has to be assessed in the light of (i) the natural and ordinary meaning of the clause, (ii) any other relevant provisions of the lease, (iii) the overall purpose of the clause and the lease, (iv) the facts and circumstances known or assumed by the parties at the time that the document was executed, and (v) commercial common sense, but (vi) disregarding subjective evidence of any party's intentions. In this connection, see *Prenn* [1971] 1 WLR 1381, 1384—1386; *Reardon Smith Line Ltd v Yngvar Hansen-Tangen (trading as HE Hansen-Tangen)* [1976] 1 WLR 989, 995—997, per Lord Wilberforce; *Bank of Credit and Commerce International SA v Ali* [2002] 1 AC 251, para 8, per Lord Bingham of Cornhill; and the survey of more recent authorities

in *Rainy Sky* [2011] 1 WLR 2900, paras 21—30, per Lord Clarke of Stone-cum-Ebony JSC.

16. For present purposes, I think it is important to emphasise seven factors.

17. First, the reliance placed in some cases on commercial common sense and surrounding circumstances (eg *Chartbrook* [2009] AC 1101, paras 16-26) should not be invoked to undervalue the importance of the language of the provision which is to be construed. The exercise of interpreting a provision involves identifying what the parties meant through the eyes of a reasonable reader, and, save perhaps in a very unusual case, that meaning is most obviously to be gleaned from the language of the provision. Unlike commercial common sense and the surrounding circumstances, the parties have control over the language they use in a contract. And, again save perhaps in a very unusual case, the parties must have been specifically focussing on the issue covered by the provision when agreeing the wording of that provision.

18. Secondly, when it comes to considering the centrally relevant words to be interpreted, I accept that the less clear they are, or, to put it another way, the worse their drafting, the more ready the court can properly be to depart from their natural meaning. That is simply the obverse of the sensible proposition that the clearer the natural meaning the more difficult it is to justify departing from it. However, that does not justify the court embarking on an exercise of searching for, let alone constructing, drafting infelicities in order to facilitate a departure from the natural meaning. If there is a specific error in the drafting, it may often have no relevance to the issue of interpretation which the court has to resolve.

19. The third point I should mention is that commercial common sense is not to be invoked retrospectively. The mere fact that a contractual arrangement, if interpreted according to its natural language, has worked out badly, or even disastrously, for one of the parties is not a reason for departing from the natural language. Commercial common sense is only relevant to the extent of how matters would or could have been perceived by the parties, or by reasonable people in the position of the parties, as at the date that the contract was made. Judicial observations such as those of Lord Reid in *Wickman Machine Tools Sales Ltd v L Schuler AG* [1974] AC 235, 251 and Lord Diplock in *Antaios Cia Naviera SA v Salen Rederierna AB (The Antaios)* [1985] AC 191, 201, quoted by Lord Carnwath JSC at para 110, have to be read and applied bearing that important point in mind.

20. Fourthly, while commercial common sense is a very important factor to take into account when interpreting a contract, a court should be very slow to reject the natural meaning of a provision as correct simply because it appears to be a very imprudent term for one of the parties to have agreed, even ignoring the benefit of wisdom of hindsight. The purpose of interpretation is to identify what the parties have agreed, not what the court thinks that they should have agreed. Experience shows that it is by no means unknown for people to enter into arrangements which are ill-advised, even ignoring the benefit of wisdom of hindsight, and it is not the function of a court when interpreting an agreement to relieve a party from the consequences of his imprudence or poor advice. Accordingly, when interpreting a contract a judge should avoid re-writing it in an attempt to assist an unwise party or to penalise an astute party.

21. The fifth point concerns the facts known to the parties. When interpreting a contractual provision, one can only take into account facts or circumstances which existed at the time that the contract was made, and which were known or reasonably available to both parties. Given that a contract is a bilateral, or synallagmatic, arrangement involving both parties, it cannot be right, when interpreting a contractual provision, to take into account a fact or circumstance known only to one of the parties.

22 Sixthly, in some cases, an event subsequently occurs which was plainly not intended or contemplated by the parties, judging from the language of their contract. In such a case, if it is clear what the parties would have intended, the court will give effect to that intention. An example of such a case is *Aberdeen City Council v Stewart Milne Group Ltd* 2012 SC (UKSC) 240, where the court concluded that “any . . . approach” other than that which was adopted “would defeat the parties’ clear objectives”, but the conclusion was based on what the parties “had in mind when they entered into” the contract: see paras 21 and 22.

23. Seventhly, reference was made in argument to service charge clauses being construed “restrictively”. I am unconvinced by the notion that service charge clauses are to be subject to any special rule of interpretation. Even if (which it is unnecessary to decide) a landlord may have simpler remedies than a tenant to enforce service charge provisions, that is not relevant to the issue of how one interprets the contractual machinery for assessing the tenant’s contribution. The origin of the adverb was in a judgment of Rix LJ in *McHale v Earl Cadogan* [2010] HLR 412, para 17. What he was saying, quite correctly, was that the court should not “bring within the

> general words of a service charge clause anything which does not clearly belong there". However, that does not help resolve the sort of issue of interpretation raised in this case."

87. Miss Davies placed additional emphasis on the distinction between commercial sense and the court leaving the parties to live with a bad bargain: the court "must be alive to the possibility that one side may have agreed to something which with hindsight did not serve his interest" (*Wood v Capita Insurance Ltd* [2017] UKSC 24 at [11] ("*Wood*")). I do not think this was really disputed and I accept it.

88. Both parties broadly also accepted that where a particular result is unreasonable, a court would expect clear words if that result was intended per Lord Reid in *L Schuler AG v Wickman Machine Tools Sales Ltd* [1974] AC 235, 236 (referred to in *Arnold*):

> "The fact that a particular construction leads to a very unreasonable result must be a relevant consideration. The more unreasonable the result the more unlikely it is that the parties can have intended it, and if they do intend it the more necessary it is that they shall make that intention abundantly clear."

89. The parties also referred to the presumption against surplusage. The applicability and power of the presumption is case-dependent and it is not an overriding principle; sometimes the correct construction of an agreement does result in some surplusage. In the present case, I am dealing with a professionally drafted agreement which was carefully negotiated and is (at least in all the parts that concern me) bespoke. These are factors that strengthen the presumption that the words should all be given meaning, and this is not the sort of commercial case where standard terms have been used without the parties (or their advisers) noticing that one standard term makes another unnecessary. On the other hand, the 2011 Licence is perhaps rather over-engineered in the sense of trying cautiously to cover every base and every scenario (e.g. the "for the avoidance of doubt" part of clause 2.4A, the non-manipulation provision in clause 15.1D). But I do not think I need to go into the law in much detail because the key point on surplusage that was argued is on clause 2.4A itself, where each side accused the other of rendering either FIELD or CRUE redundant on their preferred construction(s). Clause 2.4A is a clause that was clearly the subject of special care and the first sentence includes two concepts, FIELD and CRUE, each of which would be thought to be there for a reason. A construction which rendered either of them truly surplus in drafting terms is unlikely to be correct: I think the parties agree on that principle but each says that the other's arguments offend against it when applied to the facts.

