

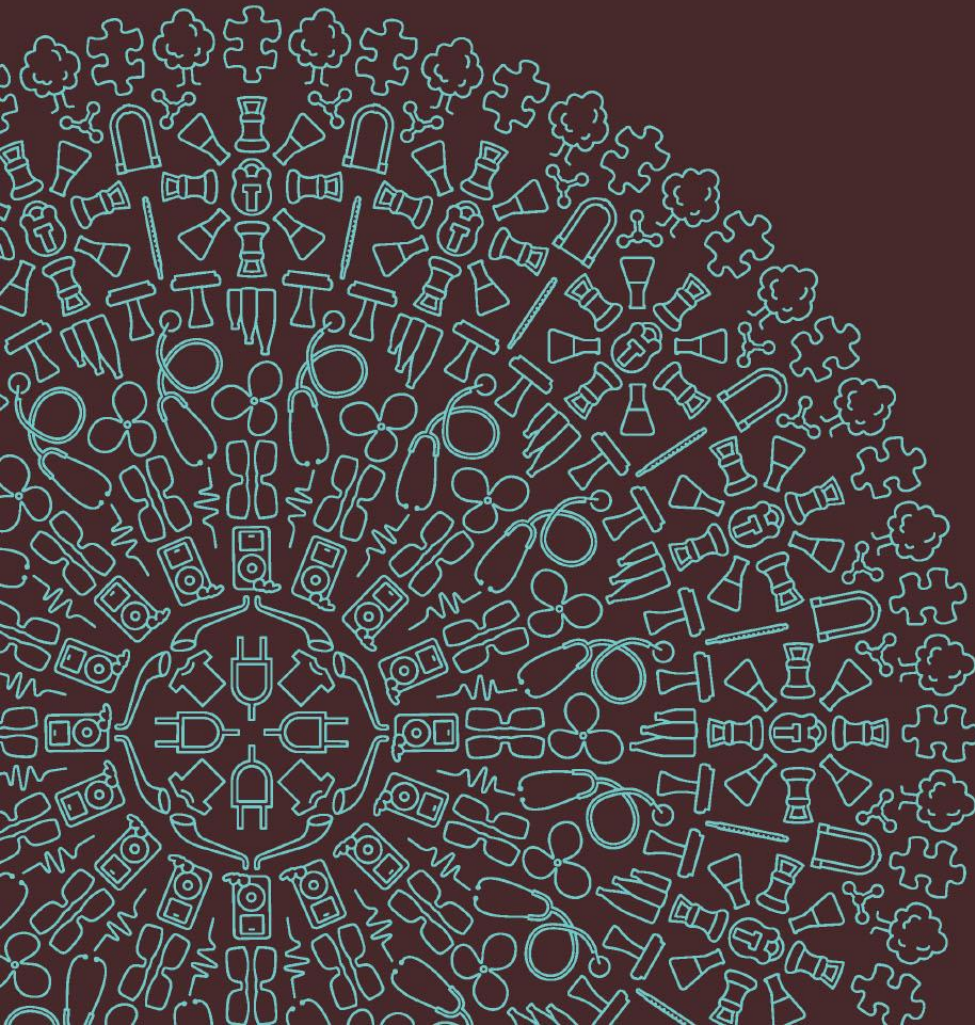
# BRISTOWS

---

## The global footprint of the UK approach to FRAND disputes

28 November 2018

Dr Sophie Lawrance



## *Unwired Planet: A FRAND licence is global*

---

***“What sort of licence for Unwired Planet’s portfolio would be FRAND in terms of its geographical scope when applied to a multinational licensee like Huawei? I will start by asking what a willing licensor and a willing licensee with more or less global sales would do. There is only one answer. Unwired Planet’s portfolio today is (and in 2014 it was) sufficiently large and has sufficiently wide geographical scope that a licensor and licensee acting reasonably and on a willing basis would agree on a worldwide licence. They would regard country by country licensing as madness. A worldwide licence would be far more efficient.” (per Birss J, 543)***

## The global licensing issue before the Court of Appeal (Oct 18)

---

- The ETSI standards and the ETSI FRAND undertaking are of international effect and apply to families of patents [53, 106]
- Global licensing makes sense in a market involving products with a global circulation and conforms to normal industry practice [53, 58, 96]
- UP's portfolio is substantial in size / scope and Huawei's business is global in nature [105, 115]
- Also important that UP had patent coverage in China, where Huawei's manufacturing is located [85]
- Country-by-country licensing is inefficient and would make enforcement "impossibly expensive" and would encourage hold-out [55, 88 96, 110, 111, 115]
- Some cases have accepted that national licences may be FRAND (notably the Commission's *Motorola* decision, 2014):
  - the global alternative was not considered in such cases
  - the Court considered that the Commission's thinking had evolved since 2014, as evidenced by the 2017 Communication

