Kluwer Patent Blog

Report from Rio: Day 1 – Of Swedish hotels and FRANDangos

Brian Cordery (Bristows) · Tuesday, October 13th, 2015

by Dominic Adair

Following an exciting opening ceremony on Sunday evening featuring Brazilian dancers, caipirinha cocktails and black bean soup, the AIPPI's 2015 World Congress in Rio de Janeiro began in earnest yesterday. The agenda for day 1 started with the customary round of Executive Committee meetings (followed by opportunities for a networking lunch) and ended with a heavyweight panel session: a three-and-a-half hour "focus on FRAND [Fair, Reasonable And Non-Discriminatory terms under which to grant a licence of a standard-essential patent (SEP)]".

This was moderated by Michael Fröhlich of Blackberry and included a distinguished panel of judges (Judge Peter Meier-Beck, Federal Supreme Court – Germany; Judge James L Robart, US District Court / Western District of Washington – USA; and Judge André Fontes, Federal Court of Appeals – Brazil) and industry speakers (Monica Magnusson, Ericsson – Sweden; Latonia Gordon, Microsoft – USA; Monica Barone – Qualcomm, Inc – USA). The session fell into two halves: presentations from the judges and an industry debate. Closing remarks were provided by Gertjan Kuipers of De Brauw Blackstone Westbroek in the Netherlands.

The judges' presentations laid the foundations for the debate. Judge Fontes introduced the audience to the Brazilian court system, including the remarkable statistic that the number of court cases in Brazil is so high that it equates to one case per citizen (100 million court cases for 200 million citizens; parity based on the assumption that each case involves two litigants). Judge Meier-Beck provided a summary of case law from the Bundesgerichtshof and the CJEU relating to SEPs, including *Standard-Spundfass* (2004), *Orange Book Standard* (2009) and, of course, *ZTE v Huawei* (2015): the courts have developed the concept of a "willing licensor" and a "willing licensee" but not yet provided guidance as to how FRAND terms are to be assessed when the willing parties can't agree. In contrast to Judge Meier-Beck's round-up of jurisprudence on FRAND licensing from an anti-trust perspective, Judge Robart provided a summary of the US position on FRAND licensing from the perspective of breach of contract (the breach being that of the patent owner who is obliged to grant a licence of an SEP). Judge Robart highlighted the difficulty of setting a royalty rate under FRAND terms at a level which both encourages widespread licensing on the one hand but adequately compensates the patentee on the other. Discussing the US jurisprudence on licensing through the 15 considerations of the *Georgia Pacific* (1970) approach for determining a reasonable royalty, his own judgment in *Microsoft v Motorola* (2012), and the development of the Georgia Pacific approach in the recent Federal Circuit case of *Ericsson v D-Link* (2014), he identified some of the practical difficulties facing litigants in FRAND

disputes, including the evidential requirement when alleging patent hold-up or royalty stacking.

The industry debate covered three key themes: (i) the availability of injunctions, (ii) portfolio licensing vs licensing of individual patents and (iii) the possibility of using ADR for resolving FRAND disputes. On the first topic, Monica Magnusson brought the debate to life by using the vivid analogy of a hotel in which the licensee occupants could do business – and potentially thrive – but over whom the patentee owner could have no control in terms of room rate unless armed with the possibility to "lock the door" – what else would bring the occupants to the reception desk to pay? The metaphor ran and ran, with Judge Robart complaining that locks should not force people to sleep in the street and Latonia Gordon emphasising the need for fairness: does every occupant have to pay extra to watch TV or use the rest room? On the interesting issue of portfolio licensing, there was a consensus that regard had to be had to real-world considerations. Courts would only adjudicate on a small number of patents but this is not realistic: licences often cover all patents necessary to gain freedom to operate. Nevertheless, the real world is influenced by the jurisprudence of the courts so the two cannot be fully separated. The limitation on court time and resource and the highly specialised nature of FRAND disputes opened the question of whether arbitration would be a better method by which to resolve disputes. Time ran out before this topic could be explored in depth but not before Ms Magnusson could paint another metaphor, this time on the need for trust between negotiating parties: business negotiations are like a dance, and no dance is complete without both music and dancers. Products and networks need each other. Both must play together if we are to dance the FRANDango.

This entry was posted on Tuesday, October 13th, 2015 at 3:11 pm and is filed under Sweden
You can follow any responