

FRAND and 5G – Challenges for the future

Düsseldorf, 28. November 2018

Prof. Dr. Maximilian Haedicke, LL.M.



**UNI
FREIBURG**

Who should benefit from the value of 5G?

- Creators?
- Competitors?
- Consumers?

Arguments exchanged
concern:

- Abuse of power
- Fairness
- Participation

How much value has
been created?

How to protect the
stakeholders who
have created the
value and guarantee
access?

Value is, in principle,
reflected in license
agreements



- Launch of 5G goes hand in hand with announcement of 5G pricing
- For the first time: Ex-ante-announcements!
- **F**air, **R**easonable **a**nd **N**on - **D**iscriminatory pricing !?

List of Ex Ante Disclosures of Licensing Terms

Ex ante disclosures by Company

[What we are](#)[Who we are](#)[What we do](#)[How we work](#)[How we organize our work](#)[Testing and Interoperability](#)[editHelp!](#)[ETSI Standardization](#)[Principles](#)[Intellectual Property Rights \(IPRs\)](#)[Ex ante disclosure of licensing terms](#)[Trademarks](#)[Participating effectively](#)[Starting new activities](#)[3SI Programme](#)[Annual Report](#)[ETSI Work Programme](#)[Getting to ETSI](#)[Contact us](#)

Ericsson

By clicking on this link you will be redirected to the Ericsson webpage:

 [Disclosure of FRAND licensing terms in relation with the 3GPP's forthcoming 5G/NR Release 15 technology](#)

Nokia

By clicking on this link you will be redirected to the Nokia webpage:

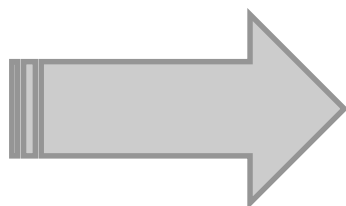
 [Nokia licensing rate expectations for 5G/NR mobile phones](#)

Qualcomm

By clicking on this link you will be redirected to the Qualcomm webpage:

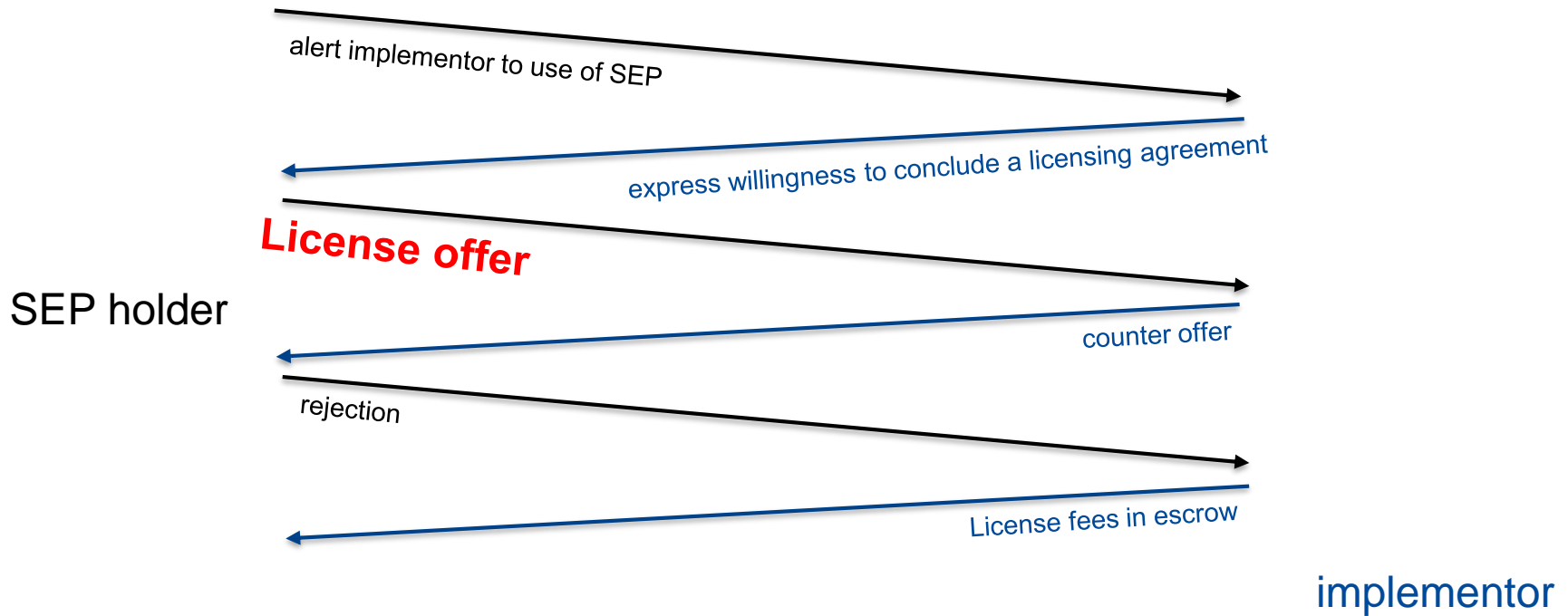
 [Disclosure of FRAND licensing terms in relation with the 3GPP's forthcoming 5G/NR standards](#)

