



Unwired Planet v Huawei – UK Supreme Court decision on FRAND Licensing for SEPs

The UK Supreme Court has handed down a landmark judgment in *Unwired Planet v Huawei* ([\[2020\] UKSC 37](#)) with significant repercussions in the fields of Standard Essential Patents (SEPs) and Fair, Reasonable, and Non-Discriminatory (FRAND) licensing.

This judgment upholds the UK Courts' jurisdiction to grant and determine terms of a global FRAND License, as well as providing clarification on the UK Courts' interpretation of the non-discriminatory limb of FRAND and the allowability of injunctive relief in SEP cases.

Summary of the Proceedings

The judgment addresses three appeals: the first being Huawei's appeal against the decision of the Court of Appeal in *Unwired Planet v Huawei* ([\[2018\] EWCA Civ 2344](#)) and the second and third being Huawei and ZTE's respective appeals against the decision of the Court of Appeal in *Conversant v Huawei and ZTE* ([\[2019\] EWCA Civ 38](#)). Both of *Unwired Planet* and *Conversant* are Patent Assertion Entities (PAEs) which derive income from licensing their patent portfolio to implementers in the telecommunications field.

In the first of these decisions, the Court of Appeal dismissed Huawei's appeal against a judgment of the High Court. The High Court had held that a global license, rather than a UK license, was a FRAND licence under the circumstances of the case, determined FRAND rates for such a license, and granted a UK injunction against Huawei until such time as it accepted such a license, as well as holding that *Unwired Planet* has not abused its dominant market position. In the second of these decisions, the Court of Appeal dismissed Huawei and ZTE's appeals against first instance judgments in which it was held that the English Courts had jurisdiction to determine a global FRAND license in relation to a claim for infringement of UK patents and that, in the circumstances of the case, England was the appropriate forum.

The UK Supreme Court judgment comes on the heel of an equally important decision by the German Federal Court of Justice in *Sisvel vs. Haier* ([KZR 36/17](#)) elaborating on the steps to be taken by an SEP owner bringing an infringement action in a German court. In parallel infringement proceedings brought by *Conversant* against Huawei and ZTE at the Regional Court Dusseldorf, the court on August 27, 2020 issued a provisionally enforceable injunction against the defendants due to infringement of one of the asserted patents. In view of the defendants' respective behaviour in the licensing negotiations, *Conversant* has been held to have enforced the SEP in compliance with the FRAND principles (4b O 30/18 and 4b O 31/18).

Summary of the Decision

The Supreme Court gave its findings on the following five matters, each of which are of significance to the international telecommunications market.

1. Jurisdiction of the English Courts to Grant and Determine Terms of a Global FRAND License

The Supreme Court held that the English Courts have jurisdiction and may properly exercise a power without the agreement of both parties (a) to grant an injunction restraining the infringement of a UK SEP unless the defendant enters into a global licence on FRAND terms of a multinational patent portfolio and (b) to determine terms for a settled global licence and to declare that such terms are FRAND.

In coming to this conclusion, the Supreme Court noted that the English Courts' jurisdiction to determine a FRAND license derives from the legally enforceable obligation created by the European Telecommunications Standards Institute's (ETSI) intellectual property rights (IPR) policy that SEP holders allow implementers to obtain licenses to standard essential technology on FRAND terms. The Supreme Court further emphasized that the FRAND obligation applies to the license negotiating process as well as the terms.

The Supreme Court considered the commercial practice in the industry of licensing entire patent portfolios, regardless of whether or not each patent was valid or was infringed by use of the relevant technology in the standard, noting that the rates of a FRAND license may be readily adjusted if patents are subsequently found to be invalid or not infringed. The Supreme Court further considered the approach of the courts in the USA, Germany, China and Japan as well as the approach of the European Commission in dealing with FRAND licensing.

Notably, the Supreme Court also held that, despite concerns from some parts about the increased involvement of PAEs in litigation and the potential for harm therefrom, there is no legal basis for treating PAE owners of SEPs differently from other SEP owners (unless they have different interests which merit different remedies).

2. *Forum non conveniens*

In the second and third appeals, Huawei and ZTE's argued that China, and not England, was the appropriate forum for Conversant's claims and that service out of the jurisdiction should be set aside and the proceedings against their English subsidiaries permanently stayed.

