

Judgment

District Court The Hague

Civil matter

Case/Docket number: 287058/HAZA 07-1470

Judgment of November 14, 2007

In the case of

1. the limited liability company **NOKIA NEDERLAND B.V.** established in Leiden and having its place of business in Rijswijk,
2. the company under to foreign law **NOKIA CORPORATION**, established in Espoo, Finland,
plaintiffs
attorney-at-law: Mr. W.E. Pors,

against

the company pursuant to foreign law
QUALCOMM INCORPORATED,
established in San Diego, California, United States of America
defendant,
local counsel: Mr. H.J.A. Knijff,
attorneys-at-law: Mr. B.J. van den Broek and Mr. W.A. Hoyng in Amsterdam

The parties will hereafter be referred to as (plaintiffs collectively) Nokia and Qualcomm

1. **The proceedings**

- 1.1. The course of the proceedings appears from:
 - the decree of the president of this Court dated March 16, 2007 to apply the accelerated proceedings regime in patent cases
 - the writ of summons of March 19, 2007
 - the motion to submit exhibits of Nokia dated May 9, 2007 with two exhibits
 - the motion pursuant to articles 843a and 22 of the code of civil proceedings of Nokia dated May 9, 2007
 - the reply to the motion pursuant to articles 843a and 22 code of civil procedure of Qualcomm dated June 27, 2007 with one exhibit
 - motion to contest the jurisdiction also motion of reply and conditional request to grant provisional relief, as well as motion to submit exhibits of Qualcomm dated June 27, 2007 with four exhibits
 - the motion of reply with respect to the jurisdiction and conditional request for provisional relief of Nokia dated August 8, 2007
 - the letter of Nokia's counsel of August 31, 2007 with four exhibits

- the motion to submit an exhibit of Qualcomm of September 14, 2007 with one exhibit
 - the e-mail of the President of the Court to Mr. Van den Broek and Mr. Hoyng (with copy to Mr. Pors) of September 7, 2007 in which it is ordered to submit the confidential TI Patent portfolio agreement into the proceedings under certain specific conditions set out in the e-mail
 - e-mail of Mr. Van den Broek of September 10, 2007 to the Court with the confidential TI Patent portfolio agreement as exhibit
 - the pleading notes of the parties and the exhibits for the pleadings of September 14, 2007
- 1.2. During the pleadings Nokia has amended its claim as indicated hereafter. Qualcomm has objected against this amendment, which objection was rejected during the hearing.
- 1.3. Part of the pleadings were held behind closed doors in connection with the confidentiality of provisions in the TI Patent portfolio agreement as asserted by Qualcomm. Because this verdict does not contain any passages which are considered confidential by Qualcomm, this verdict can be rendered in public in full.
- 1.4. Finally it is determined that today judgment will be rendered.

2. The facts

- 2.1. Nokia is world market leader in the field of mobile telephones. It sells and markets mobile telephones which are intended for application of the technology known as Wideband Code Division Multiple Access (WCDMA), also the Universal Mobile Telecommunications System, referred to as UMTS. WCDMA is the third generation ('3G') mobile communication technology and is considered as the successor of the second generation ('2G') GSM-technology.
- 2.2. Qualcomm develops and implements mobile digital communication technologies. It is the owner of many patents with respect to the WCDMA-technology. Its core activities consist of the licensing of mobile telephone technologies, the production, the sale and the licensing of rights with respect to chips and chipsets and the licensing of software.
- 2.3. On December 2, 2000 Qualcomm concluded an agreement with Texas Instruments Inc., entitled "*Patent portfolio agreement*". From this agreement it appears that these parties have confirmed not to act against each others' production and sale of chips and chipsets based on their patent rights.
- 2.4. On July 2, 2001 Qualcomm and Nokia concluded a Subscriber Unit License Agreement ('the SULA'). In the SULA a license is granted to Nokia with respect to Qualcomm's patents in the field of 3G mobile telecommunication. The term of the SULA expired on April 9, 2007. In the SULA it is stated that Nokia has the right with respect to certain groups of Qualcomm's patents to continue the license after April 9, 2007 against payment of the agreed

royalty.

