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Unwired Planet v Huawei FRAND judgment

Brian Cordery (Bristows) · Thursday, April 13th, 2017

by Rachael Cartwright

On 5 April 2017, Mr Justice Birss handed down his highly anticipated, lengthy and potentially controversial judgment on the FRAND licensing and competition law aspects of the long running Unwired Planet patent saga. Running at 163 pages, and a mere 807 paragraphs, the judgment sets out the history and fundamental principles of FRAND as well as, for the first time in the English courts, a full analysis on the rates and terms of a FRAND licence.

For those less familiar with the history of this case, the action began back in March 2014 when Unwired Planet (UP) sued Google, Huawei and Samsung for infringement of five standard essential patents (and one non-essential patent), acquired from Ericsson. Following settlement between UP and both Google and Samsung, and completion of a number of infringement/validity trials, Huawei and UP stepped up to the bench for a trial addressing the competition law defences and obligations on UP to license on a Fair Reasonable and Non-Discriminatory (FRAND) basis. The trial stretched over a period of more than two months although, one suspects to the relief of the parties, the hearing did not run continuously (although it did include a rare instance of “expert hot-tubbing”). Understandably, given its length and significance, Mr Justice Birss took his time in handing down his judgment.

This weighty tome starts with the judge’s findings relating to FRAND in general. A key, and controversial, decision was that there will only be one set of FRAND terms and one FRAND rate for any given circumstance. The English courts can and will set these terms and rate. FRAND as a concept relates not only to the licence terms but also to the negotiation process; as long as the parties (both the SEP owner and the implementer) negotiate in a FRAND fashion, the offers themselves do not have to be FRAND. It is not necessary to rely on competition law to enforce a FRAND declaration – the declaration itself creates a legally enforceable contract. In addition, non-FRAND licence terms are not automatically anti-competitive.

When determining a FRAND royalty rate, it is appropriate to set a ‘benchmark rate’, based on the value of the SEP portfolio (the licensee’s identity is irrelevant), which can then be adjusted as appropriate. UP’s portfolio value was set by “unpacking” comparable licences and making adjustments based ultimately on the relative values of UP’s and Ericsson’s SEP portfolios. UP and Huawei both put forward methods for calculating the total number of SEPs relevant to various ETSI standards, as well as the shares held by UP and Ericsson. The judge decided that Huawei’s method was “simpler and more transparent” and that he would use this, with adjusted figures, to

reach a conclusion. However, the reasoning behind his adjustments is not entirely clear. For example, to calculate the total number of relevant SEPs in the 4G patent pool, the judge simply halved the value reached by Huawei, doubled the value reached by Unwired Planet and then split the difference. Similarly, it is not clear how the judge arrived at the conclusion that UP's 4G portfolio was worth two thirds of Ericsson's (although admittedly this may be due to the heavy confidentiality redactions in the judgment). In conclusion, the court approved method for reaching a FRAND licensing rate appears, understandably, to involve a modicum of hand-waving.

On a final note, the judge held that UP did not abuse its position of dominance as an SEP holder by prematurely issuing proceedings; the steps set out in **Huawei v ZTE** should be applied with a pinch of salt. Similarly, UP did not abuse its dominant position by seeking an injunction, insisting on a worldwide licence, excessive pricing, or by bundling SEPs and non-SEPs. Ultimately, an injunction was granted against Huawei in respect of the valid and infringed SEPs but, before the final injunction hearing, UP will draw up a full set of FRAND worldwide licence terms as determined by the judge that Huawei will have the opportunity to agree to (and thereby escape injunction).

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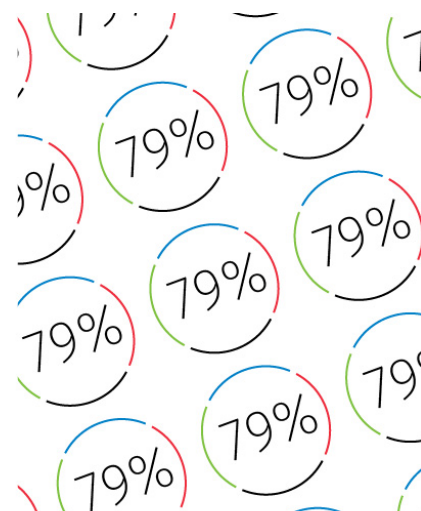
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