

NL - Sisvel / Xiaomi - FRAND: Injunction Claim in Summary Proceedings Denied

Kluwer Patent Blog
August 14, 2019

Rik Lambers (Brinkhof)

Please refer to this post as: Rik Lambers, 'NL - Sisvel / Xiaomi - FRAND: Injunction Claim in Summary Proceedings Denied', Kluwer Patent Blog, August 14 2019, <http://patentblog.kluweriplaw.com/2019/08/14/nl-sisvel-xiaomi-frand-injunction-claim-in-summary-proceeding-s-denied/>

While the numerous recent court decisions may suggest so, the 'F' in FRAND does not stand for 'Fashionable'. The reader of this blog, well-informed in patent matters, will know by heart what this acronym spells out. He (or, I say once and for all, she)¹ will also know that, next to technical intricacies of assessing the validity of a (portfolio of) SEP – yes, another term of this fine art – FRAND cases add another layer of complexity: what is FRAND? Not the acronym, but in the facts and circumstance of a specific case. This question was not answered in a recent judgment in summary proceedings (in Dutch: *Kort Geding*) between Sisvel and Xiaomi (1 August 2019, Dutch version [here](#)). The Preliminary Relief Judge – who is not known to shy away from complex cases, even in summary proceedings – did not touch upon the What is FRAND? question. Sisvel's claim for an injunction under its SEP patents was already denied due to a lack of urgent interest.

As a background, Sisvel is the owner of a portfolio of more than 450 patents related to wireless technology acquired from Nokia. Sisvel is also a member of the European Telecommunications Standards Institute (ETSI). In 2013 Sisvel issued an ETSI statement that it will license a list of patents, including two patents asserted in the present case, under FRAND conditions. In the same year Sisvel wrote a letter to Xiaomi, a manufacturer and provider of mobile phones, informing Xiaomi that a patent license would be available under FRAND conditions. Sisvel repeated the offer to take a license in 2014 and 2015. In 2017 the *Oberlandesgericht Dusseldorf* decided that Sisvel did not act FRANDly towards a third party. In 2018 a Dutch phone wholesaler announced the cooperation with Xiaomi to deliver Xiaomi phones on the Dutch market. In 2019 Xiaomi announced to enter the Dutch market. In April 2019 Sisvel brought proceedings before the High Court of Justice in London against, among others, Xiaomi and (among other things) claimed:

"(1) A declaration that the terms and conditions of the MCP Pool Licence [which includes the two patents litigated in the Dutch summary proceedings – author] are FRAND;

(2) Alternatively, a determination of the FRAND licence terms for the licensing of the Patents to the Defendants and a declaration that such terms are FRAND;

(3) A declaration that each of the Patents is valid and has been infringed by the Defendants;

(4) Save insofar as the Defendants and each of them agree to take a licence to the Patents on the FRAND terms to be determined by the Court:

(...)

(5) Costs together with interest thereon; and/or

(6) Further or other relief."

Sisvel saw no need to await the decision of the High Court on what a worldwide FRAND royalty should be, and also filed summary proceedings in the Netherlands in May 2019. In these summary proceedings Sisvel claimed, in short: a statement of profit as well as *primarily* an unconditional under two patents, as well as rectification, recall, and destruction, or *alternatively* these injunctions and other orders for as long as Xiaomi did not accept the arbitration offer made by Sisvel, and, in *the further alternative* (as too one patent), the elimination of the EGPRS/EDGE extension of the GSM functionality and (as to the other patent) the elimination of the LTE functionality.

Other than Sisvel, the Preliminary Relief Judge did not see why Sisvel could not have awaited the outcome of the High Court proceedings. At least, that is part of the reasoning to deny Sisvel's claims due to a lack of urgent interest. In general, Dutch Supreme Court case law assumes that urgency exists as long as it can be substantiated that there is a continuing infringement or threat thereof. Recent developments in Dutch lower court case law indicate, however, that an urgent interest also requires that – again: in general – the patentee acts swiftly against infringing actions, and does not wait for a period of several months without a proper justification. In any summary proceedings the Judge will also weigh the interests of the parties in making his (OK, for a second time: or her) decision.