90. How the Court uses recitals in its construction is where there is a possible slight degree of difference between the parties. As a general proposition, recitals to an agreement may be taken into account by the court as an aid to construction. Motorola Mobility argued that where the recitals are clear and the operative part is not, the recitals govern the construction, relying on *Re Moon* (1886) 17 QBD 275 ("*Re Moon*") and *Orr v Mitchell* [1893] AC 238 ("*Orr*"). Ericsson argued that where a recital and a clause cannot be read consistently, the clause prevails, not the recital. I will therefore review the case law cited, although I do not think these propositions are necessarily inconsistent and I do not think the parties in this case were all that far apart, in the end.

91. *Orr* explains:

> "When the words in the dispositive or operative part of a deed of conveyance are clear and unambiguous they cannot be corrected by reference to other parts of the instrument. When those words are susceptible of two constructions <u>the context may properly be referred to for the purpose of determining which of the two constructions is the true meaning</u>. In order to justify a reference to the context for this purpose, it is not necessary that the language of the dispositive or operative clause should be ambiguous in the sense that without some help you cannot tell which of two meanings should be taken. The rule applies though one of the two meanings is the more obvious one, and would necessarily be preferred if no light could be derived from the rest of the deed. For the purpose of construing the dispositive or operative clause, the whole of the instrument may be referred to though the introductory narrative or recitals leading up to that clause are, perhaps, more likely to furnish the key to its true construction than the subsidiary clauses of the deed." [Emphasis added]

92. Ericsson relied on *Attorney General v River Dorée Holdings Ltd* [2017] UKPC 39 ("*River Dorée*"), a Privy Council decision that dealt with the construction of a lease of agricultural land which included an option to purchase after 10 years. The construction issue pertained to a mismatch between a recital and the dispositive part of the lease providing for the option to purchase. The Privy Council held that the leaseholder could not block the transfer of land by relying on the recital, which stated that transfer was conditional upon the lessee having satisfactorily carried out a development programme. In making that conclusion, Sir Bernard Rix explained the use of recitals in contract construction as follows:

> "48. The Board is quite prepared to accept that a recital may in appropriate circumstances serve as background or as introduction informing or assisting the interpretation of a substantive provision in the Lease. But the two must at least be

> capable of being read consistently with each other, which is not the case here. Clause 9(9) is clear as to the conditions under which the option to purchase is to be exercised. No ambiguity can be created from a mere recital which cannot consistently be read together with the substantive and operative parts of the contract concerned. The Board has set out the inconsistencies between recital E and clause 9(9) above (at paras 35-36), and needs not repeat them. In the circumstances, preference has to be given to one or the other, and high authority dictates that in such circumstances preference must be given to a substantive provision over a recital." [Emphasis added]

93. Ericsson also referred to *Russell v Stone* [2017] EWHC 1555 ("*Russell*") per Coulson J (as he was then). *Russell* pre-dates *River Dorée* by a few months but the Privy Council does not refer to *Russell*. Coulson J dealt with the proper approach to the construction of recitals and their interaction with the operative terms of a contract as follows:

> "34. A particular point arises here as to the proper approach to the construction of Recitals and their interaction with the operative terms of the contract. The classic statement on this topic can be found in the judgment of Lord Esher MR in *Re Moon* (1886) 17 QBD 275, Volume XVIL at 286:
>
> > "Now there are three rules applicable to the construction of such an instrument. If the recitals are clear and the operative part is ambiguous, the recitals govern the construction. If the recitals are ambiguous, and the operative part is clear, the operative part must prevail. If both the recitals and the operative part are clear, but they are inconsistent with each other, the operative part is to be preferred."
>
> 35. This approach is noted at paragraph 13-068 of Chitty on Contracts, 32nd edition ("clear words in the operative part of an instrument cannot be controlled by recitals"); and in the more detailed analysis at paragraphs 10.10-10.14 of the Interpretation of Contracts, 6th edition, by Sir Kim Lewison. In the latter work, the author indicated, by reference to *Franklins PTY Limited v Metcash Trading Limited* [2009] NSWCA 407 at 380 that modern methods of interpretation, in which background plays a far larger part than used to be the case, may have tempered the traditional approach, such that recitals in a deed can be looked at as part of the surrounding circumstances of the contract "without a need to find ambiguity in the operative provisions of the contract.""

94. There is potentially some tension between *River Dorée* and *Russell*, but I think in truth all that Coulson J was saying that is material for present purposes is that in the more modern approach recitals may form part of the picture without the necessity to decide first whether the operative part is, in isolation, ambiguous. On the other hand I think the Privy Council in *River Dorée* was considering the case where, looking at them together, there was an *inconsistency* between recital and operative clause, and saying that in such a case the former cannot control the latter. I also note the reference to a "mere recital".

95. These are fine distinctions, albeit that in the right case they could be important, but as with the point about surplusage I do not think I need to dig into them deeply for the purposes of this judgment. The specific issue here is whether the last recital in the 2011 Licence helps Motorola Mobility on clause 2.4A and in particular on the question of whether "as of the …. date" qualifies the products or the FIELD. Motorola Mobility says that the recital does help. But the problem as I see it is that the recital uses different words from the operative clause, and critically so because the recital mentions the date once, and clause 2.4A mentions it twice. So I think this is simply a not uncommon sort of case where the recital is just summarising the nature of the provisions that will follow, and that is why there is a difference in wording. The actual effect is then set out in fuller words in the operative clause. The recital may still be useful to orient the reader of the agreement but that is all that it is meant for.

<u>Construction of the 2011 Licence – Clause 2.4A</u>

96. I turn to the critical question before me, the meaning of clause 2.4A. In keeping with the principles of contractual construction above, I approach it on the basis that the words used by the parties are of central importance. They have to be read in context and possible constructions have to be tested against matters including practicality and commercial common sense.

97. The overall context is not really in dispute and it is that in 2010 Original Motorola and Ericsson had renegotiated the 2005 Agreement to include 4G, to extend the Capture Date and to allow assignment in certain circumstances, in particular a spin-out. That had led to the 2011 Licence between Motorola Mobility and Ericsson and to clause 2.4A which at a high level is plainly a limitation on the licence in clause 2.1. How much of a limitation is the key question.