- What will happen if implementers **ignore the „price tag“, claim that requested price is not FRAND and use the patents without license?**
- **Would** the patent holder's patent infringement **lawsuit** in Germany **be successful?**
- How would **FRAND** be determined in **German court** proceedings?



Challenges? Opportunities? Strategies?

FRAND-obligations and the CJEU: procedural duties under the Huawei/ZTE Case

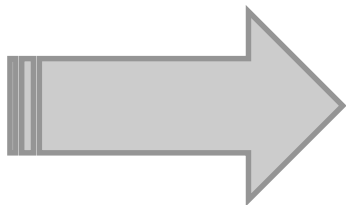


FRAND in German Court - Comparable license agreements

License offer of SEP holder:

So far, the German courts have requested the production of comparable license agreements by SEP holder

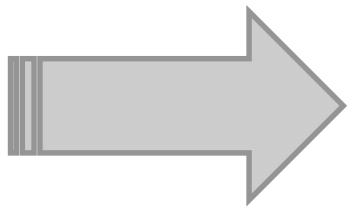
- Submission of **comparable licenses** is basis of “comparable market concept”
- German courts have stated that the SEP holder bears **burden of proof for the FRAND conformity** of his offer
- On this basis, courts try to assess if the license offer is FRAND



Can these rules be applied to the **5G-situation**?

Main issues which may arise in 5G FRAND patent infringement lawsuits:

- I. SEP holder's **burden of proof** that offer is FRAND (“Issue I”)
- II. **Uncertainty** of 5G FRAND pricing methodology (“Issue II”)
- III. **Confidentiality** (“Issue III”)



Solutions?

Issue I - Burden of proof



- Courts: SEP holder **bears burden of proof** for showing that its offer is in **conformity with FRAND**
- i.e., SEP holder will have to **submit sufficient information** which allows the conclusion that offer is FRAND („secondary burden of proof“); production of comparable agreements required

- **Does patent holder bear the burden of proof?**

Is this rule correct? How has it to be applied? When does burden shift?

- Implementor claims that SEP holder is discriminating: According to general principles, he bears the burden to prove that SEP holder's offer is not FRAND
- Patent holder bears "secondary burden of proof"
- Does burden of proof shift back to implementer if
 - some, yet not all licenses are being disclosed
 - or if fairness of license offer is claimed in another way?

Issue II - Methodology of FRAND determination



- **Comparable market concept** as identified by the courts: Best way to determine value of a license in market-based economy
- **but** comparison is difficult and leads to uncertainties
 - Are licenses really comparable? („unpacking“)
 - Has the business setting been considered?
 - How many licenses have been concluded?
 - How many licenses must be submitted?

