The FRAND Lectures (Part 1): which Judge can fix a global royalty rate?

Kluwer Patent Blog
February 1, 2021

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Please refer to this post as: Matthieu Dhenne, 'The FRAND Lectures (Part 1): which Judge can fix a global royalty rate?', Kluwer Patent Blog, February 1 2021, http://patentblog.kluweriplaw.com/2021/02/01/the-frand-lectures-part-1-which-judge-can-fix-a-global-royalty-rate/

I have the pleasure and the honor of welcoming today Professor Anne-Catherine Chriariny. Professor Chiariny teaches Patent Law and International Private Law at the University of Montpellier. She is notably the author of a famous doctoral thesis on international patent litigation awarded by the Prix Pierre Véron and the Prix Cercle Montesquieu in 2007, published in 2006 (you can order it here), and has kindly accepted to offer us two brief lectures on issues relating to FRAND litigation in a global context: which Judge can fix a global rate (Part 1)? Which Judge can order a cross-border injunction (Part 2)?

This invitation results from passionate discussions we had together with Professor Chiariny and a common observation to which we have come: the hot debates on FRAND litigation in a global context, particularly because of their undeniable "political" color, often lead us to forget what the fundamental legal rules are. It is notably the case when we talk about FRAND royalty rates, especially when addressing the issue of a global royalty rate since the *Unwired Planet* case (see here), which is now at the heart of many disputes, being notably the source of the anti-suit injunctions and anti-anti-suit injunctions (see here).

The idea of the FRAND lectures will be to remind us the rules that constitute the framework for international patent litigation, and today more especially those that are supposed to frame the choice of the forum for setting a global royalty rate in FRAND litigation.

Let me now leave room for Professor Chiariny's analysis.

"*Our analysis here will be based on the model of standardization in the telecommunications sector, where there is a commitment to grant a FRAND license to ETSI. In this case, the SEP holder undertakes to grant a FRAND license in relation to ETSI. This is a contract between the patentee and the ETSI including a stipulation for a third-party beneficiary ("stipulation pour autrui"). Such a contractual approach is confirmed by the CJEU when it states that the parties must negotiate in good faith.*

Could ETSI therefore set the price (i.e. the license rate)? But does it have the capacity to do so? And does it wish to do so? Not only does ETSI not have the competence to intervene and play the role of price regulator, but beyond that it does not seem to want to interfere in this contractual negotiation and be held responsible for the fair and reasonable character of the FRAND license. It only has the power to exclude a member who refuses to fulfil its commitment. Under the principle of contractual freedom, the setting of the price depends on the contract negotiations, as confirmed by the European Commission (see here).

The numerous litigations regarding the setting of the FRAND license rate reveal that negotiation can be long, difficult, and unsuccessful. The intervention of a Judge to set the price in a contract – which by definition is consensual – is debatable. Nevertheless, with regard to FRAND licensing, if negotiations failed, the intervention of a judicial authority will be made necessary to set the license royalty rate in accordance with the FRAND commitment, in order to allow the operator who wishes to use the SEP to be able to do so under fair, reasonable and non-discriminatory conditions. This creates a new difficulty: the appointment of a competent Judge to fix the price of these global licenses between operators established in different States.

Given ETSI's location on French territory (in Nice), the competence of the French Judge seems natural to set a global royalty rate. However, in a questionable way, the English Judge has already assumed that he could also do so (see here). At any rate, the competition between national jurisdiction leads to a risk of global forum shopping: each of the negotiators with the FRAND license could wish to entrust the mission of fixing the price to their natural Judge, namely the Judge of their domicile or will refer the matter to the judge who according to their quality – holder of SEP or candidate for the FRAND license – will be the most favorable. Moreover, it should be remembered that the defendant's forum Judge enjoys main jurisdiction, in accordance with most national laws and the Brussels Regulation I Bis (applicable text for litigations into the European Union). Therefore, the most diligent party to the negotiation of the FRAND license could also choose the defendant's Judge, that should only be able to rule for the defendant's territory.

Eventually, to guarantee the effectiveness of the FRAND License mechanism, one might imagine ETSI could modify its IPR in order to assume this competence (i.e. fixing the royalty rate) or expressly designate the Judge – the French Judge – who could establish objective criteria for setting a global rate for the FRAND license. Failing that, a conflict rule could be added in the ETSI IPR which would be binding on both the holder of the SEP patent and the candidate for the FRAND license."

Many thanks to Professor Chiariny for this first enlightening lecture on FRAND.

For my part, my main (and personal) conclusion is that the competent Court should, in principle, be that of the defendant forum if we are talking about a national royalty rate. But the commitment to ETSI could also lead to France being retained either to sue ETSI alone (in order to engage its liability, because essentiality has not been checked, and also to exclude its member that has not respected its FRAND commitment), and/or concomitantly to sue the patentee because his patent is not essential and/or void. On the other hand, if a patentee wants a global royalty rate, given ETSI's location, the French Judge is the natural Judge.