<u>The language of clause 2.4A</u>

98. It should go without saying that clause 2.4A should be read as a whole. A key textual question is whether in its first sentence the clause is referring to actual products or more abstractly to categories or types of possible products. The former is much more consistent with Ericsson's approach and the latter with Motorola Mobility's.

99. Motorola Mobility argued that the first part of the first sentence down to the word "Products" at the start of the third line is clearly addressing conceptual, generic *types* of products, because it is referring back to the definitions clauses. Motorola Mobility invited me to notionally put a full stop there, conclude that product types and not actual products are under discussion, and to carry that forward into the rest of the clause.

100. That interim conclusion that I am invited by Motorola Mobility to make carries forward into a second key question, which is whether "as of the Effective Date" in the second part of the first sentence qualifies the FIELD or the products. Motorola Mobility argues for the former and Ericsson for the latter. If Ericsson were right, that would be supportive of the approach that actual products are for consideration, but if Motorola Mobility were right then the FIELD ought to be determined as of the Effective Date, albeit in a forward-looking way, and one is free (Motorola Mobility would say) to look at the product definitions as conceptual, without having to think about the situation, or concrete products, at any particular point in time.

101. I will say straight away that I do not agree with the Motorola Mobility approach of making a decision on whether actual products or product types are relevant to clause 2.4A upon reading just the first half of just one sentence of the clause and then making all the rest of the clause yield to it. It is inconsistent with the principle of reading the clause as a whole.

102. However, one can see why Motorola Mobility felt the need to take the approach, because later parts of the clause are, to my mind, very clearly addressed to actual products.

103. First, the long sentence starting with "For the avoidance of doubt …. " deals with what is to happen on an acquisition. Various scenarios are dealt with but the provisions all read as if they are addressed to actual products, perhaps especially ii) which deals with the situation where a product is both a natural evolution of an acquirer product and a CRUE of a Motorola Mobility product. This seems to me to deal (as Ericsson suggested) with the situation of convergent development of acquirer and Motorola Mobility products. For myself it seems like a rather unlikely scenario but the parties no doubt had their own reasons for dealing with it. In any event, the provision would make no sense if any mobile phone was *per se*, necessarily, a CRUE of a Motorola Mobility product. Point iii) also clearly relates to identifying the time of an acquisition and then asking if a product is actually developed thereafter.

104. Second, although this is rather a detailed textual point and I give less weight to it, the whole sentence would not be "For the avoidance of doubt …." if the first

sentence were to be looked at the way Motorola Mobility does. On Motorola Mobility's approach the first sentence confers a licence on all mobile phones without reference to any actual products, and whatever the meaning of the second sentence it would be cutting that down, not just avoiding doubt about it.

105. Third, the last sentence provides for the allocation of the burden of proof as to whether "disputed products" are Licensed Products (defined as set out above) and not excluded by the third sentence. It places the burden on Motorola Mobility or the acquirer. On Ericsson's position this makes sense since actual products and the changes to them would be in play and Motorola Mobility and the acquirer would be the parties with knowledge of them, so the sentence places the burden on the party best able to prove the matter in dispute. On Motorola Mobility's position the burden of proof would be more or less meaningless since any mobile phone would be a CRUE and, more generally, the whole clause would work at a conceptual level.

Surplusage

106. Each side accused the other of rendering part of clause 2.4A redundant: surplusage.

107. Ericsson said that Motorola Mobility's approach rendered CRUE redundant, because Motorola's arguments that the product definitions at the start of clause 2.4A are conceptual, and that the effective date qualifies the FIELD and not the products, would have the combined effect that any product in the field, especially any mobile phone, would always be licensed regardless of whether it was a CRUE; the question "CRUE or not?" would never matter.

108. Motorola Mobility's response was as follows:

i) The reader would think that clause 2.4A was intended to cut down the scope of the licences from clauses 2.1, 2.3 and 2.4 and it does so because the licence only extends to the FIELD and not to all Products of the three kinds indicated.

ii) FIELD is future-looking so as to cover things Motorola Mobility might do in the future.

iii) CRUE extends that by allowing the licence to cover areas of business which were reasonable extensions of the sorts of products covered by FIELD but which were not foreseeable at the time of the 2011 Licence. The example given was if smartwatches were not something it was foreseeable in 2011 that Motorola Mobility might go into, they were nonetheless reasonable "extensions" of smartphones.

109. I do not find this at all convincing and I reject it. It once again requires the products being discussed in the clause to be conceptual categories not actual products, a proposition I have rejected. It also effectively involves "reasonable update and extension" applying to the FIELD and not to the products, but that obviously does not fit with the language and (in common with the ALJ in the ITC) I do not think it works linguistically to talk about an update to a FIELD. I also think it is incongruous and inherently unlikely that a clause which is clearly intended to restrict the overall licence would extend it to something which the parties could not even dream of in 2011.

110. Motorola Mobility said that Ericsson's approach led to redundancy because if the clause was directed to actual products in existence and their CRUEs then stipulating that they also had to be in the FIELD did not in fact add anything; existing products and their CRUEs were bound, inherently, to be in the FIELD.

111. Ericsson's response to this was that the FIELD requirement would be seen to be potentially useful because the parties were concerned not just with physical products but with what those products were used for. Ericsson pointed to the various Motorola Business Segments identified in clause 1.36 of the 2010 Agreement as showing that the same Mobile Device could be e.g. within the Enterprise Mobility segment or the Private Mobile Radio segment depending on whether sold to a white-collar business or to the coastguard.

112. Motorola Mobility's retort, contained in its post-trial "Update", was essentially in two parts (though divided into more in its Update).

113. First, it said that as at the date of the spin-out at least (what it called the "present tense" aspect of the word FIELD) individual products had to be either "in" or "out" and it could not depend on their intended use. This argument appeared to me to assume its own conclusion. There is no reason why a patent licence cannot be use-limited or why businesses cannot be defined by what they do.

114. The second part of the retort (noted in bold in the Update and said by Motorola Mobility to be the key point it was making) was that clause 15.1D of the 2010 Agreement was inconsistent with Ericsson's approach. Clause 15.1D, in my view, is there to make sure that where some business segments were spun-out and others were not, the licences granted would be cleanly split between them without overlap, to prevent the same licence being multiplied. The clause prevents any manipulation (expressly so) by putting one version of a product in one business segment and another version of the same product in a different business segment.

115. I agree with Motorola Mobility that there is at least a potential tension between clause 15.1D and the apparently intended ability to separate by spin-out the

different segments identified in clause 1.36. This is the sort of thing that happens with a highly engineered agreement with many detailed precautions against many specific situations. But I do not agree that it really cuts across Ericsson's argument about why FIELD is potentially useful in clause 2.4A. The fact that the separation envisaged by clause 15.1D (assuming Motorola Mobility were right) is by product does not mean that it would not be useful to have a belt and braces approach in clause 2.4A, so that Motorola Mobility's licence was limited by product *and* by use.

116. I also agree with Ericsson that FIELD is a flexible term and that clause 2.4A is intended to be of general application to many possible spin-outs. The fact that in some or even many possible situations the FIELD limitation would not make a practical difference over and above the products limitation does not mean that it is redundant drafting, if it might sometimes make a difference in at least some situations, which I think it could, in the way Ericsson argues.

117. In passing I note that Motorola Mobility's Update asserted (at [6a]) that Ericsson had accepted that its arguments led to redundancy. This is incorrect or at least incomplete. Counsel for Ericsson said that there was a *potential* redundancy or mis-transposition arising from the different dates of the 2010 Agreement and the 2011 Licence and the date to which "reasonably expected to operate" was referable. But this was more of an observation than anything else and was not positively part of Ericsson's argument one way or another.

118. So I agree with Ericsson in relation to the arguments about surplusage. Even if, contrary to what I have said above, one can conclude that the extremely complicated points about business segments and clause 15.1D make Ericsson's approach less than perfect, it is still much better than Motorola Mobility's in giving weight to all parts of clause 2.4A.

The Agreement would have been written differently

119. Motorola Mobility included in its opening written submissions a markup of how it said that clause 2.4A would have been written if it meant what Ericsson said. It did this for multiple of Ericsson's proposed constructions.

120. This sort of approach is almost always unhelpful (see e.g. the section "Why not say it?" in *Lewison, The Interpretation of Contracts*, 8th Ed, although I should say that the parties did not specifically cite it to me) and any party in this sort of dispute can play the same game, especially by writing down what the effect of the other side's construction is in the factual situation which has in fact arisen and then saying that those were not the words used. I did not find the approach at all helpful in this case and even if it were something that might usefully be looked at I think it would cut against Motorola Mobility, since if the parties had intended

that any later mobile phone was licensed as a CRUE they certainly could and would have used a lot fewer words.

"Commercially reasonable"

121. I was rather uncertain at points what "commercially reasonable" adds to "update or extension" since it would not seem that Motorola Mobility would ever undertake an update or extension that was not commercially reasonable. I was also unclear at an earlier stage about whether either side was arguing that its interpretation gave meaning to "commercially reasonable" when the other side did not. In the end it seemed that both sides argued that "commercially reasonable" had the effect of stressing that the relevant perspective was that of the developing company (Motorola Mobility) not the consumer, and neither side really pressed any argument that these two words in isolation favoured its overall case. I agree that the relevant perspective is that of the developer; so far as it matters I conclude that commercial considerations must include technical issues that affect the commercial picture, as many no doubt would.

122. I think another possible explanation for the inclusion of the words might have been (objectively speaking) to ensure that some updates or extensions could not be done as a ruse without commercial justification, to manipulate the parties' rights. That would fit with the belt-and-braces approach of the 2011 Licence, but I should make it clear that this was not an argument made by either party and is not necessary to my conclusions.

123. The upshot is that "commercially reasonable" does not affect my overall analysis and I very much doubt if it will play a role in deciding which Motorola Mobility products are licensed since the dispute is not over whether there was commercial reason in making and selling them but over whether they moved beyond "update or extension".

Clause 1.34

124. Ericsson argued that clause 1.34 (defining Wireless Terminals as "complete and ready to use communication devices …") further indicated that actual products were in contemplation in clause 2.4A. I do not agree with this. Clause 1.34 is just there to exclude partial or incomplete assemblies. But my rejection of this point does not affect my overall conclusion that clause 2.4A is concerned with actual existing products, for all the other reasons given above.

<u>Interim conclusion on the meaning of clause 2.4A</u>

125. Taking the general context, the above points on products, FIELD and possible surplusage, my view of the language of clause 2.4A itself is that it limits the licence of clause 2.1 to those products which are properly described as CRUEs of actual existing Motorola products at the date of the 2011 Licence *and* which are

within the FIELD. The language does not have the effect that any mobile phone is automatically CRUE.

Commercial common sense and practicality

126. I return to what CRUE means in more detail below, but first I will address, under a number of headings, commercial common sense, practicality and the like, because the iterative process of contractual interpretation means that I should test my textual conclusions against those matters. But my view of the ordinary meaning of the words has to be a very powerful factor.

"Patent peace" and long duration

127. Motorola Mobility argued that the 2011 Licence ought to be read as being intended to provide "patent peace", consistently with the 2005 Agreement and the 2010 Agreement, and that its interpretation of clause 2.4A does that better than Ericsson's.

128. Motorola Mobility also argued that the 2011 Licence provided a licence which was expected to be of (very) long duration because the term of the licence could run until the expiry of the last of the licensed patents, which could be up to 21 years (1 year priority period plus 20 year term) after the Capture Date of 31 December 2015.

129. Motorola Mobility pointed out that on Ericsson's interpretation of clause 2.4A the licence would only be of practical use until Motorola Mobility moved beyond making products which conformed with Ericsson's view of CRUE of actual products in existence at the time of the agreement. Motorola Mobility submitted that this meant that the licence would cease to be of practical use almost immediately ("before the ink was dry").

130. I see these groups of points as related.

131. I agree that in a broad sense the 2005 and 2010 Agreements were intended to provide patent peace: they dealt with existing claims and disputes. But that does not mean that they were intended to prevent any patent claims between the parties from ever arising again. Quite apart from anything else, if and to the extent the parties were to continue to innovate and file patent applications, there would come a time fairly rapidly following the Capture Date at the end of 2015 when they would have patent rights that were not licensed to one another (albeit that it might not be practical actually to sue on those rights pending grant and other preparations).

132. Furthermore, it was obvious that the 2005 Agreement would cease to provide protection against patent litigation well before the end of 21 years from its

Capture Date (i.e. the end of 2029). That is because the 2005 Agreement, it is common ground, did not cover 4G. Once the licensed party found it commercially necessary to include 4G functionality in its products, they would be vulnerable to claims from the other party to which the 2005 Agreement would be no answer. At what point 4G functionality would be a commercial necessity (when products with only 2G and 3G would no longer be practically marketable) would not be known with precision but it would plainly be long before 2029, as Motorola Mobility accepted in the course of argument before me. Objectively speaking there would be nothing odd in the same general reasoning applying to the 2010 Agreement and 2011 Licence, and the reader of them would understand that they had inherited from the 2005 Agreement the general structure of a very long theoretical maximum licence duration coupled with a significantly shorter realistic utility.