## Commission Communication, section 2.4

---

***“For products with a global circulation, SEP licences granted on a worldwide basis may contribute to **a more efficient approach** and therefore can be **compatible with FRAND.**”***

## Court of Appeal – conclusions on the law

---

- Birss J's findings did not involve (i) any alteration of the territorially limited characteristics of SEPs or (ii) any jurisdictional expansionism:
  - Licensee not prevented from challenging the validity / essentiality of foreign SEPs => no usurping of the right of foreign courts to decide issues of patent infringement / validity
  - Royalty adjustment mechanism can take account of successful validity and/or essentiality challenges in respect of foreign patents
  - Licensee is not compelled to take the FRAND licence settled by the Court. But if it chooses not to, usual relief for patent infringement will apply (including a final injunction)
  - Injunction only available after FRAND assessment, so no risk of non-FRAND outcome

## Issues in UK cases since *Unwired Planet* (1)

---

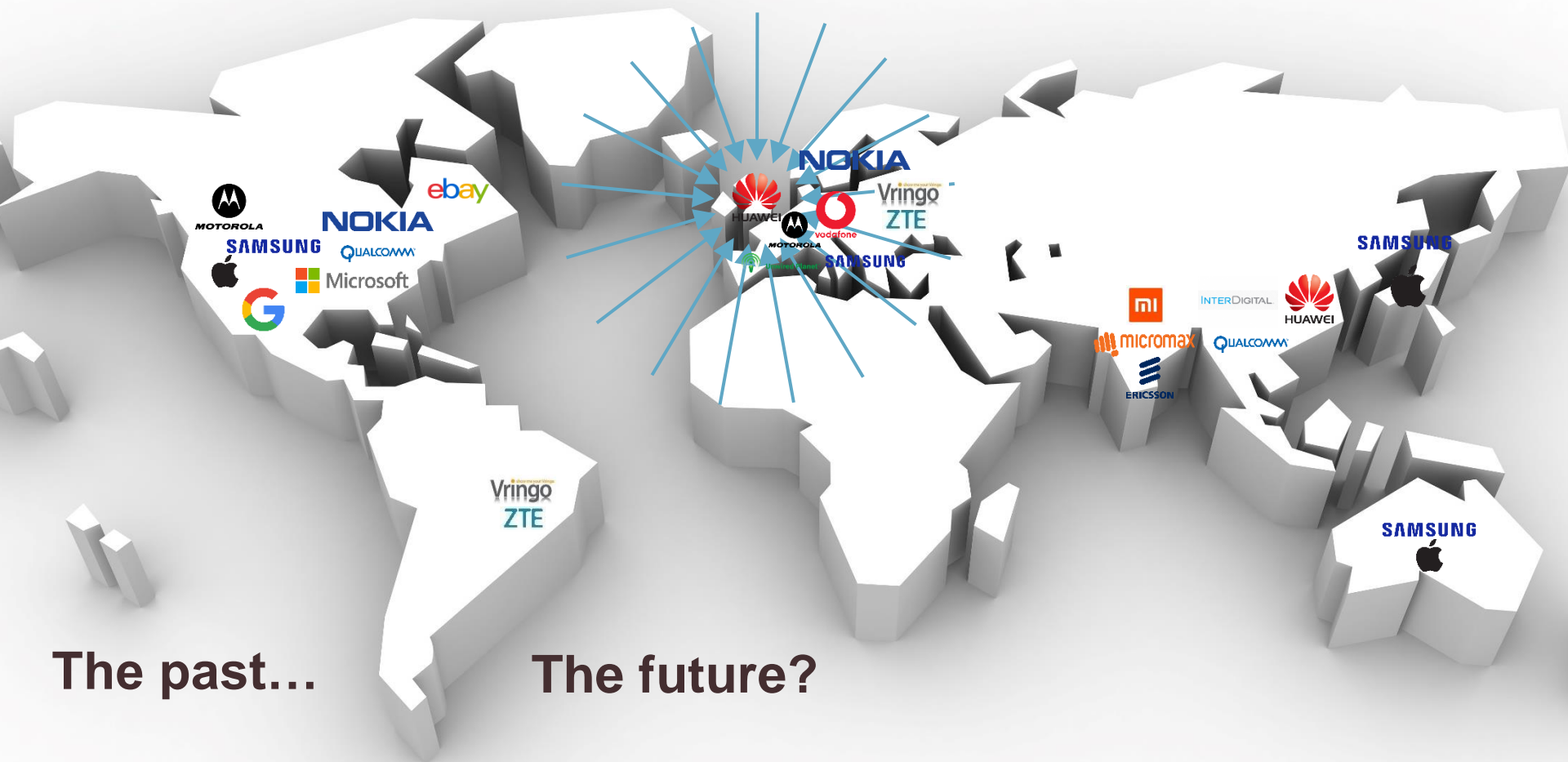
- **Challenges to jurisdiction** in cases claiming a global FRAND determination:
  - Appeal pending in *Conversant* case (to be heard next week)
  - Focus on forum conveniens – is the UK the right place for the particular dispute; other fora may also offer global determinations – e.g. China?
  - The UK court is interested in rates set for the same portfolio by other Courts
- Can a **defendant** found jurisdiction on global FRAND issues?
  - Identity between holder of UK patents and maker of FRAND declaration? If not, may be difficult. (*Apple v. Qualcomm*, 2018)

