



THE SEDONA CONFERENCE

Framework for Analysis of Standard-Essential Patent (SEP) and Fair, Reasonable, and Non- Discriminatory (FRAND) Licensing and Royalty Issues – Global Edition

A Project of The Sedona Conference
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and Remedies (WG9)

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I. Introduction

The purpose of this project is to describe the various legal aspects involved in SEP and FRAND licensing and litigation in the world. This “Global Edition” will function as an addition to the Framework for Analysis published by The Sedona Conference in 2018 and 2019 which is limited to the US. The Global Edition will be covering the same and related issues in licensing and patent litigations outside of the US. The “Global Edition” will also discuss additional topics that have not played the same or any role in the US so far.

II. Legal Nature of FRAND Declarations

A. THE SDO COMMITMENT

Standard setting organisations (SSOs) create technical standards and norms for various industries. A prominent example is the European Telecommunications Standards Institute (ETSI) which has established a large number of standard documents for the interoperability of mobile devices and networks since the 1980s; the fifth generation, also called “5G”, is being or is about to be introduced on markets all over the world.

ETSI’s, and other SSOs’, main purpose is the creation of documents prescribing mandatory technical features (in addition to describing optional ones). However, the SSOs are generally aware of the possible legal consequences that may arise when a portion of a standard is covered by a patent in a way that compliance with the standard is impossible without infringing the patent. SSOs like ETSI have therefore created policies to deal with the standard-essentiality of intellectual property of its members (and, occasionally, non-members). For instance, ETSI members are asked to disclose to the organisation, and therefore publicly, which of their patents might be standard-essential. Members are further asked to declare that they are prepared to grant licenses on fair, reasonable, and non-discriminatory terms (so-called “FRAND declaration”).

There are a number of possible legal interpretations of a FRAND declaration by an SSO’s member. On one end of the spectrum, it has been argued that the declaration is to be seen as a binding offer that can be accepted expressly or implicitly by any implementer of the technology, resulting in an “automatic” license which may serve as the basis of a corresponding defence in a future lawsuit. At the other end of this spectrum of legal opinions, there is the argument that a FRAND declaration is non-binding in nature and does not represent more than a general willingness of the patent owner to grant such FRAND licenses. Following this view, the willingness to grant a license is naturally limited to such potential licensees who enter into negotiations about a FRAND license first and do not start implementing the technology (i.e. infringing upon the patent) before a license agreement is signed. There is also a question as whether FRAND obligations flow from FRAND declarations as a matter of contract law, or are grounded in competition law obligations following from the standard-essentiality of a patent, or both.

In a number of cases, courts have been asked to decide whether the decision of an SEP owner to negotiate a FRAND license only with implementers on a particular distribution level may constitute an abuse of their dominant position. This legal question is currently discussed mainly in the “connected cars” cases, but may become relevant in other industries as well.

The Global Edition will discuss these various views and the question of the scope of a possible contractual claim to agree on a FRAND license. Therefore, there will be cross-references to the chapters about the “FRAND Defence” and “Procedural Issues” (see below).

- ETSI, MPEG and IEEE as examples

B. OTHER FRAND COMMITMENTS

- De facto standards

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In addition, or in contrast, to formal SSO activities, “standards also may be set in the marketplace where firms vigorously compete in a winner-take-all standards war to establish their own technology as the *de facto* standard.”¹ In such a “standards war,” competing products with incompatible designs are introduced into a market, and users’ purchase decisions ultimately establish one design as the dominant design or *de facto* standard, in what can effectively be a winner-take-all competition. A well-known war occurred between Sony’s Betamax format Video Cassette Recorder (VCR) and Matsushita’s VHS format VCR, which ultimately resulted in VHS becoming the *de facto* standard. But not all competition among incompatible designs results in the establishment of a *de facto* standard. For example, multiple competing standards for video game consoles exist, including Sony’s PlayStation, and Microsoft’s Xbox 360—which were simultaneously commercially successful despite incompatibility of some games between platforms.

Although *de facto* standards are observed in markets, courts typically treat them differently than formal SSO standards tied to express (F)RAND commitments. If nothing else, the absence of a formal SSO process can make proving the existence of a standard *and* its concomitant (F)RAND commitment difficult.²

- SEPs owned by non-members of SDOs

As further explained in Section II.D.3, below, successor SEP owners are bound to the FRAND commitment of the original owner—whether by contract or operation of law—where the original owner declared the patent to be standard essential.

On the periphery of SEP/FRAND litigation are cases involving what can be called “undeclared SEPs”. These are patent lawsuits where plaintiffs base their infringement theories on the accused products’ compliance with standards—e.g., providing claim charts comparing patent claims to standards specifications instead of actual products—but argue that, because the asserted patents were never declared to be standard essential under an SSO IPR policy and thus the sought-for damages are not constrained by FRAND.³ The question is whether such undeclared SEPs should receive different economic analysis, particularly if the different treatment allows undeclared SEPs to

¹ U.S. DEP’T OF JUSTICE & FED. TRADE COMM’N, ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS: PROMOTING INNOVATION AND COMPETITION (2007).

² See *Certain Network Devices, Related Software and Components Thereof*, Inv. No. 337-TA-944, Comm’n Op. (U.S.I.T.C. Jul. 26, 2016) (rejecting respondent’s defense and public interest arguments that the asserted patents allegedly covered a *de facto* standard and were subject to a FRAND obligation because there was no evidence that the patent holder’s request for comment (RFC) was adopted as an industry standard or that the patents-in-suit covered the RFC, both of which were preconditions under the patent holder’s commitment before triggering a FRAND obligation).

³ See generally *Sycamore IP Holdings, LLC v. AT&T Corp.*, 294 F. Supp.3d 620, 625-26, 645-47, 654-57 (E.D. Tex. 2018) (successor patent holder’s enforcement of undeclared ITU-T SEP challenged due to original owner’s failure to declare patent application under ANSI IPR policy).

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produce higher monetary recoveries than their declared counterparts. At a minimum, the economic value attributable to the patent being part of a standard may be apportioned out.⁴

- Wrongly declared SEPs

SEP licensing and litigation often involves the consideration of whether patents declared as SEPs are, in fact, standard essential—particularly when large SEP portfolios are at issue. The U.K. Supreme Court addressed this issue in *Unwired Planet Int’l Ltd. v. Huawei Technologies (UK) Co., Ltd.* at ¶ 44, observing:

There is a problem that more patents are declared to be essential than in fact are essential. This problem of over-declaration is in part the result of the IPR Policy process which requires patent owners to declare SEPs in a timely manner when a standard is being prepared, as it encourages patent owners to err on the safe side by making a declaration. In part, there are difficulties in interpreting both the patents and the standards. In part also, patent claims are amended over time; different national patents within a patent family will vary in scope around the world; and standards themselves will vary over time. Further, the process of negotiating rates by counting patents within a portfolio creates a perverse incentive to over-declare.⁵

Facing this problem, courts and licensing participants can take various approaches. For example, when applying a top-down approach to SEP rate setting, parties can discount the portfolio rate by an approximated percentage of over-declaration.⁶ Those advocating a bottom-up approach may examine/challenge the essentiality of each patent—an effort made increasingly difficult as portfolios grow. And under comparable-license analysis, the risk of over-declaration is assumed to already be “baked in” to the prior agreed-to rates, at least when large SEP portfolios are involved.

⁴ See *Ericsson, Inc. v. D-Link Systems, Inc.*, 773 F.3d 1201, 1232 (Fed. Cir. 2014) (“royalty must be premised on the value of the patented feature, not any value added by the standard’s adoption of the patented technology”).

⁵ *Unwired Planet Int’l Ltd. v. Huawei Technologies (UK) Co., Ltd.* at ¶ 44

⁶ See e.g., *TCL Comm’n Tech. Holdings, Ltd. v. Telefonaktiebolaget LM Ericsson*, No. SACV 14-341-JVS, 2018 WL 4488286 (C.D. Cal. Mar. 9, 2018), rev’d in part and vac’d in part on other grounds 943 F.3d 1360 (Fed. Cir. 2019) (providing detailed discussion of patent-by-patent essentiality analysis to determine over-declaration percentage).

C. ELEMENTS OF FRAND COMMITMENTS

- 1. Commitment to disclose and declare**
- 2. Commitment to license**

D. LEGAL CONSEQUENCES

1. Applicable laws

- National, regional (EU antitrust, choice of law in SDO's statute)
 - In assessing the scope of a FRAND declaration, the Dutch courts will apply the law applicable to that declaration (e.g. French law for the ETSI FRAND declaration).

2. Binding nature of public commitments

- Two extremes: license agreement via implementation vs. mere commitment to start negotiating
 - Netherlands: The Dutch courts have always rather explicitly rejected the viewpoint that a FRAND obligation entails an automatic license. Before *Huawei v. ZTE*, the Dutch courts held that a FRAND declaration is not a waiver of a patent right: a SEP holder may – in principle – enforce its patent.⁷ However, the Dutch courts found, a FRAND declaration does impose certain obligations on a SEP holder. A violation of these obligations may make patent enforcement an abuse of power or a breach of pre-contractual good faith.⁸ The assessment of the FRAND obligation based on these principles was rather SEP holder friendly. Post *Huawei v. ZTE*, standard implementers invoking a FRAND obligation against a SEP holder enforcing its SEP therefore relied primarily on *Huawei v. ZTE* and the domestic pre-*Huawei v. ZTE* principles lost their interest in civil proceedings.
 - Under the case law before *Huawei v. ZTE*, a FRAND commitment was considered to be not sufficient to function as an authorization to third parties to use a standard without a license. More recently the Dutch courts have considered that the goal of a FRAND declaration (in particular a FRAND declaration pursuant to ETSI's IPR policy) is to strike a balance between effective patent protection for a SEP holder, and the justified interest of third parties to be able to use the SEP at issue and (thus) the standard. (*Koninklijke Philips N.V. v. Wiko SAS*, ECLI:NL:GHDHA:2019:3613, at 4.6 (CoA The Hague, 2 July 2019).

⁷ *Samsung Electronics Co. Ltd. V. Apple Inc. et al*, ECLI:NL:RBSGR:2011:BT7610, at 4.12 and 4.18 (D.C. The Hague, 14 October 2010).

⁸ *Samsung Electronics Co. Ltd. V. Apple Inc. et al*, ECLI:NL:RBSGR:2012:BV8871, at 4.31 (D.C. The Hague, 14 March 2012).

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Accordingly, the enforcement options for a SEP are subject to the criteria set out in that decision.

- Essentially, a FRAND declaration in the Netherlands imposes an obligation on the SEP holder to negotiate in good faith regarding the grant of licenses under FRAND terms. A FRAND declaration does not preclude the SEP holder from enforcing its patent, but it does affect the enforcement possibilities to the extent that violation of the obligation to negotiate in good faith may lead to loss of the right to injunctive relief. At the same time, an implementer is allowed, in principle, to implement the standard before a license has been concluded, provided the implementer has been negotiating in good faith and without delaying tactics
- [China perspective] Restrictions on an undertaking with market dominance [Competition law]
 - NDRC's Sanction Decision Against Qualcomm (2015)
 - *Huawei v. InterDigital*, (2013) *Yue Gao Fa Min San Zhong Zi No. 306*
- [China perspective] Intrinsic obligation of a SEP owner
 - Article 25 of the *Interpretation (II) of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases*

3. Obligations to update and transfer the commitment

SSO members may have a duty to update their declarations (or letters of assurance), depending on the SSO's rules and the specific type of declarations made. For example, IEEE-SA Standards Board Bylaws (Subclause 6.2, Para. 15) articulate the duty to update: "If a Submitter becomes aware of additional Patent Claim(s) that are not already covered by an Accepted Letter of Assurance, that are owned, controlled, or licensable by the Submitter, and that may be or become Essential Patent Claim(s) for the same IEEE Standard, then such Submitter shall submit a Letter of Assurance stating its position regarding enforcement or licensing of such Patent Claims."⁹ But IEEE also allows for members to submit a "Blanket Letter of Assurance", which applies to all essential patent claims for which the submitting member "may currently *or in the future* have the ability to license."¹⁰

There is variation among SDO IPR policies regarding how to ensure that successor SEP owners are bound to the FRAND commitment of the original owner. For example, some SDOs restrict SEP transfers with the intent of circumventing FRAND obligations, while other SDOs require members to include an agreement to abide by the applicable licensing commitment as part of the contractual patent transfer documents. In addition, some courts view antitrust law and the non-discriminatory component of the FRAND commitment as requiring that successor SEP owners be bound by the

⁹ IEEE-SA Standards Board Bylaws (Subclause 6.2, Para. 15).

¹⁰ *Id.*

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predecessor SDO members' commitment, regardless of whether the patent-sale agreement so requires.¹¹

4. Other duties associated with the commitment

5. Contractual claim against third parties to take a FRAND license

- No case law supporting such a claim Ben will provide paragraph about this.

6. Contractual claim of third parties to take a FRAND license

In several jurisdictions, the question has arisen whether the FRAND-commitment provides the implementer with a contractual claim against the SEP-holder to be granted a license on FRAND terms.

German courts have generally been rather skeptical about such a claim. In 2011, the Dusseldorf Regional Court has stated that the FRAND-commitment does not constitute a contract to the benefit of third-parties according to German law.¹² Rather, it merely corresponds to an *invitatio ad offerendum*, i.e. the implementer is supposed to make an offer to the SEP-holder.¹³ In other words, the implementer does not have a direct claim to licensing against the SEP-holder. However, recently there have been some movements in this regard. In its *Unwired Planet v. Huawei*-decision, the Higher Regional Court Düsseldorf—obviously for the sake of ensuring the third-party effect of the FRAND commitment for a subsequent patent acquirer—chose a dogmatic approach that even wants to derive a *quasi in rem* effect of the FRAND commitment from its irrevocability and, moreover, from the objective functional conditions of free competition in the context of standardisation processes.¹⁴ Furthermore, , an action for submission and justification of a FRAND offer is currently pending before the Regional Court Dusseldorf.¹⁵ However, neither the *in rem*-determination by the Higher Regional Court Düsseldorf nor the action for submission and justification provide the implementer a direct claim to licensing.

In contrast, the UK High Court in the parallel *Unwired Planet*-litigation in the United Kingdom in order to implement the *Huawei/ZTE* requirements, referred from the outset more directly to the legal obligation based on the FRAND declaration made under French law (applicable to ETSI matters).¹⁶ Even though, the Court confirmed that the enforceability of the FRAND undertaking under French law was not clear-cut. However, he held that when a patent holder makes a declaration to ETSI that a patent is essential, a legally enforceable obligation arises. Any implementer may enforce this against the patentee under the doctrine of *stipulation pour autrui* (an agreement for the benefit of third parties). This finding was ultimately and essentially confirmed by the UK Supreme

¹¹ *Unwired Planet v. Huawei*, Higher Regional Court of Düsseldorf, case: I-2 U 31/16, Mar. 22, 2019.

¹² Sec. 328 BGB (*German Civil Code*).

¹³ *Cf.* Regional Court Düsseldorf, case 4b O 31/10, Jun. 7 2011).

¹⁴ *Unwired Planet v. Huawei*, Higher Regional Court of Düsseldorf, case: I-2 U 31/16, Mar. 22, 2019.

¹⁵ *Huawei v Nokia*, case. xxx, currently pending before the CJEU.

¹⁶ [2017] EWHC 711 (Pat).

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Court.¹⁷ What this means is that the implementer has a contractual claim against the SEP-holder to be licensed and that the ultimate (worldwide) terms can be determined by the court. If the SEP-holder rejects these terms, he has lost his claim for injunctive relief whereas (vice versa) the implementer can be enjoined if he rejects a license on these terms.

Netherlands: Dutch civil law contains a broad provision allowing plaintiffs to apply for any declaratory judgment with regard to a legal relationship, provided that the plaintiff can show a legal interest in obtaining such declaratory judgment. The Dutch court has ruled upon a declaration of “FRAND”-ness of license offers in a Standard Essential Patent dispute. Although not yet tried in practice, it is likely that the provision also allows a defendant to apply for the determination of appropriate license terms in such disputes, and in other cases where a patentee is contractually or legally obliged to provide a license.

7. Limitations on the right to enforce statutory claims based on a SEP

- Overlap with chapter V
- Including patent ambush issues

E. RELATIONSHIP WITH OTHER LEGAL INSTRUMENTS (ANTITRUST, COMPULSORY LICENSE)

- Overlap with chapter V

¹⁷ Aug. 26, 2020 ([2020] UKSC 37)

III. Calculation of FRAND Royalties

Outside of the US, very few courts have so far taken on the challenge of deciding how to properly calculate a FRAND royalty, especially when there are a large number of SEPs in a multitude of countries (i.e. when a license to a global portfolio is necessary). The case law in the US has somewhat more to offer in this respect, with a variety of different approaches such as the *Georgia Pacific* factors and the so-called top-down methodologies adopted by different US courts, albeit in relatively few cases. A variation of the top-down approach was also used as the main basis for the calculation of a global FRAND rate in the notable European exception, namely in the case of *Unwired Planet v. Huawei* in the High Court of London in 2017, and in subsequent English court cases.¹⁸

The Global Edition will especially focus on two specific aspects in this field: In the litigation context, what is the type of evidence needed to make a case for a specific royalty under one or more of these methodologies? And in the context of licensing negotiations between parties, what do courts view as appropriate behavior for parties to comply with FRAND?

A. FRAND ROYALTIES IN THE LITIGATION CONTEXT

1. Introduction

In litigation, a determination of specific license terms and conditions, and in particular royalties, that would qualify as FRAND may become relevant in the context of various types of claims. The most obvious of these is a claim for infringement of an SEP. If liability for infringement of an SEP is found, the remedies may include damages for past infringement and potentially an ongoing royalty for continuing sales of infringing products. There seems to be no doubt that a court may determine a FRAND royalty as to specific patents that have been adjudged infringed. Calculation of FRAND royalties (and potentially setting other FRAND terms and conditions) associated with other SEPs, without a finding of infringement, presents a more interesting question. The issue may come up in connection with equitable relief (as in *Unwired Planet*) and may also be central to contractual disputes, disputes under competition law and possibly other types of claims where it may be necessary to determine, for example, whether FRAND terms were offered.

Regardless of context, a number of related issues will naturally arise, including: (1) whether the court can determine FRAND terms and conditions at all; (2) whether consent of the parties is required for such a determination; (3) whether such a determination may be global in scope or must be limited to the country in which the court sits; (4) whether such a determination must be limited to specific patents that have been adjudicated or may address broader portfolios of patents; and (5) what method(s) should be used to calculate FRAND royalties.

¹⁸ These are still pending at the time of completion of this Project Chapter in December of 2019, the most advanced probably being the *Conversant v. Huawei* and *ZTE* litigation.

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2. Are courts willing to determine FRAND terms and conditions?

When considering how FRAND terms and conditions may be determined in the courts of a particular jurisdiction, a logical first question is whether the courts will entertain a determination of FRAND terms and conditions at all. Some courts may be unwilling or find themselves unable to set the terms and conditions of a license agreement. In the relevant decisions that have been handed down courts have taken different views. Notably, courts in the United Kingdom, China and India have determined at least some FRAND terms and conditions in certain circumstances, as discussed further below.

The willingness of some courts and the refusal of others to entertain so-called “free-standing” FRAND claims (i.e. absent an underlying legal claim such as SEP infringement) is also notable. For example, the Chinese courts have displayed a willingness to entertain such claims (see further below). In France, the Paris High Court has indicated willingness to hear cases in which a determination of (global) FRAND terms is sought.¹⁹ The English courts, on the other hand, have not been so willing. In *Vestel v Access Advance*,²⁰ the England & Wales Court of Appeal rejected Vestel’s argument that the English court could use its inherent jurisdiction to grant declaratory relief in a free-standing claim for a FRAND declaration that is not supported by an underlying legal claim, whether as a defence to patent infringement or for breach of competition law. The court held that not only does there need to be a “useful purpose” for the grant of declaratory relief, but that it needs to be based on the existence (or non-existence) of a legally enforceable right. Vestel did not claim to have a legally enforceable right to a FRAND licence in that case, and the court held that “[t]here is no such thing as a free standing FRAND claim,” i.e. the claim to a right to a FRAND licence is not a cause of action in and of itself.²¹

a. Is consent of the parties required?

The English courts have determined FRAND royalties without the consent of the parties in connection with determining whether to grant an injunction, where the defendant raises a FRAND defence to injunction (e.g., *IPCom v Nokia*,²² *Unwired Planet v Huawei*²³). In this situation, the court asserts that it is not imposing FRAND terms on the implementer, but rather simply determining what offer is to be made to the implementer. Although the court indicates that the implementer is not bound to accept the offer, and may instead submit to a UK-wide injunction and pay damages on past UK sales²⁴ of infringing devices, the practical reality of the court’s decision is that it forces an

¹⁹ Tribunal judiciaire de Paris, 3^{ème} Chambre civile, 1^{ère} section, Ordonnance du Juge de la mise en état rendue le 6 février 2020, N° RG 19/02085.

²⁰ [2021] EWCA Civ 440.

²¹ This case may be rather unusual in that the basis of the action was amended during the course of proceedings so that by the time of the appeal, Vestel’s original claim for abuse of a dominant position was no longer relied upon.

²² [2012] EWHC 1446 (Ch).

²³ *Unwired Planet International Ltd and another v Huawei Technologies (UK) Co Ltd and another; Huawei Technologies Co Ltd and another v Conversant Wireless Licensing SARL; ZTE Corporation and another v Conversant Wireless Licensing SARL* [2020] UKSC 37 (26 August 2020).

²⁴ In *IPCom v HTC* [2020] EWHC 2941 (Pat), the English court struck out IPCom’s claim that damages for past UK infringements should be assessed by reference to global sales, noting that the only way in

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implementer to either take a global license based on allegedly FRAND terms set on one patent in one jurisdiction, or be excluded from a particular market.²⁵

In China, courts may exercise jurisdiction in a dispute concerning determination of FRAND terms and conditions, without the consent of the parties. To the extent one party (either SEP holder or implementer) submits the FRAND dispute after “sufficient negotiation” to a competent Chinese court, such court can docket the case and proceed with adjudication. This procedure has been expressly upheld by the Supreme People’s Court (SPC) in its judicial interpretations (“[w]here no agreement is reached upon sufficient negotiation, either party can petition the people’s court to determine the SEP licensing terms.”).²⁶

In *Huawei v. InterDigital*,²⁷ the Guangdong High Court also held that “[r]egarding the determination of royalty or rate...if it cannot be determined through the negotiation between the Parties, either party can petition the court to make the determination”. The court adjudicated the range of FRAND rates for InterDigital’s Chinese SEPs and SEP applications.

Notably, in the context of evaluating whether to grant injunctive relief in SEP infringement cases, e.g., *Huawei v. Samsung*,²⁸ a Chinese court may substantively assess whether a SEP holder’s offer

which those foreign sales could justify a payment to ICom in a claim for damages for infringement of a UK patent would be if those acts of sale were in some sense caused by the acts of infringement in the UK (but they were not, and ICom had not attempted to suggest that they were).

²⁵ TQ Delta, LLC v Zyxel Communications UK Ltd & Anor [2019] EWCA Civ 1277.

²⁶ See Article 24 of the *Interpretations of the Supreme People’s Court Concerning Certain Issues on Application of Law for Trial of Cases on Disputes over Patent Infringement (II)* (最高人民法院关于审理侵犯专利权纠纷案件应用法律若干问题的解释（二）), dated 22 March 2016 and amended on 29 December 2020, “[w]here the recommended national, industry or local standard(s) expressly provide the information on the essential patent concerned, if in the negotiation for licensing terms of practicing such patent between patentee and the alleged infringer, the patentee deliberately violates the fair, reasonable and non-discriminatory licensing obligations, resulting in failure to conclude the patent license contract, and the alleged infringer acts with no obvious fault during the negotiation, then the people’s court shall generally not support the patentee’s claim for ceasing the implementation of the relevant standard...For purposes of paragraph 2 hereof, the licensing terms for practicing the patent shall be determined upon negotiation between the patentee and the alleged infringer. Where no agreement is reached upon sufficient negotiation, a party may petition the people’s court to determine such terms. In determining the abovementioned licensing terms for practicing the patent, the people’s court shall, based on fair, reasonable and non-discriminatory principles, take into comprehensive consideration of factors such as the degree of innovation of the patent, the role of the patent in the relevant standards, the technical field to which the standards belong, the nature and scope of implementation of the standards, relevant licensing terms, etc.”.

²⁷ See *Huawei v InterDigital*, (2013) Yue Gao Fa Min San Zhong Zi No.305 ((2013) 粤高法民三终字第305号), by Guangdong High Court.

²⁸ See *Huawei v Samsung*, (2016) Yue 03 Min Chu No.816 ((2016) 粤03民初816号案), by Shenzhen Intermediate Court.

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significantly deviates from a “benchmark,” and the court may directly determine the benchmark FRAND terms and conditions without any party’s request.

In India, courts have ordered SEP-defendants to pay court-determined royalties on an interim basis, pending final adjudication. For example, in 2013, Ericsson filed an action against Micromax before the High Court of Delhi, seeking *inter alia* damages and injunctive relief. The parties then agreed to enter into negotiations for a FRAND licence for a certain period of time. It was also agreed that Micromax would make interim royalty payments to Ericsson, pending negotiations. The High Court of Delhi documented the parties’ agreement (Order dated 19 March 2013, Interim application No. 4694/2013 in CS(OS) No. 442/13).

The negotiations did not lead to the signing of a FRAND licence. Subsequently, in November 2014, the Delhi High Court, after hearing the parties and analyzing third party licensing agreements signed by Ericsson, ordered Micromax to pay an interim royalty fee pending completion of the trial. The court calculated the royalty based on a percentage of the price of the phone.²⁹

b. Rates only or other terms as well?

As a general rule, English courts are unable to write a contract from scratch. They are able to construe contracts, imply terms or rectify mistakes in contracts where the intentions of the parties can be determined by evidence. They can take account of trade usage and conventions.

When determining FRAND terms and conditions, an English court likely will ask the parties to agree to terms as far as they are able to do so. For example, in *Unwired Planet v Huawei* the parties had largely agreed to license terms, with the exception of rates and geographic scope. The court determined geographic scope as well as rates. English courts may also refer to terms that should be drafted into the FRAND licence. For example, the court in *Conversant v Huawei*, explicitly referred to the possibility of taking into account the decisions of foreign courts: “If all the Chinese patents are invalid or not infringed, then any FRAND licence will need to provide that no royalties should be payable in respect of them, either for the past or the future.”³⁰

A Chinese court’s adjudication will be subject to the scope of a plaintiff’s petition. If a plaintiff only petitions for the rate or royalty-related terms for the SEP license, the Chinese court’s adjudication will be limited to such rate or royalty-related terms. In *Huawei v InterDigital* (2013),³¹ Huawei petitioned the Chinese court “to adjudicate the FRAND license rate or the range of the license rate for all of InterDigital’s Chinese SEPs”; accordingly, the court only determined the range of the license rate, *i.e.*, no more than 0.019%.