133. For these reasons I do not think it is legitimate for Motorola Mobility to argue, as it does, that since the theoretical maximum term of the 2011 Licence is until 2036, clause 2.4A must be interpreted in such a way to ensure that the licence would be useful until then.

134. On a related point, Motorola Mobility argued that Ericsson's approach to what CRUE means would have the practical result that Motorola Mobility would be unlicensed even before the end of the Capture Period. I agree that Ericsson's most restrictive approach could possibly have that effect, but I do not accept that approach, for example because I do not accept that CRUE is necessarily limited to a single change so as to exclude successive product improvements (see further below). It is impossible to be precise but I do not see why on the approach to CRUE which I adopt in this judgment a successful Motorola product line in existence at the date of the 2011 Licence could not be updated for a fair few years, at least. I think that would be the objective view at the time of the 2011Licence.

Renegotiation and "short runway"

135. The points about patent peace and long duration lead naturally to consideration of how, objectively, the 2011 Licence would be viewed in terms of the possible or actual need for the parties to renegotiate. Ericsson submitted that on its case the 2011 Licence would at least provide a period (a "short runway") during which Motorola Mobility was protected from infringement claims by Ericsson and the parties could use the time to negotiate a further agreement. Motorola Mobility submitted that that would be uselessly short and would lead to unnecessary renegotiation which would be avoided on its case about clause 2.4A.

136. The force of these points depends to an extent on how long clause 2.4A would be of practical use for, which I have addressed above. But more generally, it would have been apparent, objectively speaking, first that there would be unlicensed

patent applications in existence soon after the Capture Date, second that many agreements in this field were only for a few years, third that the existence of FRAND commitments meant that the licensing party would be obliged to give a licence which would remove concerns about SEPs at least, and fourth that Ericsson and the Motorola business had been able to reach agreements before and probably would again.

137. Taking these points in the round I do not think that, objectively speaking, it would be seen as odd for the effect of clause 2.4A to be that renegotiation could be necessary within a relatively short time, perhaps a few years.

Commercial sense in general terms

138. I have addressed the legal approach to commercial sense above.

139. Motorola Mobility made a number of points about commercial common sense which include the patent peace and short runway points that I have already discussed, and a general appeal to whether a licence as limited as Ericsson contends for would be useful.

140. Fundamentally, I think Motorola Mobility's arguments in relation to commercial sense confuse the question of whether a particular construction of clause 2.4A/the 2011 Licence would make commercial sense with whether it would be more or less desirable to Motorola Mobility. Of course it would be more desirable for Motorola Mobility (viewed objectively at the time, or now) to have a complete licence all the way until 2036 for any possible product development other than what it called "some entirely new type of business", compared with only being able to update existing products for a shorter time. That does not *per se* mean that the latter lacks commercial sense so as to drive me to reject Ericsson's approach to clause 2.4A.

141. Motorola Mobility's fallacious approach can be seen, for example, in paragraph 65 of its opening skeleton:

> "65. First, Motorola's Primary Construction is consistent with Motorola Mobility continuing to operate its business as it would be expected to do: including developing and producing new smartphones to compete effectively in the marketplace and serve its own commercial interests without restrictions. The only thing that it cannot do is embark on some entirely new type of business and expect to practice Ericsson's patents in conjunction with that new business as of right."

142. This effectively says that anything which hindered it from "serv[ing] its own commercial interests without restrictions" would not be consistent with commercial sense.

143. At an equally fundamental level, I think Ericsson is right about what one might call the overall shape of the deal in the 2010 and 2011 Agreements. Under the 2005 Agreement assignment of the licences given was not possible at all, and this was not at all unusual in the industry. The 2010 and 2011 Agreements changed this, with rights of assignment which facilitated financially advantageous spin-outs. Because the spun-out company might be very different from MI it would make sense for Ericsson not to want to give it the same licence as MI had had. Accepting a more limited licence would be the price (or part of it) that MI/Motorola Mobility paid to be able to assign. I accept Mr Melin's evidence that assignability of patent licence rights was not common in this industry and that where a licence was agreed to be assignable it was typically in the context of a divestment or spin-out and usually associated with a narrower grant of rights in the first place. Mr Melin's evidence made good sense but it is not essential to my conclusions. None of this on its own compels the conclusion that Ericsson is right about the meaning of clause 2.4A, but it does mean that the natural meaning which I have identified is consistent with commercial sense.

144. Similarly, I reject Motorola Mobility's arguments that it did not make commercial sense, especially in a global royalty free licence, for it to obtain relatively quite narrow rights in a spin-out when Ericsson kept the full benefit of a licence to all Motorola Mobility's patents within the scope of the 2011 Licence. The arguments ignore the fact that the 2011 Licence clearly was asymmetrical.

145. Motorola Mobility also made the following points about commercial sense on its primary construction:

i) That it would allow Motorola Mobility to be at liberty to choose what components and features to incorporate into its products and from which supplier to get them. On the interpretation of clause 2.4A that I reach in this judgment it could still change suppliers and choose different components, but only in pursuit of updating or extending its existing product range.

ii) That this was (and is) a fast moving industry with modifications made multiple times per year, but with only two launch periods per year. Again, however, on the interpretation that I reach there was nothing in clause 2.4A to stop Motorola Mobility updating its existing product range. Within a few years it might want to move beyond mere updates and bring out new product families, in which case it would need a new licence from Ericsson, and would in all probability be able to get one.

Clear and workable

146. Motorola Mobility argued that its approach is clear and workable and would have been seen that way at the time of the 2010 and 2011 Agreements, but that Ericsson's is not and would require impractical effort to apply.

147. I agree that, of course, the boundary of a licence covering any mobile phone is much easier to determine and apply in practice than the boundary of a licence covering CRUEs of actual mobile phones in existence, but any party in a contract dispute which is contending for an extreme and sweeping construction could say the same sort of thing. It is perfectly possible to have a sufficiently clear contractual provision which calls for a judgment call and/or some fact finding when it comes to its application. The law will, for example, imply a term that something be done within a reasonable time.

