

bogging down of the High Court's effectiveness as a consequence has been avoided.

To some extent, Virgin were fortunate that, having said they would withdraw the designation of the UK for the '908 patent but paying the designation fee, they got away with 'double patenting' (ie, having a national patent and EP (UK)). Yet it was not infringed, and the defendants know clearly how to avoid infringement. Virgin may have got lucky, but it did not do them any good.

Janet Strath and Paul Harris

Pillsbury Law

Email: janet.strath@pillsburylaw.com

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■ *HTC v Nokia*: In the United Kingdom will an injunction be granted following a finding of patent infringement?

HTC Corporation v Nokia Corporation [2013] EWHC 3778 (Pat), Patents Court, England and Wales, 3 December 2013

In this action Mr Justice Arnold granted a final injunction restraining HTC from continuing to sell products which he had previously determined infringed Nokia's patent. In doing so, he clarified the test to be applied when considering whether to grant a final injunction in patent cases.

Legal context

In May 2013 the author co-authored a paper (R Lundie-Smith and G Moss '*Bard v Gore*: to injunct, or not to injunct, what is the question? Is it right to reward an infringer for successfully exploiting a patent?' (2013) 8(5) *JIPLP* 359) analysing the differences in approaches of the courts in the United States and the United Kingdom as to the grant of final injunctions in patent infringement cases. In particular, we drew attention to the fact that, following the decision of the US Supreme Court in *eBay Inc v MercExchange, LLC*, 547 US 388 (2006), the US courts had adopted a 'balance of harm' approach, whereas in the UK the approach still appeared to be that the claimant was entitled to an injunction unless the harm inflicted on the defendant by the grant of the injunction would be 'grossly disproportionate' to the continuing damage likely to be suffered by the patentee.

Further opportunity to assess the approach of the UK courts to this issue arose in *HTC v Nokia*. This followed the decision by Arnold J in October 2013 that HTC had infringed Nokia's European Patent (UK) No. 0,998,024 (the '024 patent) and that the patent was valid. The question which arose in the subsequent hearing was as to the conse-

quences which flowed from this decision and, in particular, whether Nokia could secure an injunction?

Facts

An important aspect of the '024 patent was that it had not been declared essential to any telecoms standard. This meant that there had not been the usual fair, reasonable, and non-discriminatory (FRAND) undertaking in respect of this patent, and HTC could not avail itself of the defence that Nokia would have been obliged to grant it a licence under the patent had HTC been a willing licensee.

HTC nevertheless argued that, even though it had been found to be infringing Nokia's valid patent, Nokia's remedy should lie in damages alone. HTC relied *inter alia* on the following factors which, it said were present:

- (i) the patented element formed only a small part of the overall commercial device;
- (ii) the royalties were likely to be small;
- (iii) Nokia was 'only interested in money' since it had licensed its patents to others and was on the verge of selling its handset business to Microsoft;
- (iv) Nokia had already granted licences to Apple and RIM and, according to HTC, Google, Samsung and LG were also infringing, but Nokia had not taken action to restrain their activities; and
- (v) the grant of an injunction would have a disproportionately adverse impact on HTC given that the injunction would apply to its best-selling HTC One telephone.

All of which cut very little ice with the Arnold J. One matter which exercised him in particular was that it appeared that alternative, non-infringing solutions were available to HTC, but that HTC had not taken contingency steps to ensure that such alternatives could be implemented immediately, notwithstanding the fact that it had known since 2011 that Nokia was of the view that HTC's chips infringed a number of Nokia's non-standard essential patents.

Analysis

The UK law on whether an injunction will be granted following a successful finding of infringement derives from the decision in *Shelfer v City of London Electric Lighting Co* (1895) 1 Ch 287. In that case, A L Smith LJ stated that 'it was a good working rule' that damages could be given in substitution for an injunction:

1. if the injury to the plaintiff's legal rights is small,
2. it is one which is capable of being estimated in money,
3. it is one which can be adequately compensated by a small money payment, and

4. the case is one in which it would be oppressive to the defendant to grant an injunction.