²⁹ Judgment dated 12 November 2014 in CS(OS) No. 442/13. [NEED PROPER CITATION]

³⁰ *Conversant v Huawei & ZTE*, [2018] EWHC 808 (Pat) at [18].

³¹ See *Huawei v InterDigital*, (2013) Yue Gao Fa Min San Zhong Zi No.305 ((2013) 粤高法民三终字第 305号), by Guangdong High Court.

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If the plaintiff files a broader petition, pursuant to the SPC's judicial interpretations, a Chinese court can adjudicate all "licensing terms" (not only the rates).³²

In practice, if a plaintiff only makes a general petition for the licensing terms without specifying details, a Chinese court will likely focus more on the determination of the royalty rates and other terms related to royalty calculation. In *Huawei v. Conversant* (2019),³³ Huawei petitioned Nanjing Intermediate Court "to determine the FRAND licensing terms for all Chinese 2G, 3G, and 4G SEPs that the Defendant Conversant owns or has right to license". The court held that "[t]he licensing terms that the Plaintiff petitioned mainly include four parts, *i.e.*, licensed patents, licensed products, licensed activities and licensing rates," which are the subject matters of its adjudication. Another example is the Guangdong High Court's 2018 guidelines for adjudicating SEP related disputes, which also focus on determination of a FRAND royalty.³⁴

c. Global or country-specific?

In English courts, it appears that the question of the geographic scope of a FRAND terms determination will depend upon the relevant SDO rules and what a willing licensor and licensee in the positions of the parties would agree. The Supreme Court hearing *Unwired Planet* construed the ETSI rules as allowing for global licensing, where this reflects industry practice.³⁵ But even if a global license is FRAND, a national license might also be FRAND.³⁶ Further, some FRAND licences may carve out a particular territory while licensing the rest of the world.³⁷

However, as the court noted in *Vringo II*,³⁸ the aggregate of individual FRAND rates for patents taken alone and on a territorial basis may well be far more than global portfolio rates. This is because within the UK it would have been determined that at least one patent is valid and infringed,

³² See Article 24 of the Interpretations of the Supreme People's Court Concerning Certain Issues on Application of Law for Trial of Cases on Disputes over Patent Infringement (II) (最高人民法院关于审理侵犯专利权纠纷案件应用法律若干问题的解释(二)), dated 22 March 2016 and amended on 29 December 2020.

³³ See *Huawei v. Conversant*, (2018) Su 01 Min Chu No.232-234 ((2018) 苏01民初232、233、234号), by Nanjing Intermediate Court.

³⁴ See Chapter III of the Working Guide of Guangdong High People's Court on Adjudicating Cases Concerning Standard Essential Patent Related Disputes (For Trial Implementation) (广东省高级人民法院关于审理标准必要专利纠纷案件的工作指引(试行)), dated 26 April 2018.

³⁵ *Unwired Planet International Ltd & Anor v Huawei Technologies (UK) Co Ltd & Anor* [2020] UKSC 37 (26 August 2020) at para 15; at first instance, Birss J found that on the facts a rational and willing defendant in the position of Huawei would take a global license from Unwired Planet.

³⁶ See Birss J para 107 *Vringo II* ([2015] EWHC 214).

³⁷ *Unwired Planet International Ltd & Anor v Huawei Technologies (UK) Co Ltd & Anor* [2020] UKSC 37 (26 August 2020) at para 48.

³⁸ Birss J para 107 *Vringo II* ([2015] EWHC 214).

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whereas in other countries it may not have been so determined. Global rates also take into account that in many countries there may be no, or fewer, relevant patents.

As mentioned above, a Chinese court's adjudication will be subject to the scope of a plaintiff's petition, which is one of the basic principles of civil procedure in China. In the past practice, plaintiffs' petitions for determination of licensing terms generally concerned Chinese SEPs, so Chinese courts adjudicated the licensing terms only for the Chinese SEPs.³⁹

However, Chinese courts have never expressly excluded themselves from adjudicating global SEP licensing terms. Guangdong High Court's guidelines state: "[w]here the territorial scope of a license to SEP(s) in suit petitioned by SEP holder or implementer for adjudication, is beyond the territory of China, and the counterparty fails to raise explicit objection during the legal proceeding or the objection is determined to be unreasonable upon review, the court may determine the royalty for such license territorial scope".⁴⁰

Recently, with plaintiffs expressly petitioning for global licensing terms, the Chinese courts have also made it clear that they have jurisdiction to determine global licensing terms in several SEP disputes. Indeed, in its final and appellate ruling of *OPPO v Sharp*,⁴¹ the Supreme People's Court expressly affirmed that Chinese courts can adjudicate royalty rates worldwide in SEP licensing disputes, if the parties are willing to reach a global license and have negotiated for this and if the dispute concerned has a close nexus to China. Specifically, the Supreme People's Court reasoned,

"Based on the above facts, it can be seen that, first of all, the parties in this case have the willingness to conclude global licensing terms of the standard essential patents concerned, and have conducted licensing negotiations on this. The parties' scope of willingness to negotiate constitutes the factual basis that this case can determine the global licensing terms of the standard essential patents concerned. Secondly, the standard-essential patent licensing dispute in this case is apparently more closely related to China. The specific manifestations include: in this case, most of the standard-essential patents concerned in the licensing negotiations of the parties are Chinese patents; China is the main place of implementation, main place of business or main source of revenue for the implementers of the standard essential patents concerned; China is the party's patent licensing negotiation place; China is also where property that can be seized or enforced by the requesting party is located."

"A Chinese court deciding on the global licensing terms of the standard-essential patents concerned is not only more conducive to identifying the situation of implementation of the standard-essential patents concerned by OPPO and OPPO Shenzhen, but also more convenient for the enforcement of the case adjudication. Finally, it should also be noted that if the parties can reach consensus on the global licensing terms of the standard-essential patents

³⁹ See, e.g., *Huawei v InterDigital* (2013), *Huawei v Conversant* (2019).

⁴⁰ See Article 16 of the Working Guide of Guangdong High People's Court on Adjudicating Cases Concerning Standard Essential Patent Related Disputes (For Trial Implementation) (广东省高级人民法院关于审理标准必要专利纠纷案件的工作指引（试行）), dated 26 April 2018.

⁴¹ See *OPPO v Sharp*, (2020) Zui Gao Fa Zhi Min Xia Zhong No.517 ((2020) 最高法知民辖终517 号), by Intellectual Property Tribunal of the Supreme People's Court.

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to be adjudicated by the court of a country, the court of that country certainly has jurisdiction and can adjudicate the global licensing terms of the standard-essential patents between the parties. However, *consent to jurisdiction is not a necessary condition for a particular court to exercise jurisdiction and handle of the global licensing terms of standard-essential patents. Where the parties have the willingness to reach a global license and the case has a closer connection with the Chinese courts, the trial court did not err in finding that it was appropriate to rule on the global licensing terms of the standard-essential patents concerned on the basis of its jurisdiction over the case.*” (Emphasis added.)

d. Specific patents only or portfolios?

In *Unwired Planet*,⁴² the English court determined FRAND royalties for a global portfolio of patents, on the theory that this is what commercially reasonable parties would have agreed to.

In China’s judicial practice, the licensing terms are generally assessed or determined on the SEP-portfolio basis, *i.e.*, for all SEPs that the SEP holder owns or has right to grant the license.⁴³ In *Huawei v. InterDigital*,⁴⁴ the determination made by Shenzhen Intermediate Court and further upheld by Guangdong High Court was based on “all Chinese SEPs and SEP applications owned by InterDigital”; in *Huawei v. Conversant*,⁴⁵ the determination made by Nanjing Intermediate Court was based on “the portfolio of all Chinese 2G, 3G and 4G SEPs that the Defendant Conversant owns or has right to license”, for which Nanjing Court first examined the essentiality of the SEPs in suit.

Plaintiffs have adopted this portfolio-based approach in their petitions for the licensing term determinations. In *Xiaomi v. InterDigital*,⁴⁶ Xiaomi petitioned Wuhan Intermediate Court to determine the global licensing terms (or the range) for “all SEPs under their licensing negotiation between Xiaomi and InterDigital.” In *Samsung v. Ericsson*,⁴⁷ Samsung petitioned Wuhan Intermediate Court to determine the global licensing terms (including the licensing rates) for “all 4G and 5G SEPs” held or controlled by Ericsson and its affiliates.

⁴² *Unwired Planet* [CITE]

⁴³ In its assessment or determination, a Chinese court will exclude all non-essential patents (*i.e.*, the patents not covered by the relevant standards) from the SEP holder’s portfolio, which are not the subject matter in the “SEP royalty disputes”, *see Huawei v. Conversant* (2019).

⁴⁴ *See Huawei v InterDigital*, (2013) Yue Gao Fa Min San Zhong Zi No.305 ((2013) 粤高法民三终字第305号), by Guangdong High Court.

⁴⁵ *See Huawei v Conversant*, (2018) Su 01 Min Chu No.232-234 ((2018) 苏01民初232、233、234号), by Nanjing Intermediate Court.

⁴⁶ *See Xiaomi v InterDigital*, (2020) E 01 Min Chu No.169(a) ((2020) 鄂01民初169号之一), by Wuhan Intermediate Court.

⁴⁷ *See Samsung v Ericsson*, (2020) E 01 Min Chu No.743 ((2020) 鄂01民初743号), by Wuhan Intermediate Court.

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3. Methods of determining a specific royalty

Outside of the U.S., courts have employed two methods for calculating a FRAND royalty: (1) comparable licenses and (2) top-down analysis.

a. Comparable licenses

The rationale behind the comparable licenses approach is that, if the information is available, there is no better source for a fair and reasonable royalty rate than that which has already been established by buyers and sellers in an open marketplace. Courts and economists around the world have, for many years, employed the tool in patent pricing, patent damages, and FRAND evaluation settings.

The approach entails examining the terms and underlying conditions of existing licenses. If similar IP has been licensed successfully by similar IP owners to similar IP users for similar uses, then, the reasoning goes, the terms of those licenses may be quite useful in determining FRAND terms for a comparable transfer of rights. Market-clearing prices and terms send strong signals about the intersection of buyer and seller interests.

Under ideal circumstances, a comparable license analysis is based on a real-world license (or set of licenses) that is (are) essentially identical to the transfer of patent rights under question.

In most cases, however, there is no perfectly comparable real-world license to serve as a model. This should not preclude the use of a comparable licenses analysis. Rather, it means that relevant differences between the transfer of patent rights under question and the imperfect comparator license must be considered and accounted for.

For a detailed discussion of comparable licenses in the reasonable royalty determination context in U.S. patent cases, see The Sedona Conference, *Commentary on Patent Reasonable Royalty Determinations*, Sect. III.C.1. (Determining the Royalty Rate—Comparability of Licenses).

As early as 2016 in the *Saint Lawrence v. Vodafone* case, German courts have viewed comparable license agreements as highly instructive in determining the “appropriateness of the license terms offered.”⁴⁸ Such agreements can be relevant as to both the royalty rate and the terms of a license. Moreover, the higher the number of concluded licenses with similar conditions, the stronger the inference that the terms are FRAND.⁴⁹

In *Huawei v. InterDigital* (2012), the Guangdong High Court ruled in its final award that the InterDigital offers did not comply with FRAND and that the royalties to be paid by Huawei for InterDigital's 2G, 3G, and 4G essential Chinese patents should not exceed 0.019% of the actual sales price of each Huawei product. Regarding the calculation of FRAND rate, the judges made

⁴⁸ *Saint Lawrence v. Vodafone*, para 273. See also *Fraunhofer-Gesellschaft (MPEG LA) v. ZTE*, para 391; *Tagivan (MPEG LA) v. Huawei*, para. 431.

⁴⁹ *Id.* at para. 451.

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reference to InterDigital's licenses to Samsung, Apple, and others as comparable licenses in their reasoning in the final decision.⁵⁰

In *Unwired Planet v. Huawei*, the High Court of England and Wales relied on the comparable licenses approach. Having found that Huawei infringed two of Unwired Planet's English SEPs, the court determined the royalties that Huawei would be required to pay going forward under a world-wide FRAND license (unless Huawei were to cease selling infringing products in the UK).⁵¹ The court also determined that the amount of damages due for past infringement was the sum the patentee would have earned under such a FRAND license for the relevant UK sales.⁵²

b. Top-down analysis

The rationale behind the top down approach is that, if the information is available, a fair and reasonable royalty rate should be no higher than, and usually a fraction of, the benefits that use of the SEPs will generate for the user. The top down approach to determining a FRAND rate begins with an estimate of an aggregate royalty that should be paid for all relevant SEPs. It then allocates that royalty obligation to individual SEPs or SEP portfolios.

The top down approach was utilized by the court in *Unwired Planet* as a cross check on the royalties determined using the comparable licenses approach.⁵³

In *Sisvel v. Haier*, the Karlsruhe court in Germany dealt primarily with the issue of how parties must behave in the so-called "FRAND dance."⁵⁴ As part of its opinion, however, the court determined that "[t]he [FRAND] royalty shall be calculated according to the formula $R = A \cdot B \cdot C$ where A corresponds to a royalty rate of 0.012% for each patent family, B corresponds to the number of patent families and C corresponds to the net selling price of a licensed product, taking into account only patent families essential to the performance of the "wireless standards." Though the court provided limited detail, it appears that the royalty rate of 0.012% per patent family was derived from a top down approach.