148. In any event, I think Motorola Mobility's arguments about the difficulty of application of Ericsson's approach were overdone. It is true that in this case there are hundreds of products in issue, but that is just because the dispute concerns such a long period of time of operation of Motorola Mobility's business. It is also true that Ericsson has not provided any real guidance in its statements of case in these proceedings about which of Motorola Mobility's products are and are not CRUEs, but that is a somewhat cheap forensic point arising from Ericsson's unfortunate lack of productive engagement in aspects of this litigation in 2024/2025 and does not illuminate whether there is any real difficulty in the exercise or would have been seen to be in 2010/2011. I think there would certainly be some cases where it was obvious that something was an update or extension, such as just changing a camera module, and other cases where it was obvious that it was not. For example, a top of the range flip phone would not be an update or extension of a low-end "brick". In the middle there would be cases where an argument might be had.

149. Quite apart from anything else, the words the parties chose expressly included "reasonable" (the "R" in CRUE), so plainly some degree of judgment was anticipated in some cases, unless "commercially reasonable" was meaningless, which neither side argued for.

150. On a closely related point, Motorola Mobility argued that its interpretations would not require any exchange of technical information and said that was consistent with clause 11.1E (and it made essentially the same point about audit rights under clause 15.3). Again, this is just a consequence of a completely sweeping approach but anyway I do not see that it points to Ericsson's approach being impractical. It might well be that Ericsson could see from public information that a new product was moving beyond CRUE, and a factual inquiry could then take place.

151. Motorola Mobility also argued at one point, although this faded rather, that a crystal clear interpretation was commercially essential because a company making mobile phones could not risk e.g. launching products for Christmas unless there was certainty over whether or not they were licensed. I reject this. Implementers operate in this field without concluded licences all the time. Lenovo has not ever been licensed to Ericsson's SEPs, which is the reason for this whole global litigation.

Relevance of FRAND

152. Motorola Mobility argued that its primary construction was consistent, or at least more consistent, with the parties' FRAND obligations, which was coupled with an argument that the 2005 Agreement was the best comparable and a contention that Ericsson's approach to construction was discriminatory. This was unclear and unpleaded and I refused permission for it to be run. That does not mean the general availability of a FRAND licence to follow on from the 2011 Licence as and if necessary cannot be considered, and I do consider it. At that level of generality it was part of the overall context and neither side disputed that.

Clause 15.1B

153. Motorola Mobility pointed to clause 15.1B, which has the effect that not only the Spun Out Party's rights but those of the Assigning Party (the spinning out party, MI) would be more limited than if there were no assignment. Motorola Mobility submitted that the combined effect of Ericsson's construction of clause 2.4A and clause 15.1B was that MI's rights would be cut back and could be much more limited in relation to its retained business than the rights it would have had if there had been no spin-out.

154. Ericsson countered this argument essentially by agreeing that in that scenario MI's rights would indeed be reduced as Motorola Mobility argued they would, but that that was not a commercially unsensible result; Ericsson said that in the context of a spin-out there would be similar uncertainty about the retained business as about the spun-out one (for example the "rump" might only be a sliver of the whole MI business), and all the same arguments for reduced and narrow rights would apply, *mutatis mutandis*.

155. I agree with Ericsson. Motorola Mobility's point that the Assigning Party's rights would be reduced is correct but it does not mean that Ericsson's argument about clause 2.4A is fundamentally different or less strong. MI had to pay a price for the right to assign, the price was the restriction of the licence that would apply without assignment, and for both the assigning party and the spun-out party the licence was limited to that which they were currently (at the date of spin-out) doing and CRUEs.

Competition risk from a new business, further assignment or change of control

156. Ericsson made the point, which I have addressed above, that it would have been seen as rational for the licence granted to be strongly limited by clause 2.4A because of the risk to Ericsson in circumstances where it could not be known on what scale or in what way the spin-out company would operate.

157. Motorola Mobility met this by pointing to the termination provision in clause 8.3 and the cap in clause 15.3. On the latter point I was directed to some financial statements of Original Motorola from shortly before the relevant time, which were said to be illuminating of the financial shape of Motorola's various business segments and whether or not the cap would ever bite.

158. Both clause 8.3 and clause 15.3 would bite only in the event of a further change of control/acquisition and would not provide any protection in relation to whatever Motorola Mobility itself might do. Clause 8.3 if invoked would terminate all the licences in both directions so would be a very unattractive and sweeping step for Ericsson, so a more limited scope of the licence in the first place would still be sensible. I found the arguments from the financial statements (which both sides relied on, for different reasons) speculative and unconvincing and there was nothing in evidence to make me think that such thoughts were in the contemplation of both sides when the 2010 Agreement or 2011 Licence were under discussion.

159. So the clause 8.3 and clause 15.3 points are not deserving of any weight in favour of Motorola Mobility.

Conclusions on Motorola Mobility's first and second interpretations

160. For all these reasons, I reject Motorola Mobility's first and second constructions. The language used is against them; they are not supported by considerations of commercial common sense or practicality, and certainly not sufficiently to displace the language used.

Same or similar development process

161. Motorola Mobility's third line argument was that a CRUE "includes all cellular handsets …. which have undergone the same or similar development process as those cellular handsets which existing or were in development as at the Effective Date".

162. I reject this. It does not focus on the physical characteristics of actual products at all. It is also hopelessly vague, and the reference to "similar" development process would lead back, it seems to me, to more or less the same result as the phone-is-a-phone approach that I have rejected. To the extent that "design process" included a general philosophy or method in terms of broad steps, one would

expect that the same process could lead to totally different mobile phones as outputs. So it seems that this approach would treat almost anything as CRUE, for any duration into the future.

What does CRUE mean?

163. Having rejected Motorola Mobility's more sweeping interpretations of clause 2.4A I still need to determine certain aspects of what CRUE means (I have already decided that it requires looking at actual products in existence). I think there is a danger here of moving away from an exercise of interpretation of the 2011 Licence and into one of its application to the facts which exist now. I aim to take care as to which I am doing and when.

Origin product, single step change

164. Ericsson argued that CRUE involves identifying a single "origin product" and then asking if a single step change to it was an update or extension; that a mobile phone which was the end result of a series of changes from an origin product was not a CRUE thereof.

165. I do not accept either proposition.

166. As I have just said, I do agree that because clause 2.4A is about real products the question of whether a later product is a CRUE must be answered by reference to that which actually went before and was in existence at the time of the 2011 Licence. But I do not see why that must require looking at just a single predecessor product. It could be that, for example, an existing range had a 128GB memory version and a 512GB version; it might well be that a CRUE arose by putting out a 256GB version as something in the middle of the two that went before.

