

# Kluwer Patent Blog

## 2020 is set to be a crucial year for Standard-Essential Patent litigation in Europe

Enrico Bonadio (City, University of London) and Dr. Luke McDonagh (London School of Economics) · Friday, January 17th, 2020

The debate over standard-essential patents (SEPs) is typically distinguished as much by concerns over competition than issues of patent law per se. [Erixon argues](#): ‘...SEP disputes are less concerned about the rights and boundaries of patents, and more about antitrust limits to market behavior.’ At the European level [EU institutions acknowledge](#) the policy concern that the owners of patents on technological standards (SEPs) could block competitors from making use of standards, and thus obstruct the development of efficient and thriving ICT and Internet of Things (IoT) sectors, an acute point in the 5G era. The aim is to balance the role of monopolistic patent rights (granted at the non-EU EPO) in the context of the EU’s overriding focus on competition (embedded in Articles 101 to 109 of the Treaty on the Functioning of the European Union (TFEU)).

The inherent fragmentation of the European patent system, which has significant EU and non-EU aspects, works against the regulatory centralisation typically favoured by the EU. Further fragmentation is caused by the self-regulation model of standard-setting, which occurs at independent standard organisations such as ETSI and ISO. Yet, the EU is still able to exert a great deal of influence - in particular, in disputes over SEPs national courts are obliged to follow the CJEU’s guidance on what amounts to fair, reasonable and non-discriminatory licensing of standard-essential patents (FRAND). At the judicial level, the challenges of resolving this issue are compounded by tension between the CJEU’s role in making prescriptive rulings on matters of intellectual property and the implementation of these rulings by national courts in complex domestic litigation.

Recent decisions in the courts of Germany and the Netherlands indicate that member state courts are not entirely on the same wavelength concerning crucial legal issues inherent within the CJEU’s guidance. It seems certain that a further reference to the CJEU during 2020 will have to be made in order to resolve the tensions between the German and Dutch approaches. Furthermore, we await the upcoming judgment of the UK Supreme Court in *Unwired Planet v Huawei* (due in early 2020) which is also likely to be of significance, and will indicate the UK’s approach on the matter, Brexit notwithstanding.

## **The impact of *Huawei v ZTE***

Since the seminal 2015 CJEU case of *Huawei v ZTE* (the Court of Justice of the European Union (CJEU) (Case C-170/13 Huawei Technologies, EU:C:2015:477)) the importance of a harmonised approach to FRAND across EU member states has become obvious. The CJEU highlighted the need for good faith in negotiations: injunctions concerning SEPs subject to FRAND commitments should not be issued automatically without full consideration of the parties' behaviour in the context of their relevant bargaining power. Consequently, seeking an injunction against a willing licensee of a SEP can amount to abuse of a dominant position under Article 102 TFEU. But SEP-owners, who commit to grant third parties a FRAND-license, will not abuse their dominant position in seeking an injunction as long as they comply with certain strict obligations:

- prior to bringing that action, the proprietor should first alert the alleged infringer of the infringement complained about by designating that patent and specifying the way in which it has been infringed; and, secondly, after the alleged infringer has expressed willingness to conclude a licensing agreement on FRAND terms, the proprietor should present to that infringer a specific, written offer for a licence on such terms, specifying the royalty and the way in which it is to be calculated
- in a case where the alleged infringer continues to use the patent in question, seeking an injunction will not be abusive where the alleged infringer has not diligently responded to that offer in accordance with recognised commercial practices in the field and in good faith (this being a matter which must be established on the basis of objective factors, and which implies, in particular, that there are no delaying tactics).

While the above guidance is laudable, recent patent cases in the key European patent territories have shown that the CJEU's guidance did not resolve all relevant issues – there is disagreement on several points of detail between the courts in the jurisdictions of Germany, the Netherlands and the UK.

### **Divergence at the national court level - is a fresh CJEU reference required?**

As recently [commented on in this blog](#) by Hetti Hilge, a recent decision by the Karlsruhe appeals court on SEPs and FRAND highlights divergences between member state courts on key aspects of the CJEU guidance. For example, on the issue of timing the German court diverges from the view taken by the Dutch Court of Appeal. As Hilge notes: 'On the extent of the obligations for the SEP holder, in particular on the substantiation requirements of the FRAND offer, the approaches of the German and Dutch courts are diametrically opposed'. Appeals continue in Germany (Federal Court of Justice) and the Netherlands (Dutch Supreme Court). It seems certain that a further reference to the CJEU will have to be made in order to resolve the tensions between the German and Dutch approaches.

### **The upcoming UK Supreme Court decision**

Moreover, we await the upcoming judgment of the UK Supreme Court in *Unwired Planet v Huawei*.

Key questions concern the global nature of SEP disputes, the interpretation of the

CJEU guidance in *Huawei* (2015), and assessing the effect of the non-discrimination component of the FRAND (does it mean that materially the same licence terms as offered to Samsung must be offered to Huawei in the circumstances of the Unwired case?). The question of royalty-rate calculation is also the subject of appeal. In a linked case, the UKSC will also decide a case involving Conversant, Huawei and ZTE concerning whether England & Wales is an acceptable forum to decide global patent licensing disputes regarding patents valid in other territories.

Huawei seeks to overturn the earlier Court of Appeal and High Court rulings that held that seeking a global FRAND licence (rather than a territory-by-territory one) is fair and reasonable approach in the context of SEPs. In this view, if an implementer of the SEP technology refuses a FRAND global licence, an injunction can be sought by the SEP holder and granted by the court (as it will not constitute abuse of dominance). The UKSC will consider whether Unwired Planet, as SEP holder, made use of a 'time advantage' to improve its negotiation position.

Will the decision be handed down before the UK's formal exit from the EU on 31<sup>st</sup> January 2020? What could the impact of a 'no deal' or 'bare-bones' exit mean for the UK's legal system post-transition at the end of 2020? Could the impact of Brexit mean UK courts choosing (in coming years) to depart from the CJEU's guidance in *Huawei v ZTE* and develop an alternative approach? Looking to the year ahead, 2020 ought to bring a measure clarity on at least some these issues.

## Conclusion

The 2015 CJEU ruling in *Huawei* and the 2017 EC Communication on the EU approach to standard essential patents emerged from [a stirring internal debate](#) about the respective roles of property rights and competition within the EU - and both the decision and the communication are to be praised as they highlight the need to minimise possible abusive behaviours by patent owners. The subsequent litigation in Germany, the Netherlands and the UK indicates that more detailed guidance is required from the CJEU in order for a harmonised approach to be taken by national courts.

It remains to be seen what position the UK Supreme Court takes on the issue of SEPs and FRAND, and whether it will continue to reference the CJEU Huawei guidance in future litigation that takes place, post-Brexit.

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