- 2.5. Nokia has continued using the rights under the SULA following April 9, 2007, however without paying compensation to Qualcomm.
- 2.6. Qualcomm has filed proceedings against Nokia Corporation, amongst others, at the Landgericht Düsseldorf and the Tribunale di Milano on August 9, 2006 and October 16, 2006 for infringement of EP 0 629 342 and EP 0 695 482, which patents relate to the 2G-technology. Nokia Nederland is not a party in either of these proceedings.
- 2.7. Nokia Corporation has in turn filed proceedings on March 16, 2007 against Qualcomm at the Landgericht Mannheim. These proceedings involve a declaration of law regarding exhaustion and is limited to Germany.

3. The dispute

In the main case

- 3.1. Initially Nokia claimed, provided that this would not have consequences for the SULA or the obligations under the SULA:
 - a. a declaration that all of Qualcomm's patent rights relevant for the chips and chipsets and their exploitation have been exhausted in The Netherlands in accordance with article 53 paragraph 5 of the Dutch Patent Act 1995 in the circumstances as described in this writ and where Qualcomm has received a reward from Texas Instruments in respect of the patent licensed to Texas Instruments and has not agreed with Texas Instruments to instead seek such reward from Texas Instruments' customers;
 - b. a declaration that, as all of Qualcomm's patent rights relevant for the chips and chipsets and their exploitation have been exhausted in The Netherlands in accordance with article 53 paragraph 5 of the Dutch Patent Act 1995, such patents have also been exhausted in the other member states of the European Union and in the whole European Economic Area, or at least that any further distribution of these chips and chipsets and of the handsets containing these chips and chipsets to other member states or to other parts of the European Economic Area, either directly or after intermediately passing other countries, cannot be stopped by Qualcomm, and the further exploitation of such phones cannot be stopped by Qualcomm on the basis of the chipset patents as meant in these proceedings;
 - c. an order that Qualcomm pay the costs of these proceedings, including the actual costs of its attorneys and patent agents on the basis of the interpretation of Dutch law (article 237 Dutch Code of Civil procedure) in conformity with the Enforcement Directive (section 14 of Directive 2004/48/EC of April 28, 2004 on the enforcement of intellectual property rights) and article 1019h of the Dutch Code of Civil procedure.

with enforceability of the verdict notwithstanding appeal.

- 3.2. After amendment of the claim referred to under paragraph 3.1 under a. Nokia requests – as understood by the District Court:

a declaration that all patent rights of Qualcomm in relation to the chips, chipsets and mobile telephones and the further distribution thereof are exhausted for The Netherlands pursuant to article 53 paragraph 5 Patent Act in case the following conditions are met:

- a. the mobile telephones contain a Texas Instruments chip;
- b. Qualcomm patents are involved which are realized by way of this chip, irrespective of whether it concerns device claims (chipset or mobile telephone claims), or method claims or system claims (which relate to the functionality of the mobile telephone), irrespective of whether a method claim is realized by the mobile telephone itself, under the condition that the method claim is in fact realized in the mobile telephone by the chip and irrespective of whether the method claims is realized by the end user, under the condition that the technical part which realizes the claim by the end user is fully contained in the chip;
- c. a Qualcomm patent is involved which is a European patent validated for The Netherlands or a Dutch national patent;
- d. the chip is brought into circulation in the European Economic Area by Texas Instruments;
- e. the chip is built into the mobile telephone in the facilities of Nokia in Finland, Germany or Hungary,

while maintaining all that was previously claimed.

- 3.3. In case the court would assume that its claim cannot be granted per se, Nokia requests the court to ask preliminary questions to the European Court of Justice in Luxemburg.
- 3.4. Nokia bases its claims on the allegation that Qualcomm's chipset patents are exhausted, because the chips or chipsets which Nokia has bought from Texas Instruments were put on the European market by Texas Instruments with the consent of Qualcomm, so that Nokia's exploitation of mobile telephones with Texas Instruments chips and chipsets does not infringe Qualcomm's chipset patents.
- 3.5. Qualcomm puts up a substantiated defense. The assertions of the parties are discussed hereafter, inasfar as these are relevant.