In *Samsung v. Apple* (2014), the Japanese Grand Panel of the IP High Court affirmed the use of a top down approach to determine a FRAND royalty rate. The selling price of the end product was multiplied by the relative contribution of the UMTS standard. That contribution was capped at 5 percent of the selling price of the product. That amount was then divided by the number of SEPs for the UMTS standard to arrive at a royalty per SEP of .00945 percent.

In China, three cases have addressed the methods to arrive at a FRAND rate. In *Huawei v. InterDigital* (2013), the Guangdong High Court endorsed the top down approach utilized by the Shenzhen

⁵⁰ See *Huawei v. InterDigital*, (2013) Yue Gao Fa Min San Zhong Zi No.305 ((2013) 粤高法民三终字第305号), by Guangdong High Court.

⁵¹ [CITE]

⁵² [CITE para 800]

⁵³ [CITE]

⁵⁴ *Sisvel v. Haier*.

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Intermediate Court. The Guangdong High Court affirmed that “the amount of licensing royalty should consider the profits gained in implementing such patent or similar patent, as well as the percentage of such profits in the selling profits or sales revenues of licensee’s relevant products”, and the “patent licensing royalty should not exceed a certain ratio range of relevant product profits, and should consider the reasonable distribution of patent licensing royalty among patentees”.⁵⁵

In *Huawei v. Samsung* (2016), the Guangdong High Court again endorsed the top down approach applied by Shenzhen Intermediate Court. The approach analysis in assessing Huawei’s initial offer of 1.5% for its portfolio. The court found that Huawei held 5% of the total number of 3G SEPs. It found an aggregate royalty rate for 3G of 5%. For 4G, it found that Huawei held about 10% of the total number of 4G SEPs, and the aggregate royalty rate for 4G would be 6-8%.⁵⁶

The methodology then used by the court to assess Huawei’s offers is redacted. But the court found that Huawei’s royalty offers were made based on the considerations of the strength of its global portfolio, the above aggregate royalty rates for 3G and 4G SEPs, and the market sales information of Samsung products. It found that Huawei’s offers were reasonable as they gave room for Samsung to negotiate a suitable price.⁵⁷

In *Huawei v. Conversant* (2018), the Nanjing Intermediate Court addressed FRAND royalty rates, which were at the center of the dispute. The court adopted the top down approach proposed by Huawei and set the calculation formula for Chinese SEPs FRAND rates: Chinese royalty for a single patent family = aggregate rates of the standard in a particular industry in China × the contribution ratio of that single patent family. The court decided that Huawei only needed to pay the SEP royalty for the 4G mobile terminal products for one patent.⁵⁸

It is also noteworthy that in China, the Guangdong High Court’s Working Guidelines on the Trial of Disputes related to Standard Essential Patents (Trial) have outlined a number of factors considered relevant to determining SEP licensing fees, including:

- (1) The contribution of the standard essential patent at issue to the sales and profits of the implementer’s products, which excludes the effects of the inclusion of the patent in the standards;
- (2) The contribution of the standard essential patent at issue to the relevant standard;
- (3) Prior to the formulation of the standards, the advantages of such patented technology over other alternative technologies;
- (4) The cumulative licensing fees for the use of all relevant standard essential patents which are paid by the implementer to manufacture its products using the standard essential

⁵⁵ [CITE]

⁵⁶ [CITE]

⁵⁷ [CITE]

⁵⁸ [CITE]

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patent at issue;

(5) Other relevant factors.⁵⁹

4. **Royalty stacking**

5. **Holdup and holdout**

B. FRAND ROYALTIES IN THE CONTEXT OF LICENSE NEGOTIATIONS

1. **What is required to show that licensor has made a FRAND offer?**

2. **What is required to show that the prospective licensee is a willing licensee?**

a. **Must the prospective licensee make a FRAND counteroffer?**

i. **How would the prospective licensee show that its counteroffer was FRAND?**

⁵⁹ Guangdong High Court, *Working Guidelines on the Trial of Disputes related to Standard Essential Patents* (Trial), ¶ 24.

IV. Nondiscrimination

A. MEANING OF “NONDISCRIMINATORY”

The “ND” portion of the FRAND commitment, or obligation, of the SEP owner is to a large extent defined by national or – in the case of the European Union – regional antitrust laws. The requirement not to discriminate between licensees essentially comes down to the question whether substantially similar (or different) license agreements are justified by essentially similar (or different) circumstances. In many SEP/FRAND cases around the world, parties heavily dispute which factors may or may not be definitive for treating one licensee differently from other, existing licensees, relating to the royalty rate or to other, “soft” factors of such agreements (provisions about past damages, the contractual term, how to deal with changes of the licensed portfolio or range of products, etc.).

Virtually every aspect in this legal minefield seems to be under dispute, as some SEP owners try to establish a coherent licensing practice, publishing their “standard rates” and “standard agreements” online (even if actually concluded agreements do not match those “standard” rates or terms), while implementers tend to stress the differences that are warranted in their own case creates compared to previous licenses granted. There are debates as to whether large implementers deserve a discount and as to whether license agreements settling disputes are actually relevant and “comparable” license agreements. The same holds true for any license agreement in which there is a range of different contractual obligations of the licensor or the licensee, e.g. when there is a cross-license or an undertaking that is unrelated to the intellectual property portion of the contract (such as supply or service obligations). And obviously, there is difficulty of comparing a running per device royalty rate in one agreement with a lump-sum agreed in another. There is still no established case law anywhere in the world that provides a binding guideline on how to “unpack” a royalty rate in such agreements and determine a “pure” license fee in cases where such additional obligations are not subject to the agreement.

Further, in some industries the established practice of the companies is to keep confidential as many details of such contracts as possible. These confidentiality obligations sometimes collide with transparency obligations established by some courts, which ask the patentee to make full disclosure all relevant existing license agreements in order to show – among other things – non-discrimination in a litigation. Other courts have accepted a limited transparency on a “need-to-know” basis and found that an anonymized overview of the main terms of existing license agreements can be sufficient to trigger the implementer’s obligation to react in a substantial way to the patentee’s offer. Still other courts adopt confidentiality rings which allow for disclosure to limited individuals responsible for running the litigation case. Such solutions lead to a situation where litigation outcomes may be based on different information from outcomes that are possible in bilateral negotiations.

1. Interpretation of the ND aspect of FRAND

In considering the “ND” portion of FRAND, courts have taken varying approaches as to whether the question of non-discrimination is considered separately from the question of what is “fair and reasonable”, or whether an overall assessment is carried out. An inseparable question is whether the

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obligation not to discriminate is strict (implying that licensors must offer identical or very similar terms to similarly situated licensors) or more flexible (implying that licensors have more latitude).

The UK case of *Unwired Planet v Huawei* involved significant dispute on these issues, which required the Court to state its position on the relationship between (i) the requirements of the non-discrimination limb of FRAND pursuant to the ETSI FRAND undertaking and (ii) the corresponding requirements of competition law. It was common ground between the parties that competition law only prohibits discriminatory behaviour if that behaviour is capable of distorting competition.⁶⁰ The question was whether that condition or something akin to it – which is not mentioned expressly in the ETSI FRAND undertaking – is nevertheless a relevant aspect of contractual FRAND. Huawei submitted that the ND limb of contractual FRAND should be given its ordinary and unadorned meaning: that like situations must be treated alike and different situations differently. According to this logic, the SEP owner was obliged to grant the same or similar terms to all similarly situated licensees, unless it could be shown that there were objective grounds for treating them differently. In this sense Huawei claimed that the ND limb of FRAND was “hard-edged”. More specifically, Huawei claimed that UP was obliged to offer the same or similar rates to Huawei as it had agreed with Samsung in a 2016 licence.

Unwired Planet (“UP”) disputed that the nature of the ND limb of FRAND was “hard-edged”, as claimed by Huawei, and argued that UP was not obliged to offer Huawei the same rate as the rate it had agreed in a prior licence with Samsung. UP’s arguments that (i) Huawei was not similarly situated to Samsung; (ii) the Samsung licence was not an equivalent or comparable licence to the Huawei licence being considered were rejected. However, that left its further argument that the ND limb of FRAND was to be interpreted in line with EU competition law, which prohibits discriminatory conduct by dominant undertakings only where it is capable of distorting competition.⁶¹

The first instance court held that the ND limb of contractual FRAND was “general” in nature rather than hard-edged.⁶² This meant that the SEP holder merely had to offer a FRAND benchmark royalty rate reflecting the value of the SEPs being licensed. That benchmark rate had to be made available to all licensees requiring the same kind of licence, but it would not cease to be FRAND simply because the SEP holder has previously granted a licence on more favourable terms. It followed that UP did not have to offer the same rates to Huawei as it had given to Samsung. The Judge considered that “hard-edged” arguments would only play a role where the difference in rates offered to similarly situated licensees would distort competition between them. In this case, Huawei had not advanced any evidence that the difference in rates was capable of distorting competition.⁶³

The Court of Appeal and the UK Supreme Court both upheld the first instance court’s finding that the ND limb of contractual FRAND was general rather than hard-edged. Rejecting the concept of hard-edged non-discrimination, the Supreme Court noted that ETSI had previously considered and

⁶⁰ *Unwired Planet v Huawei* [2017] EWHC 2988 (Pat), paragraph 484.

⁶¹ See, for example, C-525/16, *MEO Serviços de Comunicações e Multimédia SA v. Autoridade de Concorrência* EU:C:2018:270.

⁶² *Unwired Planet v Huawei* [2017] EWHC 2988 (Pat), paragraph 503.

⁶³ *Unwired Planet v Huawei* [2017] EWHC 2988 (Pat), paragraph 518.

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rejected the inclusion of a “most favourable licence” obligation as part of the FRAND undertaking.⁶⁴ It also observed that differential pricing can be economically rational and is common in practice – and that any anti-competitive effects arising from differential pricing would be a matter for competition law rather than FRAND.⁶⁵

In reaching its conclusion on non-discrimination, the Supreme Court held that the ETSI FRAND undertaking imposes “a single unitary obligation”, such that the ND limb “gives colour to the whole and provides significant guidance as to its meaning”.⁶⁶ The function of the ND limb was to ensure that the terms on offer “reflect the true value of the SEPs to which the licence relates and without adjustment depending on the individual characteristics of a particular market participant. Put another way, there is to be a single royalty price list available to all.”⁶⁷

2. How to determine whether firms are similarly situated?

- Factors considered in *Unwired Planet* included the overall market position and size of the companies and the geographic scope of their activities.
- The first instance court concluded that Samsung and Huawei were similarly situated “on any view”.⁶⁸ From this perspective, Samsung and Huawei were both “very large multinational telecoms manufacturers active in the same handset and RAN infrastructure markets” and “in the top three handset vendors worldwide”. Further, while Huawei was “the top 4G RAN infrastructure maker, Samsung [was] another major supplier in that market”.

B. COMPETITION LAW CONSIDERATIONS

- EU/UK competition law each include an express prohibition on dominant undertakings (i.e. undertakings with market power) “applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage”.⁶⁹
- However, in situations where the claimed discrimination is between customers of the dominant undertaking, that obligation is interpreted relatively broadly, with no strict requirement to adopt the same pricing or other terms for each customer. Only where differential pricing leads to a distortion of competition on the market will it breach competition law.

⁶⁴ *Unwired Planet v Huawei* [2020] UKSC 37, paragraph 116.

⁶⁵ *Unwired Planet v Huawei* [2020] UKSC 37, paragraph 124.

⁶⁶ *Unwired Planet v Huawei* [2020] UKSC 37, paragraphs 113-114.

⁶⁷ *Unwired Planet v Huawei* [2020] UKSC 37, paragraph 114.

⁶⁸ *Unwired Planet v Huawei* [2017] EWHC 2988 (Pat), paragraph 488.

⁶⁹ Article 102(c) of the Treaty on the Functioning of the European Union; section 18(2)(c) Competition Act 1998 (UK).

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- In *Unwired Planet*, the first instance court held at first instance (in a judgment upheld on appeals to the Court of Appeal and the Supreme Court) that even a large difference in royalty rates payable by similarly situated licensees would not necessarily distort competition; any such claim would need to be assessed by reference to the margins of the relevant products. In the case at hand, the difference in royalty rates was a “very small percentage” compared to the applicable profit margin.⁷⁰
- In April 2014, the Guangdong High Court of China published its October 2013 judgments in two Huawei Technologies v. InterDigital cases. One held that U.S.-based InterDigital abused its dominant market position by refusing to license standard essential patents (SEPs) for 3G wireless communication devices on fair, reasonable and non-discriminatory (FRAND) terms. The other set a FRAND rate capped at 0.019% of the actual product selling price for InterDigital to license its Chinese SEPs to Huawei.
- Huawei claimed that InterDigital had abused its dominant market position in the licensing of SEPs for 3G wireless communications, and should compensate Huawei with RMB20 million (\$3.1 million) in damages. The Shenzhen court held that InterDigital violated its FRAND commitments and abused its dominant position as to Huawei by tying and setting a discriminatory and unreasonably high royalty rate for its Chinese SEPs and non-SEPs. It ordered InterDigital to cease the conduct, and awarded the damages Huawei claimed. However, it rejected the other claims that InterDigital had tied Chinese SEPs with non-Chinese SEPs. Both parties appealed, and the Guangdong High People’s Court ruled in October 2013, upholding all of the Shenzhen court’s determinations.⁷¹

C. DETERMINING WHETHER LICENSES ARE COMPARABLE AND UNPACKING LICENSE TERMS IN THE CONTEXT OF THE NONDISCRIMINATION PRONG

- In *Unwired Planet*, in the context of examining the ND limb of FRAND, the first instance court had to consider whether the licence agreed between UP and Samsung in 2016 was a comparable transaction to the putative licence under consideration in the litigation, i.e. the one between UP and Huawei.⁷² The Judge held that whilst there is overlap between (i) the concept of a comparable transaction in the context of ND and (ii) the concept of a comparable licence used in the analysis of FRAND royalty rates, the two are not identical.⁷³ Although the circumstances in which the 2016 UP-Samsung licence was entered into meant that the licence was not reliable evidence of the value of UP’s portfolio, the licence was held to be a comparable transaction for ND purposes. This was because: (i) Samsung was “one of a handful of major licensees”; (ii) the licence was for the same portfolio and

⁷⁰ *Unwired Planet v Huawei* [2017] EWHC 2988 (Pat), paragraph 518.