Issue II - Methodology of FRAND determination



- How old may the licenses be? (increasing or decreasing value of technology?)
- Have licenses been concluded under pressure?
- Have caps and floors been considered?

Issue II - Methodology of FRAND determination



Special 5G issues regarding comparable market concept:

- There may not yet be **5G licenses!**
- Are 4G licenses **comparable** to 5G?
- 5G grants **largely increased customer value:**
 - calculation (add-on) will be difficult;
 - which surcharge is possible without discrimination?

Issue II - Methodology of FRAND determination - Solution



Possible Argument (if applicable): 5G pricing under the press releases has already been accepted

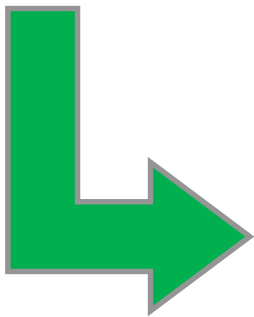
- If there is a standard licensing regime which has been widely accepted in the industry, it can be presumed to be FRAND
- If many (how many?) implementors have already concluded 5G license agreements under the conditions laid out by patent holders?
- There may be a presumption that the pricing is FRAND
- **Then there would arguably be no obligation of SEP holder to submit license agreements or to establish any FRAND assessment methodologies**

Issue II - Methodology of FRAND determination - Solution



Alternative scenario: If implementors have not yet accepted the conditions as laid out by patent holders or if this information is confidential and cannot be submitted to the court:

Potential Solutions:



- Are there **other methodologies** for 5G determination as good (or even better!) as the comparable market concept (i.e. technical contribution approach etc.)
- **Is the mere showing of FRAND licensing** practices enough?
- Is it enough to disclose some (not all) license agreements? – FRAND is a range, no cherry picking is allowed



- If SEP holder has to **submit licenses** with third parties or any other **confidential information to the court** to establish that his offer is FRAND:
- **Can confidentiality be protected** in German court proceedings?



Protection against disclosure to general public:

- Limitation of access to court files
- Limitation of access of public to trial
- Limitation of publication of judgments (very restricted!; only as exception to principle that judgments are open and can be accessed by the general public) – legal basis for redaction of judgments is rather unclear

Limitation of access to implementer:

- No “confidentiality clubs”
- No “in camera”-proceedings

Why?

- Constitutional right to be heard
- Fair trial
- Interests of third parties to have guidelines and to discuss (criticize and distinguish) judgments



Protection of confidential information-created by courts- beyond statutory law

- Conclusion of NDA “as suggested by the court”
(Düsseldorf Court of Appeals)
 - Access of 4 representatives of implementor
 - and counsel
 - Penalty if confidential information is discloses:
1 000 000 Euro for each violation!



Problems with NDAs as “suggested by the Court”

- Seems to work practically, but..
- Legal basis for this “suggestion”? Is a legal basis necessary?
- 4 people having access may be the entire licensing department!
- Patent holder may not be able to prove the violation of NDA if information is leaked



Problems with NDAs as “suggested by the Court”

- Voluntary contractual agreement does not solve the problem that **disclosure under US court orders is only possible if there is a court order to disclose**
- Implementer may not be willing to disclose that it already has knowledge; may not be willing and able to guarantee for all employees; does not want to see what he believes (yet not knows) because he could not use the knowledge any more



Choice for SEP holder if disclosure of confidential information is necessary to establish FRAND:

- Loose the lawsuit because SEP holder cannot fulfill the burden of proof
- Publication of confidential information
 - Access to the information by implementor
 - (limited access by general public)
 - Conclusion of NDA as “suggested” by the court

Possible solutions:

- Implementation of **Directive** on the protection of undisclosed know-how and business information (**trade secrets**) beyond its wording?
- Reduce requirements of disclosure : no requirement to disclose documents which are subject to an NDA:
 - FRAND negotiations must take account of good business practices including NDAs
 - There is arguably no contradiction between making a FRAND declaration and keeping license agreements undisclosed provided that **the key points of licensing regime are explained and proved?**



