



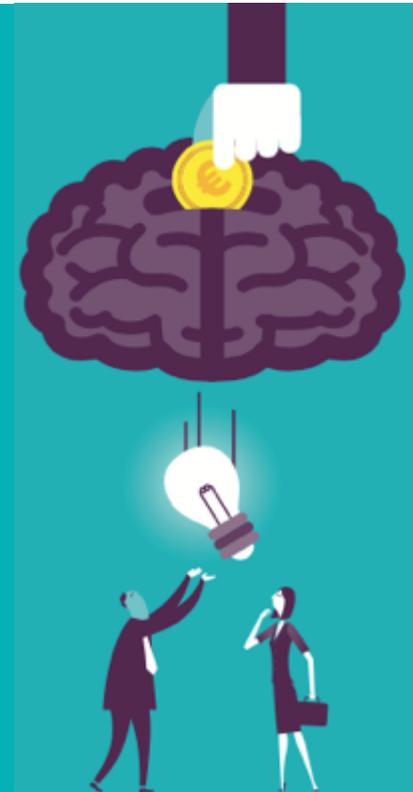
Rigorous empirical
research on
intellectual property

Unwired Planet v Huawei UK Supreme Court decision

Your questions answered

Richard Vary

1 September 2020





FRAND licensing levels under EU law

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Summary February



Economic efficiency and field-of-use pricing of SEP licenses under FRAND terms

Dr Eskil Ullberg, PhD
Adjunct Professor, George Mason University, Virginia, USA and Head of the Trade Institute of Management of Innovation and Technology, Stockholm, Sweden.

Summary



Lessons from Huawei v. ZTE

Rt Hon Professor Sir Robin Jacob
Alexander Milner

October 2016

4IP Council

Case Law post CJEU ruling *Huawei v ZTE*

4IP Council | Case law home | CJEU Huawei v ZTE | German court decisions | Italian court decisions | English court decisions | English/Irish court decisions | Romanian court decisions | French court decisions | Dutch court decisions | National Courts Guidance

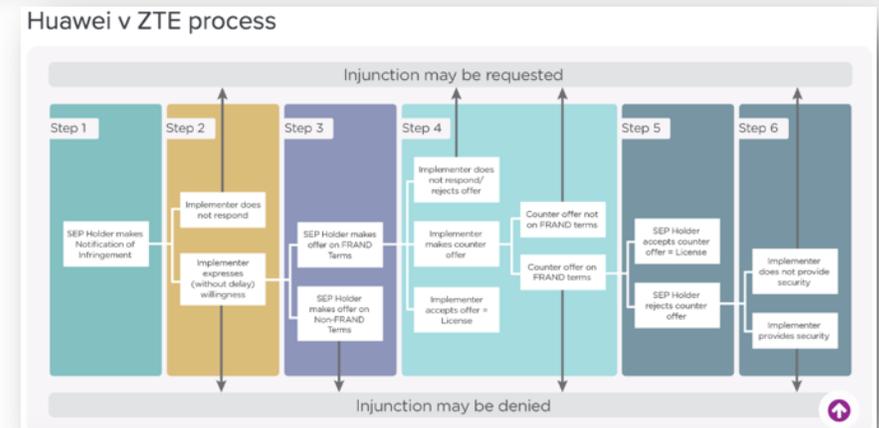
Authors & contributors

National Courts Guidance

Negotiating Licenses for Essential Patents in Europe

Increased clarity provided on the principles established by the Court of Justice of the European Union in *Huawei v ZTE*.

The Court of Justice of the European Union clarified, in *Huawei v ZTE* (Case No. C-170/13), European law relating to the availability of injunctive relief for infringements of FRAND-based standard essential patents. In doing so, the Court provided a legal framework focused on the good faith



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- 1 - MARKET ACCESS
- 2 - NEGOTIATING
- 3 - FUNDING
- 4 - STRATEGIC VALUE

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4 REASONS 4 COPYRIGHT

- 1 - COMPETITIVE EDGE
- 2 - REPUTATION
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- 4 - FUNDING

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4 REASONS 4 TRADEMARKS

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- 2 - PROTECTION
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- 4 - REVENUE

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4 REASONS 4 DESIGN RIGHTS

- 1 - EXCLUSIVITY
- 2 - COMMERCIALISATION
- 3 - REPUTATION
- 4 - VALUE

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Which types of intellectual property do you need?

