

Unwired Planet v Huawei: Court of Appeal Upholds Birss J's Judgment

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by Pat Treacy, Sophie Lawrance, Francion Brooks and Helena Connors

Yesterday, the Court of Appeal handed down its highly anticipated appeal judgment in *Unwired Planet v Huawei*. The unanimous judgment dismissed Huawei's appeal, confirming Mr Justice Birss' first instance decision in relation to the FRAND licensing of standard-essential patents ("SEPs"). The Court of Appeal considered three specific issues from the first instance decision.

1. A FRAND licence may be global. The Court of Appeal disagreed with the first instance Court that there is only "one true FRAND" set of rates and terms (this was the only substantive point of disagreement with Birss J). However, this did not affect the decision reached at first instance. The Court of Appeal distinguished between the question of relief for patent infringement (endorsing Aldous LJ's decision in *Coflexip* about the scope of such relief matching the scope of the rights) and the extent of the patentee's FRAND obligation. Since this obligation has international effect, the Court agreed that a global licence may be FRAND, and that where such a FRAND licence is refused, the SEP holder should be entitled to the usual relief for patent infringement, including an injunction. This finding doesn't mean that every future SEP licence will necessarily be global; this will depend on the facts of the case including the nature of the portfolio to be licensed and the implementer's sales and manufacturing footprint. Indeed, the law in this area is likely to continue to develop, as new issues are raised and as other jurisdictions continue to develop their FRAND jurisprudence.

2. General, not hard-edged, discrimination. The Court of Appeal agreed that the 'ND' limb of the FRAND obligation simply requires an SEP holder to offer a rate which reflects the proper valuation of the portfolio to all potential licensees (i.e. to offer the FRAND benchmark rate on a non-discriminatory basis). However, an SEP holder is not prevented from charging less than that benchmark rate if it chooses to do so. The Court acknowledged that price discrimination is not inherently bad for consumer welfare, and that an effects-based approach is therefore appropriate. If discrimination below the FRAND benchmark rate does cause competitive harm, then remedies may be available under competition law. In any event, licences with below FRAND rates are still likely to be relevant in any comparator licence analysis under the "fair and reasonable" head of FRAND.

3. The Huawei v ZTE framework is not mandatory. The Court of Appeal has taken a pragmatic view, noting that the negotiation framework set out by the European Court of Justice in *Huawei v ZTE* provides a 'safe harbour' for SEP owners but does not set out mandatory conditions for negotiations. The facts of each case must be assessed individually when considering whether an SEP owner has abused a dominant position. That said, the Court did find that an SEP owner **must** give notice to or consult with an alleged infringer prior to the commencement of proceedings seeking injunctive relief. If it fails to do so, its conduct will necessarily be abusive. However, the nature of the notice which is required will depend on the particular facts of the dispute. Nevertheless, parties should also be cautious before straying too far from the safe harbour as in different circumstances, and before different national courts, conduct which deviates from the CJEU's criteria may be found to infringe competition law, or mean that injunctive relief is unavailable.

Huawei may now seek permission from the Supreme Court to appeal the decision of the Court of Appeal. Whatever the ultimate outcome of the *Unwired Planet v Huawei* dispute, FRAND in the UK will continue to be influenced by developments in other countries, whether that is the approach of the US courts seen in cases like *TCL v Ericsson*, which developed an alternative FRAND methodology, or in the policy direction of regulatory bodies (for example, the European Commission which published a Communication on SEPs in November 2017 to which the Court of Appeal refers on a number of occasions), patent authorities (such as the Japanese Patent Office which issued a guide to SEP licensing negotiations in June this year) or of courts (for example, the Courts of Guangdong have recently published guidelines allowing for global FRAND determinations to be conducted in that region).

The Court of Appeal judgment certainly means that the English court will remain an attractive forum for SEP holders seeking to resolve global licensing disputes. However, it remains to be seen whether the courts of other countries will be prepared to sit back and allow the English courts to play ringmaster on FRAND/SEP issues.