With respect to the incidental claims

- 3.6. Nokia has filed an incidental claim in which it requests Qualcomm to submit into the proceedings and to provide Nokia with a copy of the "*patent portfolio agreement*" concluded between Qualcomm and Texas Instruments as mentioned in paragraph 2.3, all pursuant to article 843a and article 22 of

the Code of Civil proceedings.

- 3.7. Qualcomm has contested the jurisdiction of the Court to hear the claims of Nokia.
- 3.8. Qualcomm has furthermore filed a conditional claim to grant provisional relief for the duration of the proceedings, meaning that in case the District Court sees a reason to ask preliminary questions to the Court of Justice of the European Communities in Luxembourg, Nokia will be ordered by provisional judgment, enforceable notwithstanding appeal, from April 9, 2007 through the date on which in these proceedings a final judgment is rendered, to pay to Qualcomm by way of pre-payment of its obligations following the use of the Qualcomm patents, a compensation which corresponds to the royalty agreed under the SULA, all under forfeiture of a penalty sum.
- 3.9. In these incidental claims, the parties did not request a verdict, possibly because through the application of the accelerated proceedings regime in patent cases, the date for the pleadings was already determined. Therefore, in the following a decision will be rendered regarding these incidental claims. The assertions of the parties will be discussed hereafter insofar as relevant.

4. **The judgment**

Nullity writ of summons

- 4.1. The most far reaching defense that Qualcomm put forward is the nullity of the writ of summons. Qualcomm has argued that it is not clear to it on the basis of the assertions of the writ of summons what the ground is, or what the grounds are of the claim of Nokia and what Nokia precisely wants. Qualcomm is also of the opinion that the claims themselves are not sufficiently concrete.
- 4.2. This defense cannot be accepted. Although it can be admitted that the writ of summons does have a rather broad scope, the complaint and grounds for the complaint are sufficiently clearly included therein, so that article 111 paragraph 2 Code of Civil procedure is complied with. It has not appeared that Qualcomm, as it asserts, could not have sufficiently defended itself and was unreasonably harmed in its interests. In view of its defense in the motion of reply and during the hearing, to the contrary, Qualcomm has apparently well understood the core of Nokia's argument. The (possibly too) broad scope of the claims of Nokia, is a question which needs to be answered in the following when dealing with the allowability of the claims.

Jurisdiction

- 4.3. Qualcomm has contested that this Court has relative and international jurisdiction to hear the claims of Nokia. The claims are not covered by article 80 paragraph 2 Patent Act 1995 according to Qualcomm. There is furthermore no jurisdiction with respect to the cross border declaration of law

according to Qualcomm.