Filter table columns

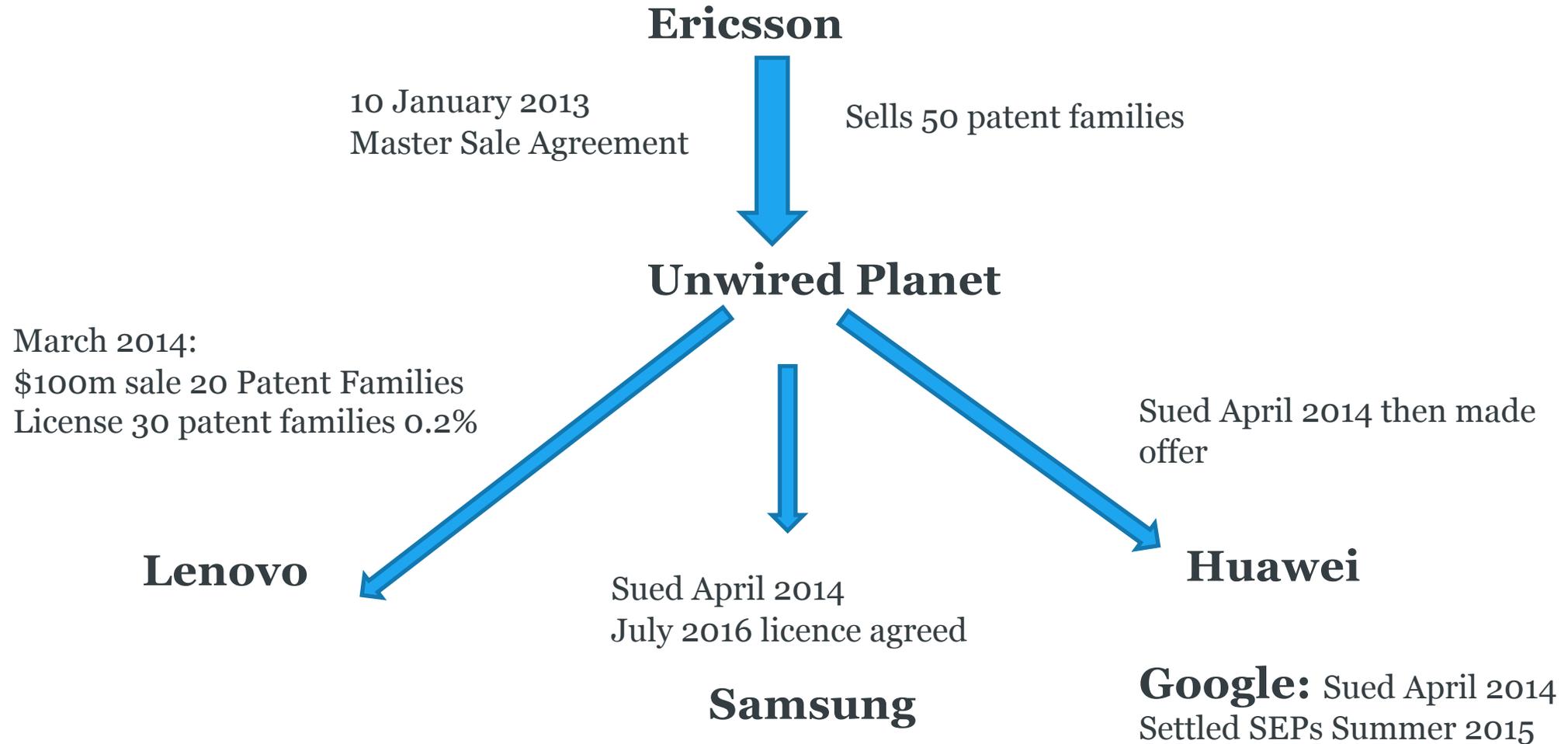
	PATENTS	COPYRIGHTS	DESIGNS*	TRADEMARKS	TRADE SECRETS
What do they protect?	an invention, a new and innovative way of doing something, or solving a technical problem See also More More	A work, an original intellectual creation See also More More	A new and original design See also More More	Identifiable signs that identify goods or services See also More More	Any type of useful information for business that is secret and well confidential See also More More
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How are my rights protected?	Prevents unauthorised making, using or selling of the patented invention	Prevents the work being copied, published, distributed or made available online	Prevents the work being copied, published, distributed or made available online	Prevents the work being copied, published, distributed or made available online	Prevents the work being copied, published, distributed or made available online
How long is my innovation protected?	Up to 20 years	Lifetime of the author + 70 years after death (depending on the country)	Up to 15 years	As long as the information remains secret and well confidential	As long as the information remains secret and well confidential
Do I have to register it?	Yes, filing an application to a patent office is required More on patent applications in: EPO EPC UK IPO US IPO (US)	No, copyright protection arises automatically with its creation See also More	Yes, filing an application to a design office is required More on design applications in: EUIPO UK IPO	Yes, filing an application to a trademark office is required More on trademark applications in: EUIPO UK IPO	Yes, filing an application to a trade secrets office is required More on trade secrets applications in: UK IPO