## Issues in UK cases since *Unwired Planet* (2)

---

- UK court will also entertain requests for **anti-suit relief**:
  - After the determination of a licence by the Court (*Unwired Planet*, 2017)
  - During the course of proceedings (*Conversant*, 2018)
- Such relief available where foreign proceedings are ‘**vexatious, oppressive or unconscionable**’ or which are liable to ‘**undermine or frustrate the performance of a judgment given by the English court**’:
  - Other courts will be prevented from considering FRAND conduct, the terms of a licence (other than a local rate), and whether the bringing of UK proceedings themselves are not FRAND

# Is the UK now a magnet for FRAND disputes?



The past...

The future?



## Will the UK always set a global licence?

---

- Different fact patterns:
  - SEP owner's portfolio insufficiently global in scope?
  - National/regional comparator licences?
  - Does manufacture take place exclusively in countries with no/minimal patent protection?
  - Claimant unable to get a valid/infringed patent for each standard?
  - Different balance between (perceived) risk of hold-up vs hold-out?
- Jurisdiction challenges:
  - Pending litigation elsewhere?
  - Scope for *forum non conveniens* arguments? (Although note *Apple v Qualcomm*: “**Multiplicity of proceedings in different jurisdictions is to be expected where there are allegations that certain conduct has given rise to breaches of the law in multiple jurisdictions**”)

## How does this fit with FRAND policy? (1)

---

- Comity considerations:
  - Comity considered a relevant consideration in *Unwired Planet* (although dismissed) [81,112]
  - Do other Courts take substantively the same approach? E.g. as to:
    - irrelevance of ‘foreign’ patents to determining the terms of a FRAND licence?
    - ‘license first / challenge later’ approach
    - “fair, reasonable and non-discriminatory” – do these concepts have the same meaning everywhere?
  - If not, risk of depriving those Courts of the right to regulate the use of patents / enforce competition law in their own jurisdiction?
  - Do other Courts have the option of anti-suit relief?
  - Will other Courts allow the UK to assume the role of global FRAND enforcer?

## How does this fit with FRAND policy? (2)

---

- Creating a race to Court? Is this consistent with EU policy?
  - ETSI Guide on IPRs: ***“ETSI Members should attempt to resolve any dispute related to the application of the IPR Policy in a friendly manner”***
  - *Huawei v ZTE*, 2015 [68]: ***“Where no agreement is reached on the details of the FRAND terms following the counter-offer by the alleged infringer, the parties may, by common agreement, request that the amount of the royalty be determined by an independent third party”***
  - Commission 2017 Communication: ***“Parties to a SEP licensing agreement, negotiating in good faith, are in the best position to determine the FRAND terms most appropriate to their specific situation”***
  - Samsung Commitments (2014)

## How does this fit with FRAND policy? (3)

---

- Impact on parties:
  - Changed incentives for geographic spread of patents registered by SEP holder?
  - Incentives on licensees to move production to non-patent countries?
  - Burden shifted to licensee to challenge patents?
  - More patent challenges even after licence terms established?
- Wider impacts on competition?
  - Changing balance between patentee and licensee?
  - Growing incentives to split portfolios?

# Thank you

## **Bristows LLP**

100 Victoria Embankment  
London EC4Y 0DH  
T +44 20 7400 8000

[sophie.lawrance@bristows.com](mailto:sophie.lawrance@bristows.com)  
[www.bristowscleanup.com](http://www.bristowscleanup.com)

This document is for information purposes only and any statements or comments it contains relating to matters of law are not intended to be acted on, or relied upon, without specific legal advice on the matters concerned. To the fullest extent permitted by law, we disclaim all liability and responsibility for any reliance on the statements or comments contained in this document.

Bristows LLP is a limited liability partnership registered in England under registration number OC358808 and is authorised and regulated by the Solicitors Regulation Authority (SRA Number 44205).

