

EIP

Kigen v Thales: Can an implementer bring a stand-alone claim for FRAND determination?

Background

Kigen (UK) Limited is a company which produces software relating to eSIM and iSIMs technology. Thales Dis France SA (also known as Gemalto SA) is a manufacturer of electronic systems and equipment for various sectors. As part of its business, it owns several patents alleged to be standard essential patents ("SEPs").

Thales contacted Kigen in early 2021 in relation to its GSM ("2G") SEPs, after which followed a year of negotiations, including an exchange of offers. Thales had made an open offer of a licence to the end of 2025 for €4 million as well as making an offer for mediation at the WIPO.

On 24 May 2022 Kigen issued a claim against Thales regarding two UK patents, requesting declarations that these patents were invalid and/or not essential to GSM. Additionally (and not in the alternative) Kigen claimed for a declaration that they are entitled to a licence on FRAND terms to Thales's essential IPR, including the patents in suit and determination of the FRAND terms.

This contrasts to the usual position of the patent holder bringing proceedings for infringement and either also seeks determination of FRAND terms or the defendant raising the issue of FRAND as a defence to a claim for an injunction. It also contrasts with *Vestel v Philips* [2021] EWHC Civ 440 for a number of reasons, for example although the claimant in that case was an implementor seeking a declaration of the terms of a FRAND licence, in that case there was no claim for a declaration or not infringement (or

proceedings for invalidity).

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Application and pre-trial developments

In response to Kigen's claim, Thales made an application for a "determination that the court has either no jurisdiction, should not exercise its jurisdiction, or should grant a stay". This was on several grounds:

1. There is no issue before the court that requires a FRAND determination, as Kigen's claim is one of invalidity
2. Further, there is no allegation of infringement should a patent be found to be valid.
3. The Court does not have "jurisdiction to grant declaratory relief", as there is no jurisdiction asserted to SEPs other than those in suit.
4. Thales' offer to mediate the dispute through WIPO prevents the Court from being forum conveniens.

and then by way of amendment:

5. The Court should be stayed until Kigen gives "an unqualified commitment and undertaking to enter into any licence determined by this court to be FRAND".

Following this amendment, Kigen clarified that, in contrast to their pleadings, they were in fact only prepared to take a FRAND licence to "any patent found to be valid and essential by the English courts". However, they also made it clear that they would not at this stage be willing to undertake to accept whatever licence the English court determines even in relation to patents that are held to be valid and essential. Kigen proposed that it was only required to elect whether to give an undertaking or submit to an injunction once infringement had been established.

Thales was concerned that the costs of the litigation could be incurred, particularly given the relatively low value of the licence, with Kigen having no obligation to take a licence. Thales submitted that Kigen was committing an abuse of process by forcing the parties to litigate the two patents without undertaking to enter into a court-determined FRAND licence.

Outcome

The judge first dealt with the Thales' first three grounds together, stating that he was "unable to accept" that the court had no issue before it that would provide it with jurisdiction to determine FRAND terms, as Kigen's pleading claims a free-standing contractual basis to a licence on FRAND terms. Although Thales argued that this would not be the case if Kigen was found to be an unwilling licensee, the judge nevertheless felt

that, at face value, the “pleaded case raises a proper basis to bring the disagreement on terms of a FRAND licence before the court”.

The judge went on to state “[i]t is not only following a determination of infringement and an undertaking by the implementer to take a licence that a dispute about terms can be brought before the court”.

Thales’ fourth ground was not pursued at the hearing, but the Judge commented that a “WIPO mediation ... is not an alternative forum for these purposes; nor was any other available forum put forward by Thales”.

The judge approached Thales’ fifth ground by asking two questions:

- a. “whether there is any abuse of the jurisdiction by Kigen proceeding with a FRAND claim without giving an undertaking to licence”; and
- b. “whether if there is no abuse, the court ought nevertheless to stay the FRAND claim until an undertaking is given”.