How do I use intellectual property to grow my business?



Richard Vary
Partner, Bird&Bird's Intellectual Property Practice and Tech and
Communications sector group

Background



First instance decision

Contract law:

The FRAND undertaking is legally enforceable by an implementer against a patentee as a matter of French law.

First instance decision

Contract law:

The
imp

Competition law:

- Unwired Planet held a dominant position
- Unwired Planet did not abuse that dominant position:
 - The Huawei v ZTE scheme is a safe harbour. It does not mean that an abuse has taken place if a patentee does not follow the CJEU's scheme.
 - High offers made during negotiation are not an abuse so long as they do not disrupt or prejudice the negotiation.

First instance decision

Contract law:

The
imp

Competition law:

- Unwired Planet holds a dominant position

• **Jurisdiction**

- The English Court can determine the terms of a worldwide FRAND licence. It is not restricted to ruling on whether a given set of terms is FRAND.
- If an implementer of SEPs is found to infringe a valid patent and refuses to take a licence on terms found by the Court to be FRAND then an injunction can be granted against them.

First instance decision

Contract law:

The
imp

Competition law:

- Unwired Planet holds a dominant position

Jurisdiction

Valuation

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- Theoretically, there is only one set of terms which are FRAND in any particular case.
- An appropriate way to determine a FRAND royalty is to determine a benchmark rate which is governed by the value of the patentee's portfolio
- This benchmark rate will not vary depending on the size of the licensee (i.e. small new entrants are entitled to pay a royalty based on the same benchmark as established large entities) and will eliminate any hold-up and hold-out.
- This rate can be determined by using comparable licences if they are available. Freely negotiated licences are evidence of what may be FRAND.
- A top down approach can also be used by determining the patentee's share of relevant (i.e. essential) SEPs and applying that to the total aggregate royalty for a standard. This is useful as a cross-check.

Three points at Court of Appeal

- Global licensing?
- Is Non-Discrimination hard-edged?
- Did UP need to first comply with the *Huawei v ZTE* steps?

Conversant v Huawei and ZTE

- Conversant purchased 2,000 patents from Nokia 2011
- 28 patent families claimed essential
- Sued Huawei and ZTE in English Court July 2017
- Declaration that its offer was FRAND or determination of FRAND terms
- H and ZTE challenged jurisdiction:
 - a) involved validity of foreign patents
 - b) forum non conveniens

Conversant v Huawei and ZTE

- April 2018, Henry Carr J dismissed jurisdiction challenges and granted permission to serve out
- Applied Birss J in UP in finding English Courts had jurisdiction to enforce the ETSI IPR contract.
- Considered it no more than speculative on the evidence whether the Chinese courts would have such jurisdiction, even if the parties consented to determine global rates. So rejected *forum non conveniens*.
- Court of Appeal dismissed jurisdiction and *forum non conveniens* appeals

Questions before the Supreme Court

1. Does the English court have the power or jurisdiction, or is it a proper exercise of any such power or jurisdiction without the parties' agreement:
 - to grant an injunction restraining infringement of a UK SEP unless the defendant enters into a global licence under a multinational patent portfolio;
 - to determine the rates/terms for such a licence; and
 - to declare that such rates/terms are FRAND?
2. If the answer to (1) is "yes", is England the proper forum for such a claim in the circumstances of the Conversant proceedings (this point had not been taken in the earlier Unwired Planet proceedings)?
3. What is the meaning and effect of the non-discrimination component of the FRAND undertaking and does it mean that materially the same licence terms as offered to Samsung must be offered to Huawei in the circumstances of the Unwired case?
4. Does the CJEU's decision in Huawei v ZTE mean that a SEP owner is entitled to seek an injunction restraining infringement of those SEPs in circumstances such as those of the Unwired case?
5. An additional issue raised before the Supreme Court as to whether the Court should grant damages in lieu of an injunction.

