

CONTINENTAL AUTOMOTIVE SYSTEMS V. NOKIA

CASE SUMMARY REGARDING PATENT RELATED DISPUTES AUTHORED
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C.A. No. 2021-0066-NAC

Court of Chancery for the State of Delaware

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Key Takeaway: *While the Court of Chancery does not maintain subject matter jurisdiction over questions of patent law, it may resolve disputes related to patent licenses as matters of contract law.*

Continental supplies telecommunications equipment to car manufacturers. Nokia is a multinational conglomerate primarily based in Finland with a Delaware subsidiary. Both engage with the cellular network industry regulated by standard-setting organizations (“SSOs”) to develop and maintain cellular standard. Nokia owns multiple patents in the telecom space considered standard essential patents (“SEPs”). Nokia and Qualcomm¹ entered into the Subscriber Equipment and Infrastructure Equipment License Agreement (“SULA”) under which Nokia agreed to license certain SEPs to certain Qualcomm customers. Continental seeks licenses for certain Nokia SEPs under two grounds, first, that as a customer of Qualcomm, it is entitled to the benefits of the SULA, and second, it contends that SSO policies mandate Nokia must provide such a license on terms that are fair, reasonable, and non-discriminatory (“FRAND”).

Continental initiated the matter by alleging three counts: (1) Nokia breached its commitments under certain SSO’s Intellectual Property Rights (“IPR”) Policies to license its SEPs on FRAND terms by not extending a license to Continental under such terms; (2) Nokia failed to offer a license to its patents at rates consistent with SULA and that Nokia’s patents are exhausted by virtue of SULA so it cannot charge royalties for products that include Qualcomm chipsets; and (3) Continental is entitled to declaratory relief under Counts 1 & 2 as well as a declaration of what FRAND terms are and a declaration that they must be consistent with apportionment principles. The claims under counts (1) and (3) dealing with FRAND terms are the “FRAND claims” while the claims under (2) and (3) dealing with the SULA are the “SULA claims.”

¹ Qualcomm is not a party to this case.

At this stage of the litigation, Vice Chancellor Cook addressed Nokia's six jurisdictional arguments for dismissal. This summary focuses on the decisions regarding the patent related claims.² The court held that the expiration of the SULA mooted some of Continental's claims and therefore granted in part and denied in part Nokia's motion to dismiss the claims premised on the SULA. On the FRAND claims, the court found Nokia's arguments unavailing, and denied the other motions to dismiss.

As to the SULA claims, the court held that it lacked subject matter jurisdiction to grant declaratory relief regarding Continental's patent exhaustion claim because patent-law questions fall "within the exclusive purview of the federal courts." Further, the court ruled that the expiration of the SULA mooted any of Continental's forward looking claims. However, the remaining claims revolving around Nokia's alleged past breaches of the SULA did not fail for mootness. For Continental to succeed on its claims for past breaches, it simply needed to prove the contract existed—not that it still remained effective. The Court also found ancillary jurisdiction for Continental's money damages claims under the clean-up doctrine. This doctrine allows the Court of Chancery "to resolve purely legal causes of action that are before it as part of the same controversy over which the Court originally had subject matter jurisdiction in order to avoid piecemeal litigation."³

The Court also found that it had personal jurisdiction over Nokia's foreign subsidiaries for the SULA claims. The Court held that the Forum-Selection Clause of the SULA applied to Nokia and these subsidiaries, that Continental could enforce it, and that an exception in the clause allowed Continental to wield it offensively.

On the FRAND claims, the Court found that it maintained subject matter jurisdiction over the claims since Continental sought injunctive relief. The Court also found that because the FRAND claims were sufficiently related to the SULA claims, that the Court maintained ancillary personal jurisdiction over Nokia's foreign subsidiaries with regards to the FRAND claims. Nokia's agreement to litigate in the Court of Chancery as part of its Forum-Selection Clause solidified the Court's resolve. Finally, the Court held that it was reasonably conceivable that Continental could recover on the FRAND claims. For these reasons the Court rejected Nokia's arguments for dismissal of the FRAND claims.

² While the scope of this summary focuses on the patent related claims, Vice Chancellor Cook also rejected Nokia's arguments for dismissal including lack of standing, ripeness, *forum non conveniens*, improper claim splitting, as well as the argument that the request for declaratory relief constituted non-justiciable advisory opinion.

³ *Kraft v. WisdomTree Investments, Inc.*, 145 A.3d 969, 975 (Del. Ch. 2016).