



## Competition Law Association

British Group of the  
Ligue Internationale du Droit de la Concurrence  
(International League for Competition Law)

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### **Webinar: “Global FRAND in 2021 – current position and predictions for the year ahead”**

**Date:** Thursday 21 January 2021

**Speakers:** James Segan QC (Blackstone Chambers), Arty Rajendra (Osborne Clarke and Alexandra Brodie (Gowling WLG)

**Moderator:** Tess Waldron (Powell Gilbert LLP)

**Arty Rajendra**

**Europe: *Nokia v Daimler*, reference to CJEU by the Regional Court Düsseldorf**

- Case concerns the contentious subject of component-level licensing which impacts the level of royalties payable, giving rise to polarised opinions contrasting the perspectives of the SEP owners (prefer end-user equipment level licencing) and those of the implementers (prefer component-level licensing).
- Broad questions were referred to the CJEU at a very general level:
  - 1) Whether the downstream implementer can accuse the SEP holder of abusing its dominant position if the latter refuses to licence the upstream component suppliers who are willing to take a licence:
    - a. Does this apply to suppliers who are normally responsible for patent clearance in the industry?
    - b. If the component supplier already has a FRAND licence, does the end user need to take a separate licence to avoid infringement? If the implementer has to take a separate licence, what conditions are acceptable for the SEP owners to take into account when deciding whether or not to pursue injunction against the implementer so as to avoid abusing its dominant position?
  - 2) Clarification of the requirements set forth in *Huawei v ZTE*:
    - a. If a SEP holder has not complied with the pre-litigation steps set out in *Huawei v ZTE*, can they perform those steps after proceedings have commenced?
    - b. With regard to willing licensee in the context of component-level licensing and negotiations, specifically –

- i. whether failure to respond to a notice of infringement indicates that the implementer is unwilling, consequently SEP-holder is entitled to injunctive relief; and
- ii. whether the court can determine whether the licensee is unwilling based on its counteroffer, without prior examination of whether the SEP holder's licence offer is FRAND or not; and
- iii. if the court cannot determine whether the counteroffer is evidently un-FRAND, does that preclude a finding of unwillingness of the implementer?

### **James Segan QC**

#### **China: 3 key features in Chinese courts' approach to FRAND cases**

- 1) *Low rates* - For explicit policy reasons based on the position of the manufacturers and consumers in China, Chinese courts set FRAND rates low by international standards.

Examples: 0.0019% in *Huawei v IDC* (Guangdong, 2013-14); 0.0018% in *Huawei v Conversant* (Nanjing, Sep 2019), ~ 1/3 of the rate set in *Unwired* which had already been halved. Taking into account the high volume of manufacture and sales, the difference in rates is significant.

- 2) *Global FRAND* - Since mid-2020, Chinese courts have adopted the same approach as the UK courts and are now prepared to accept and conduct global FRAND assessments. Examples: *Xiaomi v InterDigital* (Wuhan, June 2020); *Oppo v Sharp* (Shenzhen Intermediate Court). In *Oppo* the court recognised that whilst parties negotiated globally, China was the place of manufacture and primary sale, and a single determination would be efficient. Such facts would be present in a very large number of FRAND cases.
- 3) *Anti-suit injunctions* - Chinese courts are now prepared to grant anti-suit injunctions to protect their FRAND jurisdiction. As an expected consequence to national courts exercising global jurisdiction, there has been a series of stand-offs in anti-suit battles in *Huawei v Conversant* (China and Germany), *Ericsson v Samsung* (China and US), and *InterDigital v Xiaomi* (China and India).

### **Alexandra Brodie**

#### **US: *Ericsson v Samsung*, ITC and E. Texas on rate setting and responsive anti-trust cases for alleged breach of FRAND and breach of contract**

- Ericsson sought determination of FRAND terms for licences for 2G, 3G, 4G and 5G at Eastern District Court of Texas in December 2020, triggering patent infringement actions including complaint before the ITC.
- Interplay with anti-suit reliefs granted by the Chinese courts:
  - i. US court granted anti-interference order to protect the case going forward in the US from the anti-suit injunction in China.

- Very novel development: Judge Gilstrap (E. Dis. Texas) ordered indemnification to the extent the Chinese court sought to impose penalty for breaching the Chinese anti-suit injunction, neutralising the financial damage.
- US remain a predominantly active jurisdiction in FRAND / infringement cases despite the severely weakened prospect of securing injunctive relief for infringement of any patent and in particular a SEP.