Interesting of this particular judgment is that it concerns a FRAND case litigated in summary proceedings, and how the Judge applied the urgency requirement in view of the international context of this case. The Judge, in denying Sisvel's claims, considered:

- The nature of this dispute, which basically concerns the parties having to agree to a FRAND licence, while an injunction is claimed rather than an order to continue the FRAND negotiations, is not very suitable for summary proceedings.
- As the SEP holder (i.c. Sisvel) is obliged to do a FRAND offer, the damage suffered by the patentee does not so much concern the involuntary loss of his monopoly, which is irreparable and therefore much more urgent, but to not entering into a FRAND licence and remaining unpaid of a FRAND compensation. Therefore, even further down the line, the dispute is closer to an unpaid monetary claim than a regular IP infringement case in which the monopoly is continuously infringed.
- According to established case law, disputes about a monetary claims are urgent in exceptional cases. This is not a debt collection case, not the least because, according to the case law of the ECJ, an SEP holder is ultimately entitled to an injunction. However, the threshold for an urgent interest in an injunction is considerably higher than in an ordinary IP infringement case.
- Xiaomi's interests, on the other hand, are undeniably strong. An injunction – in the form of turning off the 4g LTE or EGPRS/EDGE functionality or even taking phones of the market – will have a major impact on Xiaomi's sales.
- Sisvel explained that it has only taken on the obligation to provide a (worldwide) FRAND licence with a willing licensee and not that it could be paid per country at Xiaomi's discretion. This "knife logically cuts both ways": the question of the urgency of Sisvel's interest in an injunction must therefore be considered in the international context. Therefore not only Xiaomi's recent arrival on the Dutch market has to be taken into account, but also the circumstance that Sisvel already pointed out to Xiaomi in 2013 that it required a licence under the portfolio to which the patents in question belong. A six year waiting period is a clear contra-indication for the presence of an urgent interest. Waiting a little longer for the outcome of proceedings on the merits in the Netherlands can then no longer make a difference. The recent arrival of Xiaomi c.s. on the Dutch market has little or nothing to do with the core of this dispute, still according to the Judge.
- Moreover, the question of what a (worldwide) FRAND royalty should be, was already submitted to the High Court in April 2019. Sisvel indicated it will follow this assessment, also in Dutch (merits) proceedings. In such case it is appropriate to be reluctant to preempt such a determination in the present summary proceedings. This also means that an injunction could be called into question if Xiaomi would pay the amount determined by the UK Court (as Xiaomi could evade an injunction in those proceedings if it did). This creates considerable legal uncertainty.
- In addition, the requested injunction is not stipulated, e.g. on the condition that Xiaomi pay a FRAND royalty to be determined. Sisvels wants an injunction in the Netherlands unless Xiaomi would pay a FRAND royalty for the entire world. That is difficult to reconcile with the English or Dutch merits proceedings.
- A company like Xiaomi cannot simply postpone the payment of a royalty indefinitely (so-called hold-out) with the risk of inability to pay at the end of the journey. However, this risk is largely addressed by the English and Dutch merits proceedings. That there is such risk in the meantime has not been made plausible.
- These summary proceedings seem to be mainly a method to force Xiaomi to the negotiating table and perhaps even impose a royalty, which would not necessarily have to be FRAND.
- In view of this, it is incomprehensible why an injunction should be imposed if the worldwide FRAND royalty is already to be decided in England.
- In all of this, the Judge also points out that in the very short time allowed for summary proceedings, a very complex issue should be advocated and decided on. Sisvel's patent portfolio concerns around 50 patent families. This means that if an invalidity or non-infringement defence of Xiaomi would lead to a rejection in these cases, Sisvel would be able to use many other patents. Determining a FRAND royalty is also not a simple exercise and usually leads to substantial reports with all kinds of confidentiality. In the light of the fact that it has remained unclear why Sisvel considers it necessary to anticipate the English or Dutch proceedings on the merits of the case, Xiaomi's interests in a proper determination in a procedure with longer deadlines must be given serious consideration.

All this led the Judge to deny Sisvel's claims. His decision is, of course, specific to the facts and circumstances of the case. If those are different, an urgent interest in and the grant of a preliminary injunction in a FRAND case can still be possible. Still, the supranational assessment of urgency provides food for thought to SEP owners. Not just about *when* to enforce (the enforcement clock may start ticking in the Netherlands), or *where* (seeking a global royalty in one forum (first) possibly carves out an injunction in another), but also *how* (the claim for an unconditional injunction did not help Sisvel in this case). Let's wait how this results in new designs for this fashionable area of patent case law.

Disclaimer: This author's firm represented Xiaomi in this case.

¹ Well-informed, the reader will have noticed that these are Lord Hoffman's words in *UK House of Lords, Kirin-Amgen v Hoechst (2004)*, par. 33: "the notional addressee is the person skilled in the art. He (or, I say once and for all, she) [...]".