167. Nor do I agree that CRUE should be limited to updates done in only a single step change. In the course of argument Ericsson moderated this to say that the fact that product X was developed into product Y and then into product Z did not prevent Z being a CRUE of X, provided that it would have been possible to go straight from X to Z. This concession already implied a recognition that a hard and fast line was not possible, but anyway I disagree with the moderated position. It seems to me perfectly possible that a first change might be, say, a simple memory enlargement and a CRUE, and a later change might be just a bigger enlargement to a size of memory that was not available the first time. I do not see why one would not say that the result of the second change could not be a CRUE of the original product for that reason alone. Similarly (although this was not the focus of much argument) I cannot see why changing two things at once (a better camera lens and a slightly bigger battery) could not be a CRUE if that were all that was changed; it might be.

Ericsson's limitations

168. Ericsson contended that a product could not be CRUE if it (a) used a different platform (b) supported 5G, or (c) was part of a different franchise. As I have mentioned above, these formed the subject of Issue 3b for this trial.

169. In its written opening submissions, Ericsson said (at [86]) that these were examples of the consequences of Ericsson's case rather than strictly part of the interpretation put forward. I think this softening of its position was sensible and necessary, and I refer to what I have said above about the difference between interpretation and result/application. These limitations are not part of what CRUE *means*.

170. I will however comment on Ericsson's limitations since I think it will help the parties going forward.

171. "Platform": Ericsson pointed out that the experts agreed that a "platform is a modularised design with well-defined and documented functions and interfaces which can be reused in future designs".

172. "Franchise": Ericsson said that the experts agreed that products could be characterised into "franchises" which are distinct from each other, and which are characterised by (i) whether high-end, mid-range or low-end, (ii) by design, (iii) by brand name and/or by (iv) time of release.

173. Both platform and franchise are therefore complex and multi-faceted concepts. I suspect that (as with CRUE itself, on my view) those in the industry would struggle to define them in words but would have little trouble saying whether two concrete examples of mobile phones were or were not based on, or from, the same or different platforms or franchises.

174. I do not think it is appropriate to ask whether a product is or is not from a different platform or in a different franchise from what went before and then use that conclusion to make a yes/no decision as to whether or not the product is a CRUE. That is not what the 2010 and 2011 Agreements say, as is plain from the softening in Ericsson's position to which I have referred, and is impractical and unhelpful given the conceptual uncertainty about exactly what "platform" and "franchise" might mean at their fringes. But the factors which Ericsson points to in connection with platform and franchise will generally, in my view, be relevant to CRUE. In general, but without detracting from the approach that a direct assessment of CRUE should be made without the intervening binary step of deciding "platform" or "franchise", I expect that a phone which uses different modules, different modular functions, and different interfaces from whatever predecessor is relevant will not be a CRUE of it. Likewise, if it were from a different part of the price

range, and a different brand name (assuming that the brand name conveyed something concrete about the product) and was released multiple years later it would be unlikely to be a CRUE.

175. As I have said above the issue of whether 5G patents before the Capture Date were licensed by virtue of the definition of "Standards" in clause 1.27 is not for this trial. That issue turns in large part, as I understand it, on whether 5G falls within "subsequent releases [of 4G] … which do not fundamentally alter the character thereof (i.e. wireless air-interface, framing structure, control, call set-up and connection management)." At this trial, Ericsson relied on similar considerations to argue that 5G must be outside CRUE; it also said that merely the fact that a 4G phone cannot "see" 5G has that result. Motorola Mobility argued, on the other hand, that adding 5G functionality to an existing phone would (or might) just involve getting a different baseband chip from a component supplier.

176. I do not think that at the moment I am in a position to say that being compatible with 5G would definitely take a product outside CRUE, and certainly not without getting into aspects of whether 5G is covered by clause 1.27 to an extent which would be problematic given that that is for a later trial. I think I can fairly and usefully say that that if, contrary to what Motorola Mobility indicated was its position, examination of the facts shows that adding 5G functionality has also involved changing the power requirements, battery, antenna, architecture and so on, then the product in question is very unlikely to be CRUE.

177. Since it was the topic of discussion before me, I will also say that I cannot see how the 2019 RAZR would realistically be said to be a CRUE of the 2004 RAZR merely because the former gives a design nod to the latter as a much earlier phone of the general "flip" kind. That appears to be the only similarity and although I did not hear any detailed evidence it is plain that the internal design, architecture and even input method (the latter has physical keys) are all different. To say that the 2019 RAZR was a CRUE would effectively be to say that any flip phone was a CRUE; that any monolithic "slate" type phone was a CRUE of the earliest "slate" from MI and so on. It would effectively be the same as the phone-is-a-phone argument that I have rejected.

The significance of whether 5G patents are licensed

178. My conclusion as to the correct interpretation of clause 2.4A does not depend one way or another on whether 5G patents are licensed under the 2011 Licence. At the date of the 2011 Licence it was unclear how 5G, whose introduction was some way off, would compare with 4G. I have rejected Ericsson's contention that 5G mobile phones would *per se* not be CRUEs because it depends on that comparison. Whether or not 5G patents prior to the Capture Date are covered by

the 2011 Licence therefore still remains to be determined at trial and evidence will be required to decide whether Motorola's 5G products are CRUEs. But I do not need the answer to decide the issues at this PIT.

Conclusions on the pleaded constructions

179. In the light of the above analysis my conclusion is that the correct interpretation of the 2011 Licence is the Origin Product Construction but subject to the provisos that a CRUE may be an update or extension of more than one Origin Product and the update or extension need not necessarily take place in a single step. This conclusion follows because, in high level summary:

i) Motorola Mobility's Field Construction does not fit with the wording of clause 2.4A interpreted in context, is not supported by commercial common sense and tends very strongly to render "CRUE" redundant in favour of the scope of the clause depending entirely on "FIELD".

ii) Motorola Mobility's Phone is a Phone Construction suffers from the same problems in substance and the contention that any phone is a CRUE of any other phone has no linguistic support.

iii) Motorola's Mobility's Development Process Construction bears no relation to the words used and the way in which the development process is pleaded is so general that it is really just the previous constructions with a cosmetic addition to achieve some superficial alignment with "update" or "extension".

iv) The Origin Product Construction fits with the words used because it relates to actual products and gives real meaning to both FIELD and CRUE. It fits with the overall commercial context and practical considerations.

v) The three limitations put forward by Ericsson for CRUE have no linguistic support. The three factors invoked may be (highly) relevant to CRUE but they are not requirements of it as such.

180. I have also determined that CRUE is to be assessed from the perspective of the company producing the products (rather than e.g. a consumer), taking account of commercial factors including technical considerations. But I have not sought to gloss what "update" or "extension" as individual words mean.