## **All speakers**

### **The UK framework following *Unwired Planet***

#### **1. English court's approach to SEP rates set elsewhere (JSQC & AB)**

- *JSQC: Respected global aggregator* - With national courts exercising FRAND global jurisdiction, it is not a sensible state of affairs when parties race to sue, become involved in expensive anti-suit battles or are stuck between national courts' decisions. One constructive role identified for the English courts is one of a global aggregator which respects the foreign approaches and decisions, and uses its expertise in settling licences to build together a global licence rather than imposing a view on the whole world. The question is how we exercise this new global jurisdiction sensitively in a way that commands the respect of those who are subject to our decisions, rather than the opposite.
- *AB: The arbitration alternative* Arbitrations – rather than the courts – may be a more cost-effective answer to most of such disputes. Additionally, individual cases may have their own adjustment mechanism (e.g., in *Unwired*) where it is about the jurisdiction of the court to interpret a contract based on evidence.

#### **2. Timing of the commitment to take FRAND licence – the willing licensee / willing licensor dynamic (AR)**

*Achieving balance between competing interests* - Implementers enforce the ETSI undertaking to avoid injunctive relief, while SEP owners commit to taking whatever the court determines is FRAND. SEP owners obviously want to avoid being left in the end either without a FRAND licence or without any injunctive relief, or that relief being delayed until after the FRAND trial.

When should the implementers commit to taking the court-determined licence, or when does an implementer become an unwilling licensee and not entitled to enforce the FRAND undertaking? The issue will be considered in *Optis v Apple* (July 2021) and in *InterDigital v Lenovo* (January 2022).

#### **3. Jurisdictional battles (AB)**

UK courts can settle global FRAND terms after *Unwired*. The question is how to build it. Many courts are subject to global anti-suit injunctions (ASI, e.g., in DE, US, UK and FR) which give rise to AASI and even AAASI. Such injunctions complicate infringement actions at the national courts.

#### **4. The role of competition law in FRAND cases (JSQC)**

- Competition law is why the FRAND scheme exists in the first place.
- The English courts in *Unwired* addressed anti-trust issues as a distinct issue after the “main event” of the contractual question and the rate-setting exercise, which is a very different approach from other jurisdictions such as DE, NL and CN.

- Although articles 101 and 102 TFEU no longer form part of UK law, Chapters I and II of the Competition Act 1998 are their domestic equivalents, and there is scope to re-integrate competition law into FRAND.
- Angles from which competition law may be re-injected into the FRAND analysis:
  - i. *Behavioural FRAND* - UK courts may follow CJEU's answer to the willing licensor / licensee question in *Daimler* as explicitly a clarification of *Huawei v ZTE* which is part of our law retained from EU case law.
  - ii. *Non-Discrimination* - UK courts adopt a "general" approach to Non-Discrimination, and the Supreme Court in *Unwired* dealt with the more conventional discrimination scenario (i.e. two similarly situated licensees being treated differently without an objective justification) as being governed by competition law (*Unwired* para 124). An implementer's argument along that line will likely therefore be an Article 102(c) competition law argument.
  - iii. *SEP transfers* - SEP transfer agreements frequently contain provisions which warrant a measure of anti-trust scrutiny on pricing, out of concerns in the practice of selling SEPs to wash them clean of a prior licensing history. The CA found such concerns by Samsung arguable in the 2016 interim appeal of *Unwired*.

## **5. Confidentiality – the biggest challenge in FRAND cases (JSQC)**

The numerous confidentiality rings often seen in FRAND cases can make it very difficult to take instructions from the client and for advocacy. The CA's recent decision in *OnePlus v Mitsubishi* provides the necessary guidance on how to ensure that each party's confidential information is properly protected and at the same time lawyers are able to take proper instructions from the client.

## **6. What to look out for in the increasingly connected space (AR)**

- SEP litigation has already expanded from phones to cars. With increased 5G/IoT, there will be very different market participants with different skill sets and an array of different types of products; hence more guidance is needed from lawyers and others familiar with SEP licensing.
- SEP holders may need to be more flexible in how they approach licensing, and more transparency and predictability in rate setting is required, which the courts offer rather than arbitrations.
- Patent pools may be the answer - they have many advantages but that hasn't stopped autonomous vehicles SEP litigation.

## **7. The role of collecting societies (AB & TW)**

The collecting societies may have a role in providing guidance on collecting royalties, e.g., the copyright tribunal offers a more cost-effective way in determining rates which may serve as a model for smaller players.