

The ‘Non-Discriminatory’ Prong is ‘Essential’ to FRAND Evaluation – Unwired Planet v Huawei – Oberlandesgericht Düsseldorf

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by Hetti Hilge

In its latest FRAND judgment the Düsseldorf appeal court confirmed that in the context of FRAND evaluation the emphasis shall be – in contrast to English practice – on the ND (‘non-discriminatory’) prong of FRAND. The decision was rendered on 22 March 2019 in the appeal proceedings between Unwired Planet and Huawei (OLG Düsseldorf, court docket: I-2 U 31/16). The written judgment is now available.

The Düsseldorf appeal court found that Unwired Planet did not comply with its FRAND obligations because it had not sufficiently shown that its license offer to the defendants was non-discriminatory compared to previous licenses granted for the SEP. The approach of the German court on FRAND issues is different from that of the English court which in the parallel litigation between the same parties determined the terms of a FRAND royalty itself, taking a more generous view on the aspect of different treatment of licensees and putting a particular emphasis on the ‘fair and reasonable’ prong of FRAND (see [Kluwer_post](#) from Pat Treacy, Sophie Lawrence, Francion Brooks and Helena Connors). Unlike courts in other jurisdictions, the German courts have so far never determined the FRAND royalty themselves. Rather, German judges have expressed the view that the parties are in the best position to negotiate FRAND royalty rates, and only their compliance with the *Huawei v ZTE* negotiation framework as set out by the CJEU (case [C-170/13](#)) will be reviewed by the German courts.

The patent in suit had previously been assigned from Ericsson (intervening party in the proceedings) to Unwired Planet with the admitted purpose to generate higher license revenues. The Düsseldorf appeal court ruled that the obligation following from the **FRAND declaration** of the original SEP owner is binding in case of a transfer of the SEP even without an explicit or implied FRAND declaration of the assignee. Furthermore, also the **license practice of the original SEP owner is binding** for the assignee and sets the benchmark for the ND prong for any future licenses. According to the Düsseldorf appeal court, the assignee cannot deviate from the license practice of the previous SEP owner unless there are objective reasons justifying the different treatment, for which the SEP owner has the burden of proof. Apart from that, the SEP owner can only deviate from the previous license practice if it either effectively terminates or changes the terms of all previous license agreements that are in force with third parties, to the extent that the higher license fees are still ‘fair’ and ‘reasonable’.

The license conditions which have been determined in previous court decisions, on the other hand, such as in the judgment of the English High Court in the parallel case between Unwired Planet and Huawei, were not regarded as binding by the Düsseldorf appeal court for the determination of FRAND conformity of the license offer and the question of non-discrimination, because they do not originate from the free entrepreneurial decision and license practice of the SEP holder.

Based on the commitment to license the SEPs on FRAND, in particular non-discriminatory terms, the SEP owner is – according to the Düsseldorf appeal court – obliged to **disclose the content of all license agreements** that the current and the previous SEP owner concluded. The SEP owner cannot successfully rely on contractual **confidentiality obligations** in the license agreements with third parties because these have been concluded contrary to the patentee’s indispensable obligation following from the FRAND commitment to make the license terms transparent for any license seeker. Potential confidentiality interests and business secrets can be protected by procedural measures, such as excluding the public from the confidential parts of the proceedings, and by a non-disclosure agreement as previously proposed by the court to the parties in this case.

The Düsseldorf appeal court also held that the SEP holder has to explain whether the license terms offered to the defendant include economically identical terms compared to previous licenses. Otherwise the SEP holder has to explain for what reason a different treatment should be justified. Since Unwired Planet had not provided all third party licenses, including those concluded by the previous owner of the SEP (Ericsson) before the assignment of the patents, the OLG Düsseldorf found that Unwired Planet had not sufficiently explained for what reason its license offer to the defendant should be considered non-discriminatory and therefore in compliance with FRAND.

The court further confirmed that the FRAND defence pursuant to Article 102 TFEU can be raised against the SEP holder’s **claims for accounting** insofar as information on the infringer’s costs and profits is concerned. Unwired Planet had not requested an injunction but only a declaration on the defendants’ liability for damages and corresponding information and accounting. In previous cases the Düsseldorf court had already taken the view that an SEP owner who has not (yet) complied with its FRAND obligations cannot request more than a FRAND royalty as damages from a willing licensee (and not, for example, infringer’s profits), so that the information on costs and profits is not required for the respective time periods. The court explicitly rejected the diverging opinion of the Mannheim District Court which has granted unrestricted accounting claims also in the FRAND context (LG Mannheim, judgment of 10 November 2017, 7 O 28/16).

The Düsseldorf appeal court also confirmed the strict application of the principles of the *Huawei vs ZTE* judgment of the CJEU with alternating obligations of the SEP holder and the willing licensee in the course of the FRAND licensing negotiations, often referred to as a ‘ping-pong game’. Only a fully compliant FRAND license offer by the SEP holder triggers the obligation of the implementer to react, e.g. by providing a FRAND counter-offer. This approach which has been applied in SEP cases by the German courts in both Düsseldorf and Mannheim/Karlsruhe also differs from the view taken by the English Court of Appeal in the parallel case between Unwired Planet and Huawei according to which the negotiation framework set out by the CJEU in *Huawei vs ZTE* provides a ‘safe harbour’ for the SEP owner but is not mandatory for compliance with antitrust rules.

The judgment of the Oberlandesgericht Düsseldorf has been appealed by the parties. This is now one of three SEP cases involving FRAND issues which are currently pending before the **Bundesgerichtshof** (German Federal Court of Justice). The other cases are two parallel lawsuits in the dispute *Sisvel v Haier*. The Bundesgerichtshof may thus have the chance to hand down its first judgment concerning FRAND and the antitrust defence against the assertion of SEPs after its previous *Orange Book Standard* judgment and the following *Huawei v ZTE* judgment of the CJEU.