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Unwired Planet Judgment and the French Riviera: je t'aime moi non plus

Matthieu Dhenne (Ipsilon) · Tuesday, December 8th, 2020

The Unwired case recently concluded by the UK Supreme Court is undoubtedly one of the most high-profile cases in European patent litigation in the last ten years [1]. Among other things, the judgment refers to French law to which it reserves a strange fate, a real legal “je t'aime moi non plus”.

But, beforehand, a brief reminder of what this is all about: in 2014, Unwired Planet brought patent infringement actions against Huawei and several other smartphone manufacturers. The patents at issue relate to the 2G, 3G, and 4G wireless telecommunications standards developed under the aegis of the European Telecommunications Standards Institute (“ETSI”), which is headquartered on the French Riviera, in Nice. In 2017, the Honourable Justice Colin Birss, then sitting in the High Court of Justice, considered notably that the patents were valid and infringed and that a worldwide license should be negotiated [2]. This decision was upheld by the Court of Appeals [3] and recently by the UK Supreme Court.

I do not intend to provide here a detailed analysis of this last judgment. That being said, French breakthroughs in FRAND litigation are rare enough to be noteworthy, particularly when a judgment of the UK Supreme Court cites and interprets the said law, as in the Unwired Planet case. It is only this part of the decision I choose to comment here, because the Court attitude seems to me to be somewhat schizophrenic.

The FRAND Commitment on the French Riviera

The Supreme Court's ruling is based more than previous decisions on the interpretation of the commitment made to ETSI. ETSI, which is the body at the origin of the standard, and with which the patents invoked were declared essential, is located in Nice, on the French Riviera. Article 6-1 of the ETSI IPR Policy provides that “*When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory (“FRAND”) terms and conditions under such IPR to at least the following extent: – MANUFACTURE, including the right to make or have made customized components and sub-systems to the licensee's own design for use in MANUFACTURE; – sell, lease, or otherwise dispose of EQUIPMENT so MANUFACTURED; – repair, use, or operate EQUIPMENT; and – use METHODS. The above undertaking may be made subject to the condition that those who seek*

licences agree to reciprocate.”

Injunction or no injunction?

This was the first question before the Court: Huawei was of the view that the FRAND undertaking precluded the application for an injunction to cease exploitation and transformed the patentee’s right into a mere right to royalties. The Court, like the Honourable Judge Birss, rejected this reasoning. It held, based on the interpretation of the contractual undertaking to ETSI, that the possibility of seeking an injunction was part of the balance sought by ETSI between the rights of the patentee and the user.

Non-discrimination somewhere between contract law and competition law

It is certainly this second point that will seem the most interesting and the most surprising for the French lawyer I am. A lively debate surrounds this question of the legal qualification of the FRAND commitment, sometimes considered from the point of view of contract law (via the ETSI commitment), sometimes from the point of view of competition law [4].

In the Unwired Planet case, Judge Birss had initially made the requirement of non-discrimination a non-absolute requirement, with competition law reasoning: differences in royalty rates were permissible, provided that competition between users of the standard was not affected. The Supreme Court takes a similar position, but on a different basis: the interpretation of Article 6-1 of the ETSI IPR Policy. Thus, according to the Court, non-discrimination must be considered together with the other FRAND requirements. In particular, it points out that an absolute reading of non-discrimination would be tantamount to reintroducing a most-favored licensee clause, which was rejected when the ETSI rules were drawn up. In other words, the Court took a contractual approach to the FRAND commitment.

The French Riviera is no longer what it used to be

At first glance, the position taken by the UK Supreme Court represented a victory for French law, that applies to the ETSI commitment on which it decided to rely. This contractual view was also probably a victory for the French civil law doctrine [5] defending this view over the doctrine advocating a competitive approach [6].

On closer inspection, however, it was a Pyrrhic victory. Admittedly, the UK judges rely more than before on the interpretation of the ETSI rules, thus appearing to accept a contractual reading of the undertaking while rejecting a competitive reading. At the same time, however, the Court does not draw the consequences of its interpretation, tending in particular to ignore to some extent Article 12 of the ETSI policy, which provides that its interpretation is a matter for French law. Indeed, the Court, in its analysis of the FRAND requirements, did not even look at what French law provides. Instead, it proposes a review of the recent case law of foreign courts – in US, Germany, China and Japan – concerning FRAND licenses.

It is true that the UK court was only continuing to dig a furrow already largely opened by the Court of Justice in *Huawei v. ZTE* in 2015. The Luxembourg Court had then completely ignored the commitment to ETSI in favour of a strictly competitive analysis.

The French riviera was perhaps not so bad either

No doubt French chauvinism is such that we tend to forget Waterloo in favour of Austerlitz. But there can be little doubt in this case that French contract law would offer an interesting angle in the resolution of FRAND litigations. In particular, one could imagine bypassing the protocol given by the Huawei vs. ZTE decision, given that the obligation to negotiate a contract in good faith does not imply going through this protocol and that the absence of a final agreement does not necessarily imply a breach of the ETSI rules. Moreover, decisions would also gain more legitimacy, especially in a global framework full of anti-junctions and anti-anti-junctions, by specifying in what capacity the judicial authority can unilaterally set a global rate. Indeed, as the FRAND commitment constitutes a form of “stipulation for third parties”, a mechanism under French civil law equivalent to a third-party beneficiary clause, this justifies, with regard to the law applicable to the commitment, the setting of a global rate. Although it is true that, on the other hand, ETSI itself and its rules would undoubtedly deserve serious reform to become truly efficient.

Beyond these few examples of contributions stemming from French law, there remains one last one, contextual this time: recent French case law. As a reminder, the vast majority of disputes relating to SEPs and FRAND licences have so far been developed in Germany and England. This being said, BREXIT, coupled with decisions that have been particularly favorable to patentees for almost two years before the Paris High Court (“Tribunal Judiciaire de Paris”), may one day make France a fertile ground for such litigation. It is therefore best to take a little bit of a head start and look at the law applicable to the ETSI commitment before being forced to do so, as Philips has already been recently [7].

[1] [2020] UKSC 3.

[2] [2017] EWHC 2988 – Patent.

[3] [2018] EWCA Civ 2344 ; [2018] RPC 20.

[4] See M. Dhenne, Calculation of FRAND Royalties: An Overview of Practices Around the World, 41 EIPR 755 (2019).

[5] See notably C. Caron, L’efficacité des licences dites « FRAND » (ou l’indispensable conciliation entre la normalisation et le droit des brevets d’invention grâce à la stipulation pour autrui), *Communication commerce électronique* 2013, étude 12.

[6] See notably P. Chappatte, “FRAND Commitments – The Case for Antitrust Intervention”, *European Competition Journal* 2009, vol. 5, p. 319.

[7] See M. Dhenne, Overview of FRAND litigation in France: is a new era coming?, <http://patentblog.kluweriplaw.com/2020/11/19/overview-of-frand-litigation-in-france-is-a-new-era-coming/>.

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This entry was posted on Tuesday, December 8th, 2020 at 10:03 am and is filed under [Case Law](#), [FRAND](#), [Infringement](#), [Injunction](#), [United Kingdom](#)

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