181. I was also addressed in rather hypothetical terms about how clause 2.4A should be applied to Motorola Mobility products which at the date of the 2011 Licence were "real" in the sense of being completed designs, or possibly stock that had been manufactured, but which had not entered the supply chain. I decline to

decide this in the abstract. I do not know if it really arises and if it does it is better considered and decided in the context of some concrete facts.

The implied term issue

Legal principles

182. There was no dispute between the parties as to the applicable principles regarding implied terms. The leading case is the Supreme Court's decision in *Marks & Spencer Plc v BNP Paribas Securities Services Trust Co (Jersey) Ltd* [2015] UKSC 72 ("*Marks & Spencer*"). The Supreme Court summarised the relevant principles at [14] – [32]. Since the *Marks & Spencer* decision, the Court of Appeal has provided a more recent summary of the principles in *Yoo Design Services Ltd v Iliv Realty PTE Ltd* [2021] EWCA Civ 560 per Carr LJ (as she was then) and which both sides agreed is accurate:

> "51. In summary, the relevant principles can be drawn together as follows:
>
> i) A term will not be implied unless, on an objective assessment of the terms of the contract, it is necessary to give business efficacy to the contract and/or on the basis of the obviousness test;
>
> ii) The business efficacy and the obviousness tests are alternative tests. However, it will be a rare (or unusual) case where one, but not the other, is satisfied;
>
> iii) The business efficacy and the obviousness tests are alternative tests. However, it will be a rare (or unusual) case where one, but not the other, is satisfied;
>
> iii) The business efficacy test will only be satisfied if, without the term, the contract would lack commercial or practical coherence. Its application involves a value judgment;
>
> iv) The obviousness test will only be met when the implied term is so obvious that it goes without saying. It needs to be obvious not only that a term is to be implied, but precisely what that term (which must be capable of clear expression) is. It is vital to formulate the question to be posed by the officious bystander with the utmost care;
>
> v) A term will not be implied if it is inconsistent with an express term of the contract;

> vi) The implication of a term is not critically dependent on proof of an actual intention of the parties. If one is approaching the question by reference to what the parties would have agreed, one is not strictly concerned with the hypothetical answer of the actual parties, but with that of notional reasonable people in the position of the parties at the time;
>
> vii) The question is to be assessed at the time that the contract was made: it is wrong to approach the question with the benefit of hindsight in the light of the particular issue that has in fact arisen. Nor is it enough to show that, had the parties foreseen the eventuality which in fact occurred, they would have wished to make provision for it, unless it can also be shown either that there was only one contractual solution or that one of several possible solutions would without doubt have been preferred;
>
> viii) The equity of a suggested implied term is an essential but not sufficient pre-condition for inclusion. A term should not be implied into a detailed commercial contract merely because it appears fair or merely because the court considers the parties would have agreed it if it had been suggested to them. The test is one of necessity, not reasonableness. That is a stringent test."

183. Beyond outlining the relevant principles to conclude there is an implied term, Motorola Mobility relies on four examples where it says a negative obligation is inherent in a positive obligation.

184. First, and relied on particularly in Ms Menashy's oral submissions, Motorola Mobility analogises these circumstances to the context where an arbitration clause or exclusive jurisdiction clause carries with it an obligation not to sue otherwise than in arbitration, or the chosen forum: *AES Ust-Kamenogorsk Hydropower Plant LLP v UST-Kamenogorsk Hydropower Plan JSC* [2013] UKSC 35 per Lord Mance at [21] – [23].

185. Second, in *Trego v Hunt* [1896] AC 7, the House of Lords held that there was an implied term in contracts of sale of goodwill of a business that the seller was not entitled to solicit the business' former customers, it being "not an honest thing to pocket the price and then to recapture the subject of the same" (at 25 per Lord Macnaghten).

186. Third, in the context of a lease, it is settled law that upon any letting or agreement to let, an undertaking by the landlord for quiet enjoyment is to be implied from the mere relation of landlord and tenant (*Woodfall: Landlord and Tenant* 2024)) at [11.267]).

187. Fourth, Motorola Mobility relied on *Chitty on Contracts* (35th ed) at [17-028] for the proposition that where a party enters into an arrangement which can only take effect by continuance of a state of affairs, or where a binding contract is subject to a condition precedent, a term may be implied that a party will not do anything which would end that state of affairs or prevent fulfilment of the condition.

The implied term asserted and the remedy sought

188. The implied term pleaded by Motorola Mobility is that identified in issue 3 of the Order of Zacaroli J, quoted above.

189. Motorola Mobility seeks a declaration that the ITC and other US proceedings were a breach of the implied term and damages for the costs incurred by its defence of them.

Is there an implied term in the 2011 Licence?

190. I can dispose of this very shortly. A licence of a patent means that within the scope of the licence the licensee's acts are not an infringement and an infringement claim can be met by a successful defence of licence. There is no *necessity* for anything more. The increasingly tenuous analogies to other situations relied on by Motorola Mobility do not change this.

191. The least distant analogy relied on by Motorola Mobility is the exclusive arbitration clause. I think this was said to imply that Ericsson could sue for patent infringement abroad, but only once it had established in England that there was no defence of licence under the 2011 Licence. Another possibility might have been that there could be an implied term that an action for infringement abroad could be met by a stay in favour of English proceedings to decide the application of the 2011 Licence. A further possibility (as Miss Davies identified) might be an indemnity for Motorola Mobility's costs and/or other loss if Ericsson brought proceedings which were in due course defeated by a claim of licence. Another possibility would be just to leave Motorola Mobility to its costs remedies according to whatever the rules of the foreign jurisdictions permit. These many possibilities make it clear that an implied term was not obviously needed, and that it is not clear what it should be if there was one.

Conclusions and further steps

192. Subject to the minor adjustments/clarifications indicated above (that a CRUE could be a development from more than one prior product and need not be made in a single change), the correct interpretation of clause 2.4A is the Origin Product Construction.

193. Motorola Mobility's argument for an implied term fails.

194. I will hear Counsel as to the form of Order if it cannot be agreed. I direct that time for seeking permission to appeal shall not run until after the hearing on the form of Order (or the making of such Order if it is agreed). I draw attention to paragraph 19.1 of the Patents Court Guide, which says that a hearing on the form of Order should take place within 28 days of hand down. In the present case that is 15 April 2025 and the hearing on the form of Order will also cover further steps in the action with a timetable to trial given my findings in this judgment. That will include a route to identifying a way to deal with all the products in issue by taking sensible sample products. I expect the parties to cooperate constructively in relation to that.

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