

Kluwer Patent Blog

'Courts cannot shy away from tackling FRAND issues'

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"We are at a junction where market players lost all confidence on how they should position themselves either as SEP owners or defendants and prospective licensees." That is the opinion of Peter Chrocziel, partner at Bardehle Pagenberg, specialist in SEP issues and editor of the book 'International Licensing and Technology Transfer: Practice and the Law'. Kluwer IP Law interviewed Chrocziel, in the first part of a series of interviews with authors and editors of its publications.

Earlier this year, the Supreme Court of England and Wales issued a key decision in the case of Huawei and ZTE vs Conversant and Unwired Planet. What are the most important issues that have been made clear by this case?

"Indeed, it is a key decision, may be comparable to the decision of Judge Robart in the Motorola - Microsoft case during the most heated times of the smart phone wars.

The Supreme Court as well as the Court of First Instance tried to be available to the parties to render a final decision, not sending them away to experts or mediation / arbitration procedures or avoiding the issues all together, like we see at this point in time unfortunately with many courts especially in Germany. Most importantly, the court provided for guidance as to the coverage of the decision in both providing for a full license, as well as for a worldwide licence trying to finally decide the pending issues between the parties.



It is very notable that the court did not shy away from discussing and deciding on the right amount of the royalty. It is also important that the Court of First Instance offered its advise to defendant not rendering a decision yet, but providing for time to consider the upcoming decision and accept the license that the court thought to be the right one. Only when defendant was not willing to enter into the discussed license, the court

issued the injunctive relief.”

What is your view on the outcome? Is it a wise decision?

“As I said, it’s comparable to Judge Robart’s decision trying to solve the discussion of the parties and not sending them away with anything less. You can always dispute such innovative decisions, but I think it was a wise move for the judges to at least provide for guidance what parties can expect when they come to UK courts for respective litigation.”

Isn’t it strange the Court judged it was the appropriate Forum to deal with extraterritorial IP and was in a position to set corresponding FRAND rates, even if neither Huawei nor ZTE consented to having English Courts decide on the matter?

“I wouldn’t consider this strange but rather in line with what the court intended to provide as guidance to the parties. If you want to offer a solution, you are inclined to go all the way to consider to be the appropriate forum to deal with extraterritorial IP as well as the FRAND rates on a worldwide basis. It was in the hands of plaintiff to avoid a worldwide decision if they had considered this to be inappropriate.”

Could you compare the decision in the UK to the decision in the German *Sisvel v. Haier* case earlier this year?

“The *Sisvel v. Haier* case of the German Federal Supreme Court [[English translation of case](#)] does not in any way come close to the UK decision. First of all, the court did not provide for any guidance as to FRAND issues in general, especially as to the highly disputed application of the Huawei/ZTE decision of the European Court of Justice and its implications for pending German court cases.

To the contrary, the court tried to avoid any general rules that could be taken from the decision and made very clear that this is a case on its own. As was the case in the *Orange Book* decision handed down by the Federal Supreme Court in 2009, this case can only be understood if you take a very close look at the facts that had to be decided. Also, after the decision was handed down the members of the senate made clear that it had to be understood closely in connection with the underlying facts. Especially, they stressed that no general implication can be taken as to the willingness of a licensee that is defendant in an SEP case, or to the question how the ZTE/Huawei points to be reviewed have to be applied, especially whether they are in a consecutive order for any court to decide.

This is at this time most pressing, as some German First Instance Courts try to skip the first important step of ZTE/Huawei: the FRAND offer of plaintiff. They focus on the behaviour of defendant only and its counteroffer to dispose the case – which is an easy way out. One can only hope that the next FRAND hearing that be in front of the Federal Supreme Court, next year, will provide for further guidance, especially as there has been quite some criticism of the earlier decision.

And, as we speak, the awaited referral to the European Court of Justice comes in – hot from the press: The [Regional Court Düsseldorf](#) refers several questions to clarify two

main issues. The first set of questions relates to whether or not an SEP owner is free in his decision on which level of a supply chain he grants licenses. Secondly, the court asks for a clarification of several issues in connection with the Huawei vs. ZTE ruling, such as e.g. whether the obligations set forth in the ruling are to be fulfilled pre-trial or if they can be rectified during litigation.”

You are a former president of LES Germany and LES international, and a Certified Licensing Professional. Could you describe how issues concerning SEPs have been part of your activities? Have they become more important?

“In former days, IP practitioners were of the opinion that antitrust rules are something that can be ignored when looking into the use of intellectual property rights - apart from licensing. In court you were exercising the granted monopoly and it was only your decision how to do that with respect to injunctive relief and damages claimed.

This has changed fundamentally. Today, it is impossible to argue patent litigation cases in court without being prepared to spend at least half of your time on antitrust issues when you are claiming rights based on a SEP. Practitioners are well advised to take those rules into account when applying SEPs.”

In a recent article on our blog, Roya Ghafele of OxFirst wrote: “Markets for technology have outpaced the legal framework that underpins it”. Do you agree?

“I fully agree with that comment of Roya Ghafele. But that’s not a recent development. When you go back in time you always see that technology has been in the lead and that the legal framework was riding behind. Today, maybe we are at a junction where market players lost all confidence on how they should position themselves either as SEP owners or defendants and prospective licensees. We can only hope that the European Court of Justice will soon have an opportunity to explain further how European Law, that is Art. 102 TFEU, applies in connection with patent litigation.”

What should be the way forward in the field of SEPs and FRAND?

“We have to come to a regime where parties have confidence on how to apply SEPs and how to respond, especially what licences are to be taken out. Courts cannot shy away from tackling FRAND issues. It will only be to the benefit of the parties if they finally get their hands around it. May that be through their own decisions or by providing for mediation/arbitration when it comes to finding the right royalty rates. Also we need clear guidance whether there is only a right to access for all or right to license for all in a supply chain.”

What is the most interesting case in the SEP area you were involved in yourself?

“As a practising attorney, the standard answer to such a question is of course: the one case that I am working on right now and which will be argued in court next. Because this is the one where all the efforts have to go into and your work has to be concentrated on. It is always the case coming up that is the most important one.

Aside from this, going back into history, personally I think the most challenging case over the years was representing Microsoft in the Motorola litigation both in Germany, before the European Commission and the District Court in Seattle before Judge Robart in a jury hearing of two weeks. To get the various very different venues all together and follow through with a consolidated strategy was a big challenge, but also very satisfying to see that all through to the end. If you allow me a personal comment, it was also the most challenging case because during the two weeks of jury trial, I flew back over the weekend from Seattle to Munich to celebrate the wedding of my older son.”

You’re the editor of two Wolters Kluwer publications: ‘International Licensing and Technology Transfer: Practice and the Law’ and ‘Intellectual Property and Competition Law’. Could you describe what your role was as editor?

“I’m very pleased and proud to be the editor of the two publications you just mentioned. As an editor it is very important that you provide guidance to the authors so they know what the overall scope of the publications will be and how they can contribute to make it a success. You have to see both the details and the bigger picture to make a publication successful.”

Was it a way to get new insights in these issues for yourself?

“If you are an editor for such broad publications, there is so much you will learn yourself during the process, reading the contributions of various authors. That’s the most enjoyable part of being an editor.”

Are you interested in becoming an editor/author for Kluwer IP Law, please contact [Christine Robben](#) or [Anja Kramer](#).

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