Absent such factors, the claimant was entitled to the injunction.

In *Navitaire Inc v EasyJet Airline Co Ltd (No 2)* [2004] EWHC 2271 (Ch) Pumfrey J said that he understood the use of the word 'oppressive' in A L Smith LJ's formulation to mean that the grant of the injunction had to be 'grossly disproportionate' to the right protected. Pumfrey J's interpretation was cited with approval by Jacob LJ in *Virgin Atlantic Airways Ltd v Premium Aircraft Interiors UK Ltd* [2011] EWCA Civ 163.

However, commentators have queried how this sits with Article 3(2) of Directive 2004/48 on the enforcement of intellectual property rights which provides that remedies shall be:

... effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

The question raised was, how does one square the circle between something which is not 'grossly disproportionate' and something which is 'proportionate'? Theoretically, each should be the mirror image of the other, but in that case what does the word 'grossly' add?

Arnold J stated that in his view the time had come to recognize that, in cases concerning infringement of intellectual property rights, the criteria to be applied when deciding whether or not to grant an injunction are those laid down by Article 3(2) of the Enforcement Directive. However, he also pointed out that the provisions of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) dealing with compulsory licences were of relevance in this context, since the effect of refusing an injunction following a finding of infringement was de facto the grant of a compulsory licence to the infringer. Article 30 of TRIPS provides that although Member States can provide limited exceptions to the exclusive rights conferred by a patent, such exceptions should not unreasonably conflict with the normal exploitation of the patent or unreasonably prejudice the legitimate rights of the patent owner.

Arnold J concluded thus:

I consider that Article 3(2) of the Enforcement Directive permits and requires the court to refuse to grant an injunction where it would be disproportionate to grant one even having regard to the requirements of efficacy and dissuasiveness. Where the right sought to be enforced by the injunction is a patent, however, the court must be very cautious before making an order which is tantamount to a compulsory licence in circumstances where no compulsory licence would be available. It follows that, where no other counter-vailing right is in play, the burden on the party seeking to

show that the injunction would be disproportionate is a heavy one.

Arnold J ended by commenting that he suspected that the practical effect of his conclusion was little different from the 'grossly disproportionate' test of Pumfrey J.

Applying these conclusions to the case before him, he decided that an injunction should be granted. Nevertheless, there was some relief for HTC in that, although he granted the injunction, he also stayed its implementation in respect of HTC's main product, the One, pending its appeal against his substantive findings on validity and infringement.

Practical significance

This case highlights that in the UK it is still the 'norm' that, following a finding of patent infringement, the presumption is in favour of the grant of an injunction. This is primarily due to the very nature of the right granted, ie a right to exclude all others from working the invention, and the fact that the injunction is the primary way of enforcing that right. That is not to say that injunctions follow automatically; each case will turn on its own facts. But, as Arnold J said, the burden on the party seeking to show that the grant of the injunction would be disproportionate is a heavy one.

Contrast this with the position in the USA where, following *eBay*, the question of whether or not a final injunction will be granted now appears to turn on the balance of equities. Moreover, as highlighted in our earlier paper, the US courts have not shied away from granting what is tantamount to compulsory licences and awarding ongoing royalties.

In the discussions regarding the Rules of Procedure for the Unified Patents Court, some commentators have suggested that when dealing with the power to grant injunctions there should be included so called 'eBay' provisions. By that is meant rules specifically providing that the court can only grant an injunction if the case satisfies the proportionality test. However, as this case graphically demonstrates, the European law on 'proportionality' in this area is significantly different from the test laid down by the US Supreme Court in *eBay*. To conflate the two approaches risks weakening the current protections enjoyed by patent owners in Europe and would be tantamount to enacting a change in the substantive law via the back door.

Gary Moss

EIP Legal

Email: gmoss@eip.com

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