⁷¹ See *Huawei v InterDigital*, (2013) Yue Gao Fa Min San Zhong Zi No.305 ((2013) 粤高法民三终字第305号), by Guangdong High Court.

⁷² *Unwired Planet v Huawei* [2017] EWHC 2988 (Pat), paragraphs 489-493.

⁷³ *Unwired Planet v Huawei* [2017] EWHC 2988 (Pat), paragraph 489.

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related to the same acts; and (iii) the licence was contemporaneous with the putative licence between UP and Huawei.⁷⁴

The Court of Appeal agreed with the first instance court's analysis. It held that in the ND context, the focus should be on the transactions themselves, rather than the circumstances in which they are entered into. Noting that UP's subjective reasons for offering Samsung a lower rate were not relevant features of the transaction itself, the Court of Appeal concluded that the licences were comparable for the purpose of considering the ND limb of FRAND.⁷⁵

D. CONFIDENTIALITY VS TRANSPARENCY

- Most courts accept that licence disclosure is key to FRAND assessments, but few (if any) have addressed the fact that parties settling licences outside of litigation generally do not secure access to the terms of other licences concluded by the licensor.
- In the UK court process, it is regarded as important that each party must have access to documents disclosed in the proceedings, including licence agreements (unless it consents to an outside counsel only confidentiality regime). However, the Court is aware of the need to put in place an appropriate regime to protect confidentiality which strikes a fair balance between the interests of the parties, including third parties who are counterparties to the documents to be disclosed.⁷⁶ Such disclosure may therefore be made subject to undertakings given to the Court and may be subject to restrictions on the activities that recipients of the information may carry out (for example, such individuals may be prevented from participating in FRAND licensing generally, although will not be prevented from participating in litigation and settlement negotiations).⁷⁷

⁷⁴ *Unwired Planet v Huawei* [2017] EWHC 2988 (Pat), paragraph 493.

⁷⁵ *Unwired Planet v Huawei* [2018] EWCA Civ 2344, paragraph 169.

⁷⁶ Judgment of the Court of Appeal, *Mitsubishi & Sisvel v Archos, Nuu, OnePlus, Oppo & Xiaomi* [2020] EWCA 1562 at 117 (judgment of Lord Justice Males).

⁷⁷ Judgment, *Mitsubishi & Sisvel v Archos, Nuu, OnePlus, Oppo & Xiaomi* [2020] EWCA 1562 at 113 (judgment of Lord Justice Floyd).

V. *FRAND* Defense

The so-called FRAND defence was developed by the German Federal Court of Justice (*Bundesgerichtshof*) in its *Standard-Spundfass*⁷⁸ and *Orange Book Standard*⁷⁹ decisions. In a subsequent SEP litigation between the companies Huawei and ZTE, the Düsseldorf District Court decided to ask the Court of Justice of the European Union (CJEU) to provide certain guidance on European antitrust laws. The main reason for this reference was that there apparently were differences between the approach the *Bundesgerichtshof* had developed and the antitrust practice of the European Commission, in particular in the case of Motorola's enforcement of SEPs against Samsung. The framework for this decision was Art. 267 of the Treaty on the Functioning of the European Union (TFEU) which allows national courts of EU member states to refer European legal questions to the CJEU in order to obtain a preliminary ruling to establish a homogenous interpretation of European laws. The specific European provision at the centre of the case was Art. 102 of the TFEU which sanctions any "abuse of a dominant position within the common market". Most legal scholars and courts agree that a "true" SEP (unequivocally covering the clearly mandatory portion of a universally adopted standard) in almost all cases creates such a dominant position, which of course can be abused by the holder of said position.

The ensuing CJEU decision in *Huawei v. ZTE* laid down a framework of reciprocal obligations of both SEP owners and implementers in order for them to be able to enforce, or avoid, remedies to which a patent owner would usually be entitled in patent infringement cases.⁸⁰ Therefore, an SEP implementer may successfully raise a FRAND defence in case the patentee has not complied with their FRAND obligations within this legal framework or when the implementer has complied with their own obligations.

This set of obligations that has to be met by patent owners and implementers alike, as defined by the CJEU, has been subject to dispute in a large number of cases, particularly in Germany, in which the courts have tried to establish detailed definitions of the general parameters provided by the CJEU. Disputes regularly focus on the level of detail that the patentee needs to provide to an implementer of a standard both with regard to the infringement of the SEP(s) and with regard to the offered license agreement being compliant with FRAND requirements. All over the world, most notably in the Netherlands, but also in other jurisdictions (within the US, there are even different views expressed in U.S. district court cases on the one hand and ITC investigations on the other), the thresholds to be met by patentees and defendants have been defined to substantially differing degrees, and the Global Edition will compare and contrast those, aiming at finding a common ground.

In addition, this chapter should also cover the provisions in license agreements that courts have considered as essential for making them FRAND, e.g. a "most favoured nation" clause aimed at avoiding discrimination by future agreements, or a provision granting both parties the right to claim

⁷⁸ [Add cite] (2004)

⁷⁹ [Add cite] (2009)

⁸⁰ Case C-170/13, 16 July 2015.

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that the royalty should be amended if the licensed portfolio undergoes substantial changes during the term of the agreement.

A. PROCEDURAL SETTING

- [China Perspective] What qualifies as a FRAND negotiation?
 - *Huawei v. Samsung*, (2016) Yue 03 Min Chu No. 816 and 840
 - *IWNCOMM v. Sony*, (2015) Jing Zhi Min Chu Zi No. 1194
 - Articles 10-14 of *Guidelines of Guangdong High People's Court on Adjudicating Cases of Disputes Over Standard-Essential Patents (Trial)*
 - Article 152 and Article 153 of *Guidelines of Beijing High People's Court on Patent Infringement Determination*

B. LEGAL BASIS FOR AND EFFECTS OF THE DEFENCE

If a patent holder sues for infringement of a standard-essential patent (SEP) aiming for a judgement against the defendant for injunctive relief⁸¹, then a court may consider an accused infringer's defence arising from the "structurally superior power position of the patent holder"⁸² due to the standard-essentiality of the patent, the so-called "FRAND defence". While the concept of a "FRAND defence" for the accused infringer is generally recognised in many jurisdictions, the legal bases for such a defence are different. In principle, there are three different legal concepts upon which an accused infringer may raise a FRAND defence in SEP cases, so that the court may consider FRAND issues in exercising discretion whether to grant injunctive relief: (1) the competition law concept, (2) the third-party beneficiary breach of contract claims concept and (3) the good faith principle in civil law concept.⁸³ Despite the different legal bases for a FRAND defence, the legal effects of the defence are mostly the same: a successful FRAND defence itself does not deprive SEP holders of their right to assert the patent, e.g. to seek injunctive relief, but averts injunctive relief in SEP patent infringement proceedings.

1. FRAND defence based on competition law

In many EU countries, a FRAND defence is available to the alleged infringer in SEP cases due to the fact that a SEP holder may abuse its market dominant position by seeking an injunction before the court. The legitimacy of the so-called competition law based FRAND defence was confirmed by the CJEU in *Huawei v. ZTE*, wherein the Court admits that the competition interests in the market for standardized products may take precedence over the plaintiff's right to enforce its IP under certain circumstances. The legal basis for this competition law defence is Article 102 of the Treaty on the Functioning of the European Union (hereinafter "TFEU").

⁸¹ As well as recall of patent infringing products; *Huawei v ZTE*, CJEU, 16 July 2015, Case No. C-170/13.

⁸² *Sisvel v Haier I*, FCJ; 5 May 2020, Case No. KZR 36/17, para. 65.

⁸³ It should be noted that there are also jurisdictions where there is currently no legal basis for a FRAND defense at all, e.g. Russia, and where it is completely open how the courts will deal with such cases.

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The exquisite balance made by the CJEU here is coherent with its established case law in Europe. Previous cases rendered by CJEU established that “[T]he exercise of an exclusive right by the proprietor may, in exceptional circumstances, involve abusive conduct.”⁸⁴ In *Huawei v. ZTE*, the CJEU held that the standard essential nature of the SEP and patent holder’s irrevocable FRAND Commitment generate legitimate expectation by potential standard implementors, and thus the “exceptional circumstances” requirement for abusive conduct for the purpose of Art. 102 of TFEU is satisfied here. A refusal by the SEP holders whose patent is subject to a FRAND commitment to grant a license on FRAND terms may constitute an abuse of its market dominant position within the meaning of Article 102 of TFEU. Accordingly, the implementers may raise the so-called FRAND defense against actions brought by the SEP-holders for injunctive relief, claiming the anticompetitive nature of their refusal in licensing on FRAND terms.

However, it is noteworthy that bringing an action for injunctive relief will not in itself amount to an abuse in the CJEU’s opinion. In *Huawei v. ZTE*, the CJEU prescribes a set of conditions for the SEP holders, the precise following of which would avoid the finding of abusive conduct pursuing an injunction. These ‘safe harbour’ principles for avoiding violating Art. 102 TFEU has also been recognized by the UK Supreme Court⁸⁵ and the German Federal Court of Justice (FCJ)⁸⁶.

In addition to the FRAND defence based on Art. 102 TFEU as defined in *Huawei vs ZTE* focusing on the negotiation between both parties, the German FCJ also allows a competition law FRAND defence arising from an antitrust objection based on compulsory licensing. According to its *Orange-Book Standard* decision⁸⁷, the defendant may defend against a SEP holder seeking an injunction by invoking an abuse of market dominant position if it (the defendant) has not only unconditionally offered to conclude a FRAND licence on terms that the SEP holder cannot refuse without violating the prohibition of abuse or discrimination but also regularly renders account and pays the license fees due according to its offer.⁸⁸

The FRAND defence itself can also give rise to a separate cause of action under the anti-monopoly law (e.g. in China based on Article 20.2 of the Patent Law). In contrast with passively relying on the FRAND defence in the civil proceedings, in several jurisdictions SEP implementers are entitled to more proactive actions against SEP holders by initiating anti-monopoly lawsuits under the claim of abusing dominant position.⁸⁹ In the milestone case *Huawei v. IDC*⁹⁰, given that IDC’s seeking of injunctive relief in a foreign jurisdiction amounted to coercing Huawei into non-FRAND terms, the Chinese court ordered IDC to cease its monopolistic behaviour, including overpricing and tying, and

⁸⁴ *Radio Telefis Eireann (RTE) and Independent Television Publications Ltd (ITP) v Commission of the European Communities*, Joined cases C-241/91 P and C-242/91 P

⁸⁵ *Unwired Planet v Huawei*, [2020] UKSC 37.

⁸⁶ *Sisvel vs Haier I* (FCJ, 5 May 2020, KZR 36/17) and *Sisvel vs Haier II* (FCJ, 24 Nov 2020, KZR 35/17)

⁸⁷ *Orange Book Standard*, FCJ, 6 May 2009, KZR 39/06.

⁸⁸ Confirmed by *Sisvel vs Haier I* and *II*, supra, note 9, according to which abuse only occurs if the infringer complies with the conditions set forth in *Orange-Book-Standard* –, but patentee nevertheless enforces claims of injunction, recall and destruction; or when infringer did not yet comply with *Orange-Book*, but patentee enforces such claims without enabling an infringer who is deemed to be a willing licensee to conclude a FRAND license as in *Huawei v. ZTE*.

⁸⁹ E.g. in China, in India, in Romania [please add].

⁹⁰ *Huawei v. IDC*, (2013) Yue Gao Fa Min San Zhong Zi No. 306

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awarded civil damages to Huawei. After the *Huawei* case, standard implementers use anti-monopoly cases as a routine counter-action against SEP holders, such as *Apple v. Qualcomm*⁹¹, and *Apple v. Iwncomm*⁹².

All FRAND defence concepts based on competition law presuppose that the SEP holder has a market dominant position. It is still undecided whether such defence exists if (1) no FRAND commitment exists but the patent is in fact standard essential or (2) the FRAND commitment was only signed by a previous holder who did not bind the transferee to this commitment⁹³; or (3) if the SEP holder only grants FRAND licences to certain levels of the supply chain (end user level) and not to all.

2. FRAND defence based on third-party beneficiary breach of contract claims

Courts have also held that the irrevocable commitment of a SEP holder to license its SEPs on FRAND terms is a binding contract between the patent holder and the SSO, and that an implementer of that standard – as third party beneficiary - has the right to enforce the obligation under the contract. Especially US and UK courts⁹⁴ interpret FRAND declarations as third-party beneficiary contracts between patent holders willing to participate in the standard setting process and the SSO, and further hold that due to the binding and enforceable nature of the third-party beneficiary contracts, SEP holders must comply with their FRAND negotiation obligations before seeking injunctions. Failure to do so will be deemed as a breach of contract. In *Realtek Semiconductor Corp. v. LSI Corp*⁹⁵, the court enjoined the defendant, a SEP holder, from enforcing any exclusion order or injunctive relief by the ITC, based on the finding that the defendant failed to make a substantial licensing offer to the defendant before filing a Section 337 action seeking an exclusion order and injunctive relief before the ITC.