- 4.4. In order to determine whether jurisdiction exists, first of all regulation (EU) 44/2001 (hereafter: EEX-Vo) is important. Because Qualcomm does not have domicile on the territory of an EU member state, the jurisdiction is determined according to article 4 EEX-Vo. by the law of each member state.
- 4.5. Based on article 10 Code of Civil procedure in connection with article 80 paragraph 2 Patent Act 1995, the District Court has jurisdiction with respect to the claims against Qualcomm insofar as these relate to the exhaustion of Qualcomm's patents, which are valid in The Netherlands. The defense of Qualcomm that these claims are not covered by article 80 paragraph 2 Patent Act 1995 is not followed. For this, the following is relevant. Nokia claims a declaration of law that the patent rights of Qualcomm are exhausted under certain conditions. This declaration of law should be considered against the background of Nokia's assertions as corresponding to a declaration that certain acts, namely the marketing of mobile telephones in which Texas Instruments chips have been incorporated, are not in conflict with Qualcomm's patent rights in The Netherlands. This declaration of law falls under article 80 paragraph 2 under b Patent Act 1995. In this connection it is important that the claim of Nokia should be regarded as a direct reliance on article 53 paragraph 5 Patent Act 1995. Qualcomm's argument that the claims of Nokia should be regarded as the interpretation of an agreement, in which connection it has relied on a judgment of the President of this District Court of October 7, 1997 (*Blösh/Hauzer, BIE 1999/80*), does not succeed because the situation described in that verdict is not applicable here. In that case the claim involved – in summary – an injunction against informing the market that the defendant could enforce its patent rights, which cannot be regarded as a declaration of law of non-infringement. Furthermore, this case related to a French patent.
- 4.6. Insofar as Nokia asks for a declaration of law with respect to other than Dutch patents or Dutch parts of European patents, the District Court does not have jurisdiction. In this connection the following applies.
- 4.7. Nokia has relied on article 6 under e in connection to article 102 Code of Civil procedure and has stated that Qualcomm would act unlawfully in the District of The Hague when it would act against the marketing of the products of Nokia notwithstanding the exhaustion. This argument fails. The claim described in paragraph 4.6 relates to the possible enforcement of Qualcomm in other member states of the European Union and in the whole European Economic Area, so that there is no (threat of) unlawfulness in The Netherlands by Qualcomm. These articles, therefore, do not give the Dutch Court international jurisdiction. This is not changed by the fact that this District Court is internationally (and locally, as indicated above) competent with respect to the claim for The Netherlands, but this jurisdiction based on article 6 under e Code of Civil procedure is not cross border according to standard case law.

- 4.8. Nokia has further relied on article 109 Code of Civil procedure. Also this reliance is incorrect. This article only concerns internal jurisdiction and is part of the third section of the second title of the Code of Civil procedure, which cannot give rise to international jurisdiction to the Dutch Court according to article 10 Code of Civil procedure.
- 4.9. Finally Nokia has relied on the EU-treaty in the sense that, as far as the District Court understands Nokia's allegations, exhaustion of Qualcomm's patent rights with respect to the marketing of products in The Netherlands, would imply exhaustion for the whole European Union and the whole European Economic Area. The Dutch judge can then also on the basis of article 94 of the Constitution give a declaration of law with respect to this. This decision should be recognized – still according to Nokia – on the basis of article 33 of EEX-Vo. in the other member states of the European Union.
- 4.10. Nokia cannot be followed in this position. The provisions of the EU-treaty or article 94 of the Constitution do not grant international (cross border) jurisdiction. As indicated above, the jurisdiction of the Dutch Court is limited to the adjudication of whether the acts of Nokia are in conflict with Dutch patents or Dutch parts of European patents of Qualcomm. The determination of whether patents other than these are exhausted, should be by the Court of the country of the foreign patent right in question (where the act causing the damage occurs) – lacking other points of connection –. The Dutch judge does not have jurisdiction with respect to this.
- 4.11. The conclusion is that this court has international and local jurisdiction to adjudicate the claim for a declaration of exhaustion insofar as this claim relates to the Dutch territory.

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- 4.12. Qualcomm has also relied on article 27 EEX-Vo. Although Qualcomm is not established on the territory of the European Union, article 27 EEX-Vo is applicable. For the applicability of these provisions it is not the domicile of parties that is decisive, but the fact that parallel proceedings are pending before different member states (see European Court of Justice June 27, 1991, case 351/89, NJ 1993/527).
- 4.13. Insofar as Qualcomm's reliance on article 27 EEX-Vo, based on its defense against cross border jurisdiction in Germany, relates also to the claimed declaration of law with respect to the exhaustion in The Netherlands, this is rejected because, as indicated above, the proceedings in Düsseldorf and Milan are based on different patents (for the 2G-technology and not the 3G-technology as in this case). The proceedings at the Landgericht in Mannheim do not deal with exhaustion of Dutch patents and Dutch parts of European patents so that it cannot be said that these claims relate to the same subject matter and have the same cause of action as meant in this article.