Is a FRAND licence global or national?

Huawei: imposition of a global licence on terms set by a national court based on a national finding of infringement is wrong in principle

Birss J: industry practice and custom

CA: Looked at case law from other countries. They suggest global offer is FRAND (except Commission in *Motorola*)

Supreme Court: bases reasoning on ETSI patent policy

Forum Conveniens (Conversant only)

Is England the proper forum for a claim?

The Court of Appeal: what is the dispute before the English Court ?

- a claim for infringement of UK patents and an injunction under those patents, or
- the determination of what a FRAND licence ?

Answer: its an action on UK patents. The determination of FRAND is a defence to the claim for an injunction of those UK patents

Is ND hard-edged?

- The FRAND undertaking imports a single unitary obligation.
- *“Licence terms should be made available which are “fair, reasonable and non-discriminatory”, reading that phrase as a composite whole. There are not two distinct obligations, that the licence terms should be fair and reasonable and also, separately, that they should be non-discriminatory. Still less are there three distinct obligations...”*
- ETSI IPR Policy requires participants to offer a single price to all participants based on the market value of the portfolio in question, without adjustments for circumstances of individual licensees
- Since price discrimination is the norm as a matter of licensing practice and may promote objectives ... (such as innovation and consumer welfare), it would have required far clearer language in the ETSI FRAND undertaking to indicate an intention to impose the more strict, “hard-edged” non-discrimination obligation for which Huawei contends.

Did Unwired Planet need to first comply with the *Huawei v ZTE* steps?

- Apart from the notice/consultation requirement, *Huawei/ZTE* process is not a set of prescriptive rules. All the circumstances of the case must be taken into account before finding a breach of Art. 102.
- This is a "transitional" case
- Huawei had "sufficient notice" – “*there must be communication to alert the alleged infringer to the claim that there is an infringement, but [Huawei/ZTE] does not prescribe precisely the form that the communication should take.*”
- Willingness of both licensor and licensee a key factor.

Is an award of damages an adequate substitution for an injunction?

- monetary award would not prevent hold-out, which is a very real problem given the impracticability of suing in every country around the world where SEPs were owned
- the ETSI IPR Policy prevents a SEP owner from demanding exorbitant royalties under the threat of an injunction.

How has the decision been received?

- **IAM:** for SEP owners provides another boost in a summer of notable highlights
- **FT:** "hands an advantage to patent holders "
- **Telegraph:** "Huawei faces huge bill after losing legal fight "
- **Total Telecom:** "a win for David over Goliath"
- **Juve:** "Bad news for implementers"
- **Osborne Clark:** "the UK is quite rightly the hot spot for SEP and FRAND litigation"
- **Sullivan & Cromwell:** "the decision will likely reduce instances of licensee hold-out "
- **HSF:** "the UK will continue to be a popular choice of jurisdiction for SEP holders seeking a one-stop-shop for resolution of their FRAND disputes"
- **Computer weekly.com:** Had the decision gone the other way, it would have ...“protected Goliaths against Davids”
- **Haseltine Lake Kempner:** "a degree of forum shopping ...is likely to result"
- **Mewburn Ellis:** implementers may take this as a sign to step-up invalidity actions
- **The Register:** sets London as the jurisdiction of choice for squabbling telecoms multinationals
- **Reed Smith:** "FRAND – yet another decision handed down"
- **FOSS Patents:** "I had hoped that the top UK court would reverse the prior decisions by the lower courts"
- **Damien Geradin:** "SC seems to be more concerned about the ability of SEP holders to monetise their patents ...than the risk of hold up"
- **Keystone Law:** "is it a victory for IP holders?"
- **Andrew Sharples:** "When we were beginning this case there were a number of people who didn't think that a court would grant an injunction on the basis of an SEP"
- **Gary Moss:** “This has been an epic journey. ...When we started on this journey, little did we think that we would end up in the highest court in the land."
- **Arty Rajendra:** "we are thrilled..."

What effect will this have?



Thank you

Q & A

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