However, the binding nature of the FRAND commitment does not waive the patentee's right to an injunction or an exclusion order. Most FRAND commitments as required by SSOs make no explicit or implicit restrictions on the patentee's availability of injunctive relief. How the declarant has to give that FRAND undertaking can vary across SSOs.⁹⁶ If the SEP holder fully fulfils its FRAND obligations set by the SSOs, such as a duty to offer FRAND licenses and negotiate in good faith, injunction remedies will be still available. However, the FRAND undertaking may be enforceable by third parties in such a way that a SEP holder who refuses to enter into a FRAND licence loses its

⁹¹ *Apple v. Qualcomm*, (2017) Jing 73 Min Chu No. 38.

⁹² *Apple v. Iwncomm*, (2016) Jing 73 Min Chu No. 1137.

⁹³ For those two scenarios, the necessary counter claim of the defendant to a license may arise from antitrust law only.

⁹⁴ *Apple, Inc. v. Motorola Mobility, Inc.*, 886 F. Supp. 2d 1061, *TCL Commc'ns Tech. Holdings, Ltd. v. Telefonaktiebolaget LM Ericsson*, No. 14-341, 2017 WL 6611635; *Microsoft Corp. v. Motorola, Inc.*, 864 F. Supp. 2d 1023; The UK High Court also found that the FRAND commitment of an SEP holder to ETSI constitutes a binding contract and is enforceable by the implementer based on French law (based on French law doctrine of "stipulation pour autrui"), see *Unwired Planet v. Huawei*. *Supra*, note 8.

⁹⁵ *Realtek Semiconductor Corp. v. LSI Corp.*, 946 F. Supp. 2d 998 (N.D. Cal. 2013)

⁹⁶ E.g. the provision of the IPR policy of the SSO will set whether the scope of the undertaking could be very broad (e.g. all standards instead a specific standards) or whether any kind of conditions could be put to the undertaking.

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claim to injunctive relief for patent infringement.⁹⁷ However, it is noteworthy that a FRAND defence based on contractual obligations arising from the FRAND commitment does not require a market dominant position of the SEP holder and may cover cases where a market dominant position does not exist (e.g, patents declared to optional portions of a standard).

3. FRAND defence based on good faith principle

The legal basis behind the FRAND defense in China is the “good faith” principle in civil law, which obliges SEP holders to negotiate royalties in conformity with their FRAND declarations before seeking injunctive relief before courts. The newly amended patent law in China reiterates this principle⁹⁸. A similar concept has been discussed in Germany in the discussion about the antitrust compulsory licence objection, arguing that a SEP holder cannot claim injunctive relief based on a SEP because it would demand something it would need to return immediately (in the form of granting a licence) and this would be contrary to good faith.⁹⁹ Also Dutch courts applied ‘good faith’ principles in a way that a SEP holder may lose the right to injunctive relief if violating its obligation to ‘good faith’ negotiations.¹⁰⁰

The Supreme People’s Court also adopts the FRAND defence in its juridical interpretation¹⁰¹, which explicitly precludes a SEP holder's availability to injunctive relief under the circumstance where a SEP holder intentionally violates its FRAND negotiation obligations while the implementor is in good faith. Nonetheless, the duty of the SEP holder to license on FRAND terms does not eliminate the statutory remedies including injunctive relief. The SEP holder still can be awarded injunctive relief under the good-faith principle analysis. For example, in *Huawei v. Samsung*¹⁰², based on the finding that Huawei (SEP holder) acted as a willing licensor while Samsung (implementer) maliciously delayed the licensing negotiation in between, the Shenzhen Intermediate People’s Court awarded injunctive relief to Huawei.

- Contractual (e.g. Brazil) vs. competition law (e.g. Germany)
 - Netherlands: Although in Dutch all post-Huawei v. ZTE decisions, the primary legal basis for FRAND assessment was competition law, a contractual basis has been contended as well and has not been rejected as a matter of principle.

⁹⁷ See *Unwired Planet v Huawei*, *supra*, note 8.

⁹⁸ Article 20.1 of the Patent Law (2020 Amendment), P.R. China

⁹⁹ See, *Orange Book Standard*, FCJ, *supra*, note 10.

¹⁰⁰ *Koninklijke Philips N.V. v. Wiko S.A.S*, ECLI:NL:GHDHA:2019:3613, at 4.14 (CoA The Hague, 2 July 2019).

¹⁰¹ Article 24 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Patent Infringement Disputes (II) (2020 Amendment).

¹⁰² *Huawei v. Samsung*, (2016) Yue 03 Min Chu Nos. 816 and 840

C. AVAILABILITY OF STATUTORY CLAIMS

1. Requirements for injunctive relief claims

- Descriptive overview (“automatic” vs. discretionary injunctions)
 - No specific provision has been enacted under the Indian patent law relating to grant of injunctions in SEP cases. Rights of SEP owners are akin to rights of non-SEP owners with added contractual FRAND/RAND commitments which are governed by the IPR policy of the concerned SSO/SDO. Thus, an SEP owner can seek an interim/preliminary/ex-parte/permanent injunction, which is a discretionary remedy, against an unwilling licensee.
 - For seeking an interim injunction, a Plaintiff must show 1) existence of a *prima facie* case; 2) balance of convenience must lie in its favour; and 3) irreparable loss would be caused to the SEP owner in case relief of injunction is not granted during pendency of suit.
 - In cases, where interim injunction/s have been granted, we have seen a trend whereby the Courts in India grant a conditional injunction i.e. if a defendant agrees to make certain deposits/payments, the interim injunction shall not come into play and the implementer can continue to sell their devices.
 - Courts in India have protected the rights of SEP owners by granting *ex parte* and/or *ad interim* injunctions orders or orders directing the parties to enter into interim arrangements till the pendency of the suit. Details of such orders are provided hereinbelow:
 - Deposit of compensation/ security directly to the Plaintiff:
 - a) TLM Ericsson v. Mercury Electronics (Micromax) (CS (Comm) 155/2017),
 - b) TLM Ericsson v. Gionee Communications (CS (Comm) 1533/2016)
 - Deposit of compensation/security in court:
 - a) TLM Ericsson v. Xiaomi Technologies, (CS (Comm) 434/2016),
 - b) TLM Ericsson v. Lava Technologies, (CS (Comm) 1148/2016)
 - Safeguarding rights of SEP owners by way of bank guarantee:
 - a) Dolby International v. GDN Enterprises (Oppo) (CS (COMM) 1425/2016),
 - b) Dolby International v. Das Telecom (Vivo) (CS (COMM) 1426/2016)
 - Sales details:
 - a) Dolby International v. GDN Enterprises (Oppo) (CS (COMM) 1425/2016),
 - b) Dolby International v. Das Telecom (Vivo) (CS (COMM) 1426/2016)
 - Immovable asset as security:
 - Koninklijke Philips NV v. Vivo mobile communication Co. Ltd & Ors.

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- Maintenance of certain specified amount in account:
Koninklijke Philips NV v. Xiaomi Technology & Ors.
- In SEP cases, direct infringement of a claim is not required to be established. Instead, it is sufficient to show that (a) the asserted patent in question is essential to the standard(s) i.e. least one claim maps onto the concerned standard(s); AND (b) the accused products are compliant with the said concerned standard(s).
- Permanent injunction is one of the reliefs generally prayed for as a final remedy in a patent infringement suit. Generally in patent cases, a finding of infringement is coupled with an automatic permanent injunction. The law relating to grant of permanent injunctions in SEP cases has not crystallized yet as we have seen only one judgement post trial in which case as the patent term had expired, thus the relief of permanent injunction had become infructuous in nature.
- [China perspective] Under the Chinese law, in regular patent infringement cases, the award of permanent injunction is a default remedy for patent infringement. The establishment of the infringement alone is enough for the court to award such a remedy and no other prerequisite is needed.
- [China perspective] In SEP-related cases, the injunctive relieves could not be relieved under certain circumstances.
 - *Huawei v. Samsung*, (2016) Yue 03 Min Chu No. 816 and 840
 - Articles 10-14 of *Guidelines of Guangdong High People's Court on Adjudicating Cases of Disputes Over Standard-Essential Patents (Trial)*
 - Article 152 and Article 153 of *Guidelines of Beijing High People's Court on Patent Infringement Determination*
 - *IWNCOMM v. Sony*, (2015) Jing Zhi Min Chu Zi No. 1194
- Special variants of injunctions (e.g. India: “conditional injunction”; UK: “FRAND injunction”)

Courts in India do pass conditional injunction orders. The Delhi High Court in *TLM Ericsson v. Intex Technologies (India) Ltd.*, CS(COMM) 769/2016, passed a conditional interim injunction after holding that Ericsson’s patents were *prima facie* valid, essential and had been infringed by Intex. It also held that Intex was an unwilling licensee. Intex was ordered to deposit a royalty amount as fixed by the Court and in case Intex failed to comply with the said directions, an interim injunction was to follow. The said order has been challenged in appeal and is currently pending before a division bench of the Delhi High Court.

- Netherlands
 - As a rule, permanent injunctive relief is available to a patentee whose patent is held to be valid and infringed. Exceptions where injunctive relief can be avoided despite a finding of infringement include situations wherein granting injunctive relief is (a) contrary to the patentee’s contractual or legal obligations; (b) disproportional in view of the fundamental rights involved; (c) contrary to a compelling societal interest; and (d) an abuse of rights.

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- The former exception is particularly relevant for SEP cases. Before Huawei/ZTE, the court has ruled that the mere contractual obligation to grant a license on FRAND terms was not sufficient to avoid an injunction.¹⁰³ (Philips/SK Kassetten). In a case where patentee and infringer were both bound by SSO bylaws to have the license terms set in arbitration, the court did not award an injunction.¹⁰⁴ Since Huawei/ZTE, all recent Dutch case law on FRAND-related disputes clearly indicates that it is possible under certain circumstances to avoid an injunction if the implementer qualifies as a willing licensee. (e.g. *Koninklijke Philips N.V. v. Wiko SAS*, ECLI:NL:GHDHA:2019:3613 (CoA The Hague, 2 July 2019))
- Preliminary relief requires, in addition to a preliminary finding of infringement, that the plaintiff shows an urgent interest in a preliminary injunction. Grant of a preliminary injunction depends on a balancing of interests. Recent case law shows that – due to the FRAND license commitment – obtaining preliminary relief for infringement of a SEP is more difficult than in regular patent cases. In particular if the infringer provided security for past and future royalty payments (Sisvel International S.A. v. Xiaomi Corporation et al, ECLI:NL:GHDHA:2020:711, at 4.1-4.17 (CoA The Hague, 18 March 2020).

2. Requirements for other claims (destruction, recall, damages, etc.)

- Descriptive overview, in particular focusing on liability/wilfulness requirements
 - SEP owners generally claim a relief of damages (both compensatory and punitive), declaration that the offered rates were FRAND, declaration that the defendants are unwilling licensees, delivery up of infringing products, rendering accounts of sale *qua* infringing products and litigation cost. If a defendant's liability is established, courts generally grant such reliefs in favour of the SEP owners. Further, courts in India grant punitive damages in cases where the conduct of the defendant is wilful and *mala fide*.
 - In *Koninklijke Philips Electronics N.V. v. Rajesh Bansal*, CS(COMM) 24/2016 and *Koninklijke Philips NV v. Bhagirathi Electronics and Ors.*, CS(COMM) 436/2017, the Delhi High Court awarded damages at USD 3.175 from the date of institution of the suit till 27th May, 2010 and USD 1.90 from 28th May, 2010 till 12th February, 2015 (expiry of the patent). The issue of past damages was not discussed. The Court also awarded punitive damages to the tune of INR 5 lakhs.
 - Germany: Federal Supreme Court (case KZR 36/17, May 5, 2020): The claims for information and damages are not limited to a FRAND license fee. Rather, the

¹⁰³ *Koninklijke Philips Electronics N.V. v. SK Kassetten GmbH & Co KG*, IEPT20100317 (DC The Hague, 17 March 2010).

¹⁰⁴ *Sony Supply Chain Solutions (Europe) B.V. v. LG Electronics Inc.*, 389067 / KG ZA 11-269, at 4.18-4.24 (D.C. The Hague, 10 March 2011).

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implementer can counter the SEP holder's claim for damages with a claim for damages of its own based on the non-fulfilment of its claim to conclude a licence agreement on reasonable and non-discriminatory terms. Such a counterclaim can only arise if the infringer demands the conclusion of a licence agreement on FRAND terms from the SEP holder (initially by expressing its willingness to license) and the SEP holder does not respond thereto in accordance with the obligations incumbent on it due to its dominant position by either unlawfully refusing to conclude such a licence agreement or by not making an offer on FRAND terms despite the implementer's willingness to license.

- Netherlands: Generally, a patentee whose patent has been infringed is entitled to claim destruction and recall of infringing products, rectification, information on past sales, and damages (lost profits of the patentee, surrender of profits of the infringer, reasonable royalty). In SEP cases, a claim to destruction and recall is subject to the same conditions as an injunction (as per *Huawei v. ZTE*), i.e. such claims will be denied if the implementer qualifies as a willing licensee. The question whether infringement of a SEP entitles the patentee to claim damages in the form of surrender of the infringers profit is open.