Declaration of law of exhaustion

- 4.14. We will now deal with the claims of Nokia. Qualcomm has argued that these claims should be rejected already for the reason that they are too vague and unspecific. In this connection, Qualcomm has pointed out that Nokia has asked without any specificity for a declaration from the court that the whole patent portfolio of Qualcomm cannot be invoked against the mobile phones that Nokia sells on the basis of the unsubstantiated fact that certain, non-specified patents would be exhausted because in certain, non-specified Nokia telephones, certain non-specified Texas Instruments chips would be used. Such an abstract and theoretical claim – Qualcomm refers in this connection to an “Ars Aequi-casus” – cannot be granted according to Qualcomm. This defense is successful.
- 4.15. The claim, also after its amendment, is too broad and insufficiently specific. In the formulation used (“*patents of Qualcomm which are realized by this chip*”, see paragraph 3.2. sub b) it cannot be determined whether exhaustion has occurred. First of all, Nokia has refrained from specifying the Qualcomm patents and the relevant claims. It has only submitted one example, which furthermore is only an application (EP 1 239 465 A2). Nokia has furthermore not specified which concrete products would be put into free circulation of goods and what the actual configuration is of these products, neither with respect to the Texas Instruments chips nor where it concerns its own mobile telephones. Nokia also does not specify how these products operate and what the functionality is of the chips in relation to other components, possibly from third parties, in or outside the mobile telephones, such as software which can be loaded on the chip. It is not at all illusionary that, only after application of such components from third parties, is there infringement of certain claims of certain Qualcomm patents. One can only guess, because specific patents, it is repeated here, have not been submitted or further specified. Nokia has also not specified which features of which patent(s) (claims) would read on which parts of the chips of the mobile telephones. In light of the different types of possible claims – Nokia itself talks about device claims, method claims and system claims – there are various possible permutations. In light of the foregoing it is unclear which type of claims would be exhausted with respect to which products. In addition, it will depend on the type of claim whether or not the patentee has (implicitly) consented to the marketing of the products, even assuming that the TI Patent portfolio agreement would contain such consent, which Qualcomm has substantively contested. Already for this reason the claims should not be granted in the general formulation elected by Nokia.

Suspension

- 4.16. In view of the above Qualcomm’s request to stay the proceedings on the basis of article 28 EEX-Vo. until the outcome of the proceedings under 2.6 and 2.7 should be rejected. Because the Court does not come to an assessment of the exhaustion asserted by Nokia, there is no risk for conflicting decisions.

Incidental claims

- 4.17. The jurisdiction of the Court is already discussed above.
- 4.18. Nokia has withdrawn its claim to submit the agreement between Qualcomm and Texas Instruments during the hearing, so that there is no need for a decision.
- 4.19. Because the condition under which the provisional claim was instituted has not materialized, this claim should not be discussed.

Legal costs

- 4.20. Nokia will be ordered as the losing party to pay the costs of these proceedings, including those in the incidental claims. These will be estimated in accordance with the pre-set amounts, because Qualcomm cannot be considered to have claimed legal costs pursuant to article 1019h Code of Civil procedure. Although Mr. Hoyng refers in his pleading notes to these costs, Qualcomm has not submitted a specification of the actual legal costs. Because no amount is mentioned, these legal costs will be set at the pre-determined amounts. The costs on Qualcomm's side are estimated at:

- fixed fees	EURO 251.00
- salary local counsel	<u>EURO 1,808.00</u>
Total	EURO 2,059.00

5. The decision

The District Court

- 5.1. Refuses jurisdiction insofar the claims relate to countries outside The Netherlands;
- 5.2. Rejects all other claims;
- 5.3. Orders Nokia to pay the costs of these proceedings, including the costs regarding the incidental claims, estimated on Qualcomm's side at EURO 251.00 fixed fees and EURO 1,808.00 salary local counsel.

This judgment was given by Mr. E.F. Brinkman, Mr. P.G.J. de Heij and Mr. J.Th. van Walderveen and was rendered in public on November 14, 2007.

Due to the unavailability of the President this verdict was signed by the oldest judge.