The judge contrasted the case to the findings of *Optis v Apple Trial F*, [2022] EWCA Civ 1411. In *Optis* the Court of Appeal held that, following a finding of infringement, the implementer is “not permitted to decline to give an undertaking and resist an injunction pending determination of the FRAND terms”, whereas the judge stated that in the present case, Kigen did not have to elect as there had been no finding of infringement. However, he noted that in both cases the implementer should be able to have a reasonably good idea of what FRAND terms would be and that Kigen’s argument that “it should not be required to decide whether it wants a licence until it knows what the terms are” is therefore not persuasive, especially given that it was Kigen that raised the issue of a FRAND licence to all of Thales’ SEPs.

The unpleaded case

The judge felt that the key issue was “the difference between the position of Kigen’s pleaded case and the position it has taken in correspondence and in argument” and he went on to consider Kigen’s argument that it should not be required to give an undertaking “until it knows which patents are valid and essential”, which he said “is the case that Kigen is now asserting but not the case that is pleaded”.

The judge accepted Thales’ submission that “Kigen’s position is now equivalent to that of an unwilling licensee defendant, rather than a claimant who asks for a licence of all essential IPR”. The judge has therefore stayed the proceedings until either 1) Kigen amends its pleadings to make its position clear; or 2) Kigen gives an undertaking that it will enter into a licence for all Thales’ relevant Essential IPR.

The judge also noted that for the case to proceed without Kigen performing one of the tasks commented, its claim for a FRAND declaration “would be abusive”, in particular given that “the cost of the proceedings may exceed the value of the licence” noting that “uncertainty costs money.”

Comment

At first blush, the judge’s decision on the first three grounds appears difficult to reconcile with the decision of the Supreme Court in *Unwired Planet* [2020] UKSC 31 that the court had jurisdiction as the defendant implementer’s reliance on the claimant’s FRAND undertaking was as a defence to a claim for an injunction for patent infringement. However, that does not mean that that is the only basis on which a party may seek a declaration of the terms of a FRAND licence. Whilst the Supreme Court agreed with the courts below that the substance of the dispute in that case was “both in form and substance about the vindication of the rights inherent in English patents, and therefore about their validity and infringement, with FRAND issues arising only as an aspect of an alleged contractual defence”^[1], the court indicated that it would have dismissed the challenge to jurisdiction even if the substance of the dispute had been about the terms of a global FRAND licence: see paragraph 92-98 of the Supreme Court decision.

In addition, Lord Justice Birss commented in *Vestel v Philip* [2021] EWCA Civ 440, that in *Unwired Planet* the SC held that “the UK court had jurisdiction to grant the FRAND declaration in the two cases which came before it ... because the undertaking to offer licences on FRAND terms, which had been given by the patentee to ... (ETSI), was enforceable in law by an implementer,” and, at paragraph 71, “I am prepared to accept that if Vestel did claim to have a legally enforceable right against a patentee or a licensing agent of a patentee, whereby Vestel were entitled to be offered a FRAND licence under the UK SEPs in the HEVC Advance pool, then the subject matter of that particular claim would be the UK SEPs. The question that claim would be concerned with is the licence terms which are available to license those UK rights. The fact that the only licence of the UK patents which is FRAND would also involve licensing foreign patents does not alter the subject matter of the claim. The fact that UK patents in the FRAND licence were only 5% or less of the patents licensed by it would make no difference....”

Unwired Planet and *Vestel* kept open the possibility of an implementer bringing a claim for a declaration of entitlement to a FRAND licence and determination of FRAND terms without accompanying claims for non-infringement or revocation. This action may be the first opportunity to see how that plays out in practice. It should be borne in mind though that all three cases were brought in respect of different standards bodies, with the current case brought in respect of the GSM Association whose IPR policy is governed by

English law.

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[1]Unwired Planet [2020] UKSC 31 paragraph 95