3. Additional requirements in SEP cases

According to the test established in *Huawei/ZTE*-judgment by the CJEU (C-170/13), the (FRAND-dance) requirements for the claimant to file for an injunction as set out by the Court of Justice are as follows:

- notification by the Claimant
- declaration of willingness to license by the Defendant
- FRAND offer by the Claimant
- FRAND counter offer by the Defendant
- rejection of counter offer by the Claimant
- security and rendering of account by the Defendant, and
- *if both agree: third party determination of the licencing terms.*

This judgment is also often cited before Indian Courts and is relied upon by both patentees and implementers to support their case for grant of interim or final relief.

Furthermore, the Higher Regional Court Dusseldorf has stated that these requirements are to be fulfilled consecutively.¹⁰⁵ Accordingly, if either the claimant or the defendant fails to comply with a specific step, the case is either dismissed or, respectively, granted without having to look at the

¹⁰⁵ Case I-15 U 66/15, Mar. 30 2017.

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subsequent steps. This approach is highly debated but was not reversed on appeal.¹⁰⁶ The approach by Chinese courts is fairly similar. In particular, the courts focus very much on the the negotiation process and whether the offer and counteroffers are indeed FRAND. In essence, the test can be summarized as follows:

- Infringement alert of the patentee
- Disclosure of the patentee
- Responsiveness of the potential licensee
- Deposit provided by the potential licensee
- Determination of good faith
- Substance of the offers and counteroffers (Determination of FRAND rate).¹⁰⁷

In the following, we focus on the most important aspects of the so-called FRAND-dance during and outside of litigation based on the CJEU-judgment:

a. FRAND commitment and declarations

The first question that arises is whether the applicability of the FRAND-dance requires the SEP-holder to have had submitted a FRAND declaration. The background for this question is the fact that the CJEU in *Huawei/ZTE* in fact dealt with an SEP in combination with a FRAND declaration.

This differentiation is important in Germany and was for example confirmed by the Regional Court Düsseldorf.¹⁰⁸ Accordingly, the test established by the Federal Supreme Court in its *Orange Book*-decision still applies.¹⁰⁹ The major difference between both tests is that *Orange Book* requires the implementer to first make a concrete, acceptable, negotiable and reasonable offer to the SEP-holder *before* making use of the patented technology.

[Is this differentiation important in other jurisdictions as well?]

- Netherlands: the Dutch courts have ruled that, in the context of a patent subject to an ETSI FRAND declaration, a late declaration by the patentee of the patent's essentiality does not preclude its enforcement. The court's reasoning is based on the premise that ETSI aims to draft technically optimal standards rather than an "IPR-free" standard. In earlier case law regarding a SSO that did aim for a non-

¹⁰⁶ Federal Supreme Court, case KZR 36/17, May 5, 2020.

¹⁰⁷ *Huawei v. Samsung*, (2016) Yue 03 Min Chu No. 816 and 840

¹⁰⁸ Case 4a O 17/17, Nov. 9, 2018.

¹⁰⁹ Case KZR 39/06, May 6, 2009.

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patented standard, a patentee was estopped from enforcing a patent it had failed to declare essential.¹¹⁰

b. Infringement alert

Before the offers and counter-offers have to be exchanged, the SEP-holder has to notify the implementer about the infringement. This alert requires the identification of the patent asserted in the (later) action at least by reference to its publication number as well as explanations as to the specific act by which the patent is allegedly infringed: This means the attacked embodiments have to be identified and the concrete acts of use (i.e. manufacture, offer, distribution, etc). There is no further information needed because verification of all this is the sole responsibility of the implementer.¹¹¹ However, according to Indian case-law, the alert must also contain details related to essentiality in the form of claim charts, however the issue, whether claim charts ought to be compulsorily shared has not yet been decided. For example, infringement can be asserted by relying upon device specifications/standard compliance test results along with claim charts by mapping the claims of the patent to specific portions of standard specifications as indirect proof of infringement, cf. the test laid down in *Fujitsu v. Netgear*.¹¹² Furthermore, according to the German Federal Supreme Court, it is sufficient to send the alert to the mother company (even if the later complaint is only filed against a subsidiary).¹¹³

According to the CJEU, the reason for the necessity of an alert is the large number of patents by which a product may be affected, particularly in the field of information and telecommunications technology so that it is regularly associated with considerable difficulties to obtain a complete and reliable overview of all relevant IP rights, especially since this may require a more detailed examination of the subject matter and scope of protection of a large number of patents in individual cases. Nevertheless, the Regional Court Düsseldorf has made it clear that this is not just a negligible formality even in cases where the implementer is allegedly well aware of the patent landscape.¹¹⁴

- Netherlands: In the view of the Dutch courts, the purpose of the notification obligation from *Huawei v. ZTE* is to create awareness with the SEP implementer of the rights that are being relied on, how those are infringed, and what products infringe. The CoA rejects the general principle that claim charts of all infringed patents must be submitted.¹¹⁵

¹¹⁰ LG Electronics Benelux Sales B.V. v. Koninklijke Philips Electronics N.V., ECLI:NL:RBSGR:2007:BA7125, at 4.16-4.17 (D.C. The Hague, 11 June 2007).

¹¹¹ Higher Regional Court Düsseldorf, case I-15 U 65/15, Nov. 17, 2016.

¹¹² 620 F.3d 1321.

¹¹³ Case KZR 36/17, May 5, 2020.

¹¹⁴ Case 4a O 15/17, Nov. 9, 2018.

¹¹⁵ Koninklijke Philips N.V. v. ASUSTeK Computer Inc. et al, ECLI:NL:GHDHA:2019:3535, at 4.158 (CoA The Hague 24 December 2019).

c. Declaration of willingness to take a license

In response to a sufficient alert, the implementer has to express his continuing interest in licensing of the patent in suit. According to the Federal Supreme Court (case KZR 36/17, May 5, 2020), this declaration must clearly and unambiguously express his serious and unconditional willingness to take a license on FRAND terms, no matter the terms. A similarly high threshold is in place in India where the Delhi High Court has in *TLM Ericsson v. Intex Technologies (India) Ltd.*,¹¹⁶ *TLM Ericsson v. Xiaomi Technologies*,¹¹⁷ and *Telefonaktiebolaget LM Ericsson v. Lava International Ltd.*,¹¹⁸ at the interim stage as well as in *Koninklijke Philips Electronics N.V. v. Rajesh Bansal*,¹¹⁹ and *Koninklijke Philips NV v. Bhagirathi Electronics and Ors.*,¹²⁰ at the final stage observed that the Defendants' conduct showed reluctance and unwillingness to enter into a FRAND license.

Of course, the implementer is granted a certain time for consideration. The length of that time largely depends on the level of details given by the SEP-holder in its alert; i.e. the fewer details the longer the time for consideration and vice versa. In any event, the consideration time can exceed two months only in very exceptional circumstances.¹²¹

- Netherlands: Willingness on the side of the implementer to take a license is viewed as a precondition to trigger the SEP holder's obligation to offer a license on FRAND terms. Such willingness (also in early stages) must be real i.e. not just in words. What is real willingness depends on the circumstances of the case. A simple written statement of willingness is not necessarily sufficient to trigger the SEP holder's obligation to provide a FRAND license offer. Also, the willingness to be present at meetings – or even actual attendance of negotiations – is not necessarily sufficient.¹²²

d. FRAND offer made by SEP owner and FRAND counteroffer

Once the implementer has sufficiently expressed willingness to take a license, the Sep-holder is obliged to provide an offer on FRAND terms (for the specifics of the offer, we refer to Ch. XX). This means that he has to make a specific written offer of a licence on FRAND terms and conditions and, in particular, has to indicate the licence fee and the manner in which it is to be calculated.¹²³ What constitutes reasonable and non-discriminatory terms of a licence agreement in an individual case regularly depends on a variety of circumstances. According to the *Standard Spundfass-*

¹¹⁶ CS(Comm) 769/2016.

¹¹⁷ CS(Comm) 434/2016.

¹¹⁸ 1148/2016.

¹¹⁹ CS(Comm) 24/2016.

¹²⁰ CS(Comm) 436/2017.

¹²¹ Higher Regional Court Karlsruhe, case 6 U 183/16, Oct. 30, 2019.

¹²² *Koninklijke Philips N.V. v. ASUSTeK Computer Inc. et al*, ECLI:NL:GHDHA:2019:3535, at 4.179 (CoA The Hague 24 December 2019)

¹²³ *Cf.* Higher Regional Düsseldorf, case I-15 U 66/15, Mar. 30, 2017.

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decision, the dominant patent holder is not generally obliged to grant licences in the form of a “uniform tariff” granting all users the same conditions.¹²⁴ This case law was recently confirmed by the Federal Supreme Court also for SEPs in combination with a FRAND declaration.¹²⁵

Accordingly, the binding and limiting nature of competition law rather aims at enabling negotiation results that are not influenced by the market dominance and take into account the interests of both contracting parties to a balanced extent. Since appropriate terms for a contractual relationship, in particular an appropriate price, are regularly not objectively determined, but can only be ascertained as the result of (possibly similar) negotiated market processes, the serious and purposeful participation of the undertaking willing to license in the negotiation of appropriate contractual terms is of decisive importance.

As regards, the requirement of the implementer to make a counter offer, the case law in Germany is not uniform. According to the Düsseldorf courts, a counter-offer only has to be made *if* the offer by the SEP-holder is indeed FRAND. Only if this is affirmed does the implementer have to react within a short period of time to make a concrete FRAND-compliant counter-offer in writing.¹²⁶ Until recently, this approach was followed by the Regional Court Mannheim and its appellate court, the Higher Regional Court Mannheim.¹²⁷ However, the 2nd chamber of the Regional Court Mannheim has recently issued an order stating that the implementer has to make a counter-offer regardless of the FRAND-compliance of the SEP holder’s offer.¹²⁸ Similarly, the Regional Court Munich I has also made it clear that the implementer *always* has to make a counter-offer.¹²⁹

- Netherlands: The Court of Appeal is of the opinion that the Huawei obligation for the SEP holder to offer a license on FRAND terms, does not encompass an obligation to also substantiate *why* the offer is FRAND. As a result, the SEP holder does not need to provide the implementer with (information regarding) license agreements concluded with other implementers. In its most recent decision, the court appears to nuance its earlier rulings somewhat – and added that substantiation of FRANDness *by supplying license agreements* is not necessarily required. However, lower courts have ruled that a meaningful discussion on FRAND terms is only possible after a patentee has supplied earlier license agreements concluded by the patentee.¹³⁰ These issues are currently pending before the Supreme Court.

¹²⁴ Cf. Federal Supreme Court, case KZR 40/02, Jul. 13, 2004.

¹²⁵ Case KZR 36/17, May 5, 2020.

¹²⁶ Higher Regional Court, case, case I-2 U 31/16, Mar. 22, 2019.

¹²⁷ Case 6 U 183/16, Oct. 30, 2019.

¹²⁸ Case 2 O 34/19, May 26, 2020.

¹²⁹ Munich court, *Guidelines on the handling of the FRAND defence*, Feb. 22, 2020.

¹³⁰ *Sisvel International S.A. v. Xiaomi Corporation et al*, C/09/582823 (unpublished), at 2.2 (D.C. the Hague, 22 January 2020).

e. Other requirements for the defence

In case the counter-offer is rejected by the SEP-holder, the implementer has to provide security for his (past and expected future) uses, eg. by way of a bank guarantee or deposit.¹³¹ This obligation includes a regular increase of the security depending on the duration of negotiations and/or litigation. Similarly, courts in India generally order defendants/implementors to furnish bank guarantees to secure the interest of SEP owners. Orders have also been passed wherein a defendant has been ordered to make payments directly to the SEP owner and the SEP owner has in turn been directed to furnish a bank guarantee for the amount deposited by the defendant.

Furthermore, the provision of security has to be accompanied by a rendition of account including information about revenues in order to be able to evaluate the amount of security.¹³² Whether or not, the amount of security is limited to the actual sales of the litigated jurisdiction or must be based on worldwide sales has not been decided in Germany.

- Netherlands: *Huawei v. ZTE* makes clear that an implementer that makes use of a SEP before concluding a license, needs to provide a counter-offer, backed up with appropriate security. The Dutch courts have not ruled explicitly on what an appropriate security is, i.e. whether it should be based on the implementer's counter-offer, or on the SEP holders initial offer. However, a security that is deemed too low, because it is deemed to be based on a non-FRAND counter offer, is insufficient to avoid an injunction. Where the security is based on the implementers counter-offer, any change in that offer should be reflected in the escrow payment.¹³³
- To mount a successful FRAND-defense, an implementer bears the burden of proof that he complied with its Huawei obligations, whereas the SEP holder did not. In particular, it is ultimately for the implementer to prove that a SEP holder's offer is not FRAND, the CoA held.¹³⁴
- The fact that the SEP-holder entered into agreements with different conditions provisions or different royalty rates alone is not sufficient to prove or even suspect discrimination. It is up to the implementer to show that there is no justification for these differing conditions (and, per the above, that there is an unjustified competitive disadvantage vis-à-vis other licensees).
- Dutch procedural law allows the court to reverse the burden of proof, or to impose certain substantiation requirements on the party that does not have the burden of proof – in particular in situations where the relevant information is solely within the

¹³¹ Cf. CJEU, case C-170/13; Higher Regional Court Düsseldorf, case I-15 U 65/15, Nov. 17, 2015.

¹³² CJEU *ibid.*

¹³³ *Koninklijke Philips N.V. v. Wiko SAS*, ECLI:NL:GHDHA:2019:3613, at 4.38, CoA The Hague, 2 July 2019.