The Supreme Court considered whether its jurisdiction or that of the suggested foreign court was the more suitable as a forum for the determination of the dispute between the parties and held that the Chinese courts do not, at the time of the decision, have jurisdiction to determine the terms of a global FRAND licence without the consent of both parties. Therefore the *forum non conveniens* challenge failed in the absence of another forum with the required jurisdiction.

As the approach to FRAND licensing in other jurisdictions continues to develop, such jurisdiction challenges may well be the subject of future cases if a viable alternative forum can be established by the parties involved.

3. Non-discrimination issue

This issue arises from the first appeal, in which Unwired Planet had offered to another infringer of the SEP, Samsung, a more favourable licence during the first instance proceedings.

Huawei argued that Unwired Planet must grant the same or similar terms to all licensees for SEPs unless it can be shown that there are objective reasons to treat licensees differently, and that Unwired Planet should offer a license with comparable terms to those of Samsung, otherwise the license would fail to qualify as “non-discriminatory”.

The Supreme Court decided that to qualify as FRAND, a single royalty price list should be available to all market participants based on the market value of the SEP and without adjustments for the characteristics of individual licensees, but that Huawei’s interpretation of the non-discriminatory aspect of FRAND would have the effect of imposing SEP owners to offer a “most-favourable licence”, which was purposefully excluded from ETSI’s IPR policy.

Therefore, Huawei’s challenge to Unwired Planet’s license proposal being discriminatory and therefore not FRAND was dismissed.

4. Competition law

In this challenge from the first appeal, Huawei argued that the injunction granted to Unwired Planet was an abuse of a dominant position under European law (Article 102 of the Treaty for the Functioning of the European Union), arguing that mandatory conditions set out by the Court of Justice of the European Union (CJEU) in its decision *Huawei v ZTE* ([C-170/13](#)) had not been met, and that the relief for the infringement should have been limited to damages.

According to the CJEU decision, an SEP owner bringing an infringement action seeking an injunction would not abuse a dominant position if it had, prior to bringing the action, alerted the alleged infringer of the infringement, and the SEP owner had, once the alleged infringer has expressed willingness to conclude a licensing agreement on FRAND terms, presented a written offer for a licence on such terms to which the alleged infringer has not diligently responded.

However, these conditions were considered by the High Court and the Court of Appeal as a standard of behaviour against which both parties’ behaviour can be measured, rather than mandatory requirements. Having considered both Huawei’s and Unwired Planet’s behaviours before the action was initiated, it was considered that a claim for an injunction was not an abuse of Unwired Planet’s dominant position.

The Supreme Court noted that Unwired Planet had shown to be willing to grant a license on FRAND terms, whereas Huawei was only prepared to take a licence on its own terms. Therefore, the Supreme Court determined Unwired Planet was not abusing its dominant position when requesting an injunction.

5. Injunction inappropriate as a remedy

Huawei argued, for the first time at the Supreme Court, that an injunction should not be granted to Unwired Planet or Conversant, because the injunction would not be appropriate or proportionate, and that only damages should be awarded based on the determined royalties.

This challenge failed as the Supreme Court considered that Unwired Planet or Conversant could not abuse their position as SEP owners, because they cannot enforce their rights unless they offered a licence for the SEP accepted by the English courts to be on FRAND terms. The Supreme Court also considered that restricting an SEP owner to monetary remedy would incentivise infringers to continue infringing until they are compelled to pay royalties for each SEP, in each jurisdiction. Because the SEPs in this case concern products which are designed to operate on a global basis, the costs of bringing infringement proceedings in all jurisdictions would be impossibly high for SEP owners.

Practice Points:

- UK courts will not shy away from decisions having far-reaching consequences, such as granting and determining terms of a global FRAND Licence. As such, it may be possible to use UK and EP(UK) SEPs to obtain a global FRAND licence for an SEP portfolio, potentially extending a UK action beyond a localized issue.
- UK courts take the view that a licence under an SEP does not fail to be non-discriminatory merely because a more favourable licence was previously granted under the SEP. This will, as ever, be a matter for competition law.
- For UK courts, an injunction may be more appropriate relief than mere damages for products covered by SEPs and designed for worldwide use, because it will better incentivise alleged infringers to obtain a licence worldwide and avoid jurisdiction-by-jurisdiction battles.
- The Huawei v ZTE decision of the CJEU sets a model conduct of pre-litigation FRAND licence negotiation. The conduct of each party is to be compared to that model, but an SEP owner is not barred from requesting an injunction merely because it does not meet the high standard of the model conduct.



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