

Unwired Planet Appeal Rapid response – IPKat write up

On Tuesday evening the UK Group of AIPPI held a Rapid Response seminar on the Court of Appeal's decision in *Unwired Planet* (summary [here](#)). Professor Sir Robin Jacob (UCL) and Richard Vary (Bird & Bird) lead an informative and entertaining discussion on the judgment, its impact on SEP litigation and the opportunities for the English Courts to pave the way as a jurisdiction which is willing to tackle FRAND disputes.

The Judgment

The three points on appeal were as follows:

1. Is a FRAND licence global or national?

Patent licences and patent portfolios are very often global. It may be impractical for a patent owner to seek to negotiate a licence of its patent rights, or commence litigation, country by country. The CoA agreed with Judge's finding that a global licence was FRAND. The CoA considered other cases which supported this finding, with the exception of the European Commission's decision in *Motorola* (it was observed that this decision dates back to 2014 and much has happened in the FRAND arena since then).

The CoA did not agree with what has been perhaps the most debated finding at first instance, namely the Judge's finding that FRAND is not a range; for any given set of circumstances there is only one FRAND rate. The CoA concluded that FRAND may be a range as it was unreal to suggest that any set of willing licensors and licensees would always arrive at the same set of terms. The CoA's solution to the so-called *Vringo* problem (whether an injunction should be granted if the SEP owner makes an offer at the top of the range, but the licensee will only pay at the bottom of the range) is that the obligation on the patent owner is only to offer a rate within the range. If it does, then it will have complied with its obligation and the licensee risks injunction if it does not accept.

This prompted an interesting discussion about whether, in a perfect world with sufficient data, that range could ever be narrowed to a point.

2. Is Non-Discrimination hard-edged?

The CoA agreed with the Judge's finding that the Non-Discrimination is not hard-edged. A hard-edged approach would be excessively strict and akin to the re-insertion of "a most favoured licensee" clause in the FRAND undertaking (which had been considered and rejected by ETSI). If a licence is available at a fair, reasonable rate there is no purpose in preventing the patentee from charging less than the licence is worth if it so chooses.

The reaction at the seminar to this finding by the CoA was generally positive. No two licences are the same; they take place at different times and under different circumstances. Licences of large portfolios tend to be individually crafted. It was suggested that it may in fact be difficult to show any licensing situation which is discriminatory. If this is the case, query the continuing relevance of the Non-Discrimination limb of FRAND.

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

Agreeing with the Judge, the CoA concluded that the *Huawei v ZTE* is a safe harbour and as such it does not follow that non-compliance with the steps is abusive. The CoA

referred to German cases which suggested that the German courts agreed that the steps were not regarded as mandatory (although it was observed at the seminar that *IP Bridge v HTC* has since been handed down in Germany which may suggest the steps are mandatory). In *Unwired Planet's* case, although it had not followed those steps, there was contact between the parties before the proceedings were issued. By the time proceedings were issued, Huawei had sufficient notice that *Unwired Planet* held particular SEPs and that it wished to agree a licence with it. This was sufficient to avoid an abuse of dominance.

Again, this finding received a positive response and it was proposed that commencing litigation was merely an extension of the negotiation procedure, rather than being abusive.

How has the decision been received and what does the future hold?

We were shown a collection of headlines from reports on the case, from law firms (both here and overseas), bloggers and traditional media. Positive reviews overshadowed the negative ones. The CoA's judgment fully establishes the English Court as a jurisdiction which is willing to tackle FRAND disputes and get involved in royalty calculations. There are a number of SEP cases currently in the UK and companies have started to look towards the UK, rather than the US, as a place to resolve licensing disputes. Of course, any other court from any other jurisdiction could take the same approach as the English Court, which could result in competition between the courts and the potential for conflicting decisions. This led to some discussion on whether this would drive the industry into some form of compulsory international arbitration regime.

Looking to the German courts, the Dusseldorf judges are encouraged to adopt a quasi-mediator role in which they are able to advise informally at the outset of the hearing if they believe that the offer is close to, but not quite, FRAND. The Guangdong High Court's SEP guidelines suggest that it can determine royalties for other territories.

How does the English Court we stay ahead?

- Firstly, speed. *Unwired Planet* took 4.5 years to reach this conclusion. If we could achieve a 2-3 week trial and a decision within an 18 month period, the UK courts could rival the ICC timelines.
- Reduce costs to be on a par with arbitrations where costs are typically 2% or less of value.
- Allow the FRAND case to go on first where appropriate. This decision is likely to depend on the facts of the case, for example, the size of the patent portfolio in question.
- Increase sophistication. Utilise a more sophisticated use of comparable licences. It is possible to adjust and correct comparable licences over time. It is also possible to take into account weightings between the different generations which can be adjusted over time. Lump sum or past released discounts can also be taken into account.
- Improve metrics for portfolio strength. Patent counting (including jurisdiction weighted patent counting), contribution counting, citation analysis may all be proxies for portfolio strength. Third party essentiality studies can also be valuable.
- Overcome the English court's patent graveyard reputation. Statistics are looking good in the UK, but this misconception is still out there.

Other points that were discussed included:

Licence to all - There was some discussion on the "licence to all" debate, whereby some implementers (automotive manufacturers, some handset manufacturers) argue that the licencing should take place higher up the supply chain rather than at the end user level. There has been some success in this argument. Earlier this week in the US, Judge Lucy Koh found that the TIA and ATIS' (but notably not ETSI's) FRAND policies did require Qualcomm to license its patents to Intel. It was observed that some commentators have identified paragraphs in the CoA judgment which they say support the argument that licences must be available to all (paras 53, 80, 178 and 196). We may see more arguments along these lines being deployed in future cases.

Dominance – This was not fully analysed by the court because it was not really an issue before it. A discussion was had on whether the assumption on dominance will hold and whether we will see more arguments on dominance played out before the courts in the future.

Delay due to service – The desire to run the court proceedings in a more streamlined way could be frustrated by the extreme delays due to serving out under the Hague Convention in certain jurisdictions, notably China.

In conclusion, the CoA judgment has resolved a lot of the basic questions and has singled the UK out as a very real option to unblock the licensing bottleneck. Can we keep up the momentum?