¹³⁴ *Koninklijke Philips N.V. v. Wiko SAS*, ECLI:NL:GHDHA:2019:3613, at 4.25, CoA The Hague, 2 July 2019.

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control of that party (e.g. confidential license agreements). Both concepts have been entertained by the courts in first and second instance,¹³⁵ but their application has so far been rejected based on the circumstances of the case.

f. Timing and the role of litigation in the negotiations

The test established by the CJEU essentially blocks the SEP-holder's exclusivity rights derive from his patent. Accordingly, both parties are obliged to negotiate in good faith in order to conclude a license agreement as fast as possible. Accordingly, it is up to the SEP-holder to show the court that the implementer aims to delay and frustrate the negotiations eg. by offering unreasonable counter-offers to the Plaintiffs FRAND offers or delaying negotiations by way of not providing counter-offers, insisting on a patent by patent evaluation before courts or a country specific license etc. to highlight alleged unFRANDly conduct of an implementer. To the contrary, it is up to the implementers to raise issues relating to over-declaration, non-working of asserted patents to highlight alleged non-compliance with FRAND-obligations by the SEP owner.

One way in which the CJEU has offered guidance in this respect is the possibility to submit the determination of FRAND-terms to a third party (eg. a mediator or arbitrator). In India, the SEP-holder can even explore pre-litigation mediation in cases where the relief sought is not urgent. Furthermore, under the Indian Commercial Courts Act, 2015, parties must file all relevant details and documents in their power, possession, control or custody which are relevant to the lis, irrespective of whether the same is in support of or adverse to their case.

g. Additional obligations during litigation

In this regard, there are two major issues to be observed: (i) the burden of proof and (ii) the application of late-filing rules:

- Netherlands: Present case law deems the moment of initiation of an infringement action decisive for the assessment whether parties have complied with their obligations. According to the CoA, the Huawei framework is limited to the question whether the *filing* of an action constitutes abuse of dominance. Late(r) compliance with FRAND-obligations by the implementer does not turn an initially lawfully filed action retrospectively abusive or affects the SEP owners entitlement to injunctive relief based on the implementer's behavior before the action was started, according to the CoA. The question whether, after initial lawful filing of an injunction action, subsequent fulfillment of its FRAND-duties by the implementer (and non-fulfillment by the SEP holder of duties flowing from its FRAND-declaration or from its dominant position) can lead to later dismissal of injunction claims (i.e. make further pursuit of a lawfully initiated action abusive), remains unanswered by the CoA.¹³⁶

¹³⁵ Archos S.A. v. Koninklijke Philips N.V., ECLI:NL:RBDHA:2017:1025, at 4.2, D.C. The Hague, 8 February 2017.

¹³⁶ Koninklijke Philips N.V. v. Wiko SAS, ECLI:NL:GHDHA:2019:3613, at 4.25, CoA The Hague, 2 July 2019.

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The **burden of proof** can in principle be subdivided as follows:

On the one hand, it is up to the **SEP-holder** to prove receipt of the infringement alert. Furthermore, he bears the burden of proof regarding the submission of a written, concrete FRAND licence offer and its receipt by the infringer. In this regard, it is part of the SEP-holder's burden to show that and why the terms offered are non-discriminatory and non-exploitative. As far as the attributes fair & reasonable are concerned, he must therefore either show that the comparative licences used are free of abuse (and can therefore be transferred directly). The most debated issue is the proof of the non-discrimination: According to the Higher Regional Court Düsseldorf, the SEP-holder at least bears the secondary burden of proof in this regard and is thus obligated to disclose all license agreements to the implementer.¹³⁷ However, the SEP-holder can hold back these agreements until the implementer has agreed to conclude an NDA which inter alia would limit access to these agreements to a so-called confidentiality club (ibid.; [India]). On the other hand, the implementer has to prove his willingness and receipt of his FRAND-compliant counter-offer to the SEP-holder.

The **late-filing rules** can come into play if either party fails to comply with one or more of the above-outlined steps of the FRAND-dance before commencement of the litigation. In other words, the question is whether and to which extent these steps can be made up for during litigation:

Even though this topic is hotly debated in Germany, there is hardly any case-law. The only decisions that have been issued in this regard concern the failure of the defendant to declare his willingness and to provide a counter-offer. The Regional Court Düsseldorf¹³⁸ as well as the Regional Court Mannheim¹³⁹ have both disregarded (at least) the counter-offer due to the implementer's failure to react in due course. Accordingly, the SEP-holder was granted his request for injunctive relief.

- For royalty determination, Indian courts generally look at license agreements entered into by the SEP owner with similarly placed parties.

¹³⁷ Case I-2 U 31/16, Mar. 22, 2019.

¹³⁸ Case 4a O 73/14, Mar. 31, 2016.

¹³⁹ Case 2 O 131/16, Jan. 24, 2017.

VI. Procedural Issues

SEP/FRAND litigations, in particular FRAND determination cases, require innovative case management. In addition to the technical discussion that is part and parcel of every patent infringement/validity litigation, there is first of all the issue of having to decide – at least in most cases – about a whole portfolio, which raises the question of whether to focus only on a selection of patents, and, if so, which ones, and, especially if no such selection is made, how the individual cases within the dispute should be handled. For example, the civil procedure laws in most countries would not allow for two different courts to share the work amongst them, and therefore the issue of “staggering” the various cases into separate technical and economic phases and trials comes up.

In addition to the management of the sheer volume of such disputes, some thought should be given to the fact that in all of these cases, usually questions of confidentiality come up, especially concerning the information of third parties such as existing licensees. Courts in many countries are not used to handling such confidentiality issues, and the Global Edition, based on the experiences with protective orders in countries such as the US and the UK, will contain recommendations on how to handle these issues in the litigations. [In addition, escrow payment arrangements and how to deal with bank guarantees and other bonds, should be covered.]

Finally, when there are several parallel litigations pending in separate countries, as is often the case in such disputes, international case management becomes important for both parties and judges.

As regards the parties to SEP/FRAND litigations, in addition to the SEP owner and the implementer (in their usual role as plaintiff and defendant), the role of SSOs as well as the role of competition authorities will be analysed.

A. CASE MANAGEMENT OF FRAND DETERMINATION CASES

1. Necessity of and timing for patent infringement/essentiality and validity cases

In most jurisdictions except for China, courts have considered the entitlement to a FRAND licence and (where courts are prepared to determine them) the terms of such a licence only as a defence to an allegation of patent infringement. Therefore the procedural questions of how many patents are asserted and in what order the various trials take place is a relevant factor in the overall speed of proceedings.

China

[to be added]

USA

[to be added]

UK

In England, the FRAND cases heard to date have relied on patent infringement as the legal right on the basis of which the FRAND relief (*i.e.* protection from an injunction) is sought. The High Court has held that in this scenario, “it is necessary to show that at least one patent is valid, infringed and essential to the standard whose rules require FRAND licensing” before any FRAND determination can be made (*Mitsubishi v Sivel*¹⁴⁰). Following this approach, it is standard practice in the English courts for FRAND litigation to follow a procedural model whereby the “technical trials” – addressing patent validity and essentiality (infringement) – are heard first, with a “non-technical trial” – addressing FRAND and any other non-patent specific defences are heard only after at least one patent has been found to be valid and infringed (this approach was first considered in *Vringo v ZTE*¹⁴¹ and has since been applied in numerous cases, including *Unwired Planet v Huawei*¹⁴²). It would appear to be possible to schedule FRAND issues to be determined first with the consent of all parties, but no such case has yet come before the Court.

Each technical trial takes at least 12-14 months to be heard, however it is usual for multiple technical cases to run concurrently and the overall timetable for the action is set at a procedural “case management conference” which usually takes place in the first 3-6 months after filing. The timing of the FRAND trial therefore depends on how many patents have been asserted, and when in the sequence the first patent is found to be valid and infringed.

[Germany]

According to the German case-law, actions for FRAND determination are not admissible. Accordingly, a patentee has to file patent infringement actions in case the pre-trial negotiations with the alleged infringer (and later defendant) fail or go nowhere. Depending on the selected venue, the patentee currently has to wait about 1 to 1.5 years until the first instance judgment is rendered. To the extent the complaint would have to be served to a foreign entity, the time for the necessary translation and actual service abroad has to be added on top of that.

Due to the fact that the validity of the asserted patent(s) is not assessed by the infringement court, the defendant has to file a separate nullity action before the Federal Patent Court (or, respectively, an opposition before the EPO or the GPTO). Based on the nullity action/opposition, the defendant can then request the infringement court to stay the proceedings pending the validity proceedings.¹⁴³ Nevertheless, the timing of the nullity proceedings is rather in favour of the patentee as the Federal Patent Court takes up to 2 to 2.5 years until it reaches a decision. However, recent changes to the German Patent Act require the Federal Patent Court to at least issue its preliminary opinion within 6 months after service of the nullity action. Usually, a timely preliminary opinion in favor of the

¹⁴⁰ [2021] EWHC 1541 (Pat)

¹⁴¹ [2013] EWHC 1591 (Pat)

¹⁴² [2015] EWHC 1029 (Pat)

¹⁴³ The decision to stay the infringement proceedings is in the discretion of the court and requires the court to assume a high likelihood of invalidity. Usually, only 20-30% of all infringement cases are stayed.

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defendant by the Federal Patent Court is sufficient to convince the infringement court to stay the proceedings.

2. Sample of patents in relevant portfolio and impact of infringement/essentiality and validity judgment(s) on FRAND case management and substantive FRAND determination

China

[to be added]

USA

[to be added]

UK

In England, the jurisdiction of the Court to determine FRAND rests on a finding of patent infringement, therefore it is the SEP holder (patentee) who decides which patents to include in the action. However, if the action reaches that stage, the FRAND rate-setting trial will consider the entire global portfolio rather than simply the patents which have been asserted. In *Unwired Planet* the parties' experts embarked upon a sampling exercise in relation to both validity and essentiality of the SEP holder's LTE portfolio. That exercise fed into their economic experts' calculations as to the strength of the portfolio, and therefore their calculations as to the appropriate rate.

3. Time to trial and any appeal

B. THE ROLE OF THE SDO AND COMPETITION AUTHORITIES

- 1. Relevance of any intellectual property terms in any SDO contract**
- 2. The SDO as a potential party to a FRAND determination case**

VII. International Jurisdiction and Cross-Border Issues

In the specific context of litigation before a national court, in addition to the issues around calculation methodologies, there is the question whether a party (be it the patent owner in an infringement suit, or the implementer in a declaratory judgment action) is able to ask for the determination of a global license in the first place, and whether the court is actually competent to determine such a global license. The main topics to discuss will be whether a court – usually deciding about infringement and validity of national patents only – is legally entitled to set the terms of a global license even though it may not be familiar with possible issues coming up in any foreign forum, especially when it comes to issues of patentability, validity, antitrust and contractual considerations, and other legal questions applicable to FRAND license agreements which are peculiar to foreign countries covered by global license.

The Global Edition will discuss why the London High Court, in *Unwired Planet v. Huawei* and other cases, on the one hand has affirmed its competence – and the appropriateness – to set a global FRAND license, while courts in other jurisdictions have either expressly denied their jurisdiction or dealt with the global aspects of FRAND license agreements only indirectly, e.g. by basing their judgments on a positive (or negative) ruling on whether the patentee’s FRAND license offer was compliant with FRAND principles.

One other major topic currently discussed is the potential interplay among different jurisdictions in SEP/FRAND litigations. Cases such as *Unwired Planet v. Huawei* and *Nokia v. Daimler* have triggered a discussion on whether starting an action in one country may result in the inability of the courts in any other country to decide upon the same issues, or – more precisely – whether the court in one country is able to declare its “universal” jurisdiction over a matter (e.g., a global FRAND license), even though certain aspects of the same dispute are already being discussed in a foreign forum (e.g., the infringement and validity of one or more patents in the territory of that forum). Consequently, so-called “anti-suit injunctions” have been countered by “anti-anti-suit injunction” and even “anti-anti-anti-suit injunction” requests. The question here is whether there will be a race to the courts in a specific jurisdiction (perceived to be “pro patentee” or “anti patentee”) because of the global nature of standardisation and patent portfolios.

The Global Edition will discuss these questions of *forum non conveniens* and *lis pendens* in the light of the case law that has developed in the SEP/FRAND field so far.

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A. JURISDICTION TO DETERMINE FRAND: NATIONAL, REGIONAL, OR GLOBAL

1. The basis for such jurisdiction: patent infringement, relevant SSO contract, anti-trust law
2. The UK Supreme Court decision in the merged cases of *Unwired Planet v Huawei* and *Conversant v Huawei* on determining global FRAND and the imposition of a FRAND injunction in the UK
3. Is it the implementer and/or the SEP holder that chooses the jurisdiction for a FRAND determination?
4. Races to the court door

B. COMPETING FRAND DETERMINATIONS BEFORE DIFFERENT FORA

1. The risk of irreconcilable judgment on FRAND
2. Appropriate case management so as to avoid irreconcilable judgments
3. Recognition of foreign judgments on FRAND rates as part of any global FRAND determination and/or subsequent adjustments to reflect local/regional FRAND determinations
4. An analysis of the relevant case law on *lis pendens* and *forum non conveniens*

C. ANTI-SUIT INJUNCTIONS

1. Recent high profile examples of anti suit injunctions (and anti, anti suit injunctions)
 - *Conversant v Huawei*
 - *Nokia v Daimler*.
2. The key principles of private international law in the context of global patent portfolios and standardization