Possible solutions (cont'd):

- Should courts allow arguments (to establish FRAND other than by comparable licenses, especially in 5G cases!?)
- Disclosure of agreements – is secrecy indeed necessary?
Substantial disclosure of licensing information may be required under a communication of the European Commission

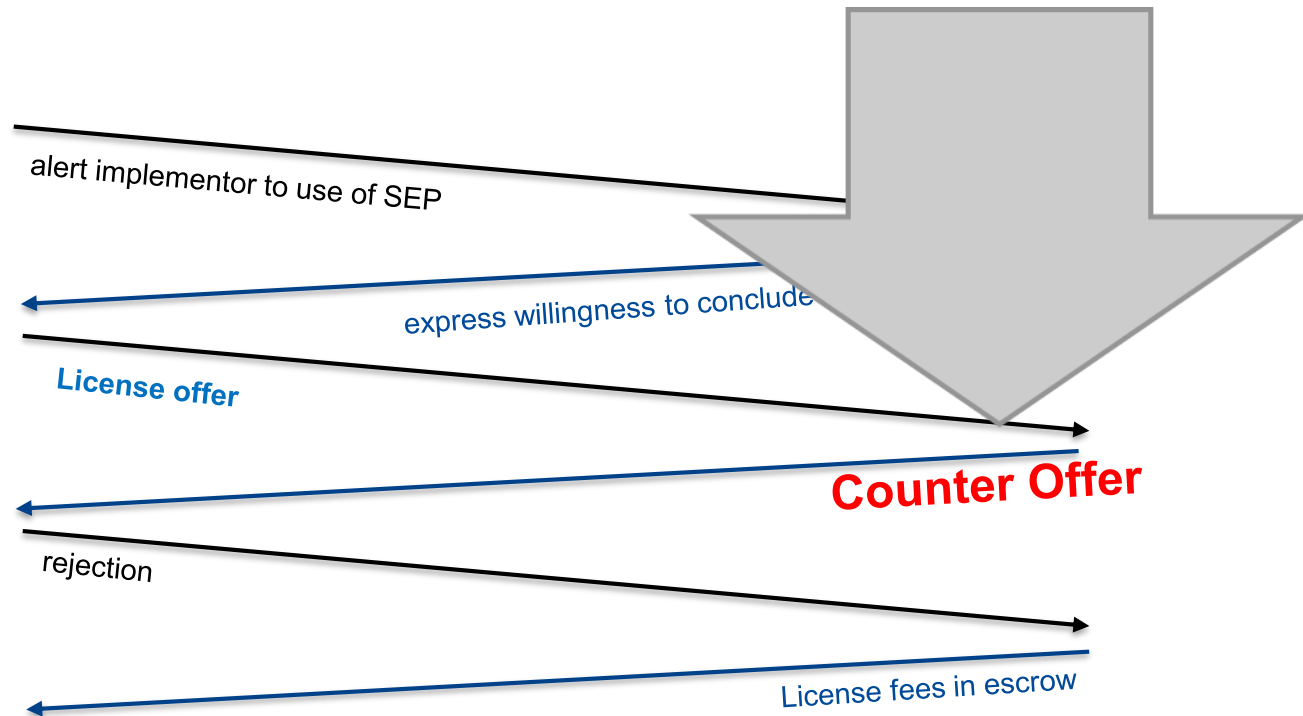


EUROPEAN COMMISSION:

“More accessible FRAND-related information could increase predictability for businesses such as IoT players, facilitate the licensing process in general and provide support and benchmarks in dispute settlement.”

Brussels, 29.11.2017, COM(2017) 712 final

FRAND-obligations and the CJEU: procedural duties under the Huawei/ZTE Case



Duty of Implementer to disclose license agreements to establish FRAND?
Implementer has not made a FRAND-Declaration
No duty under competition law

implementor



Thank you very much for your kind attention!

Haedicke@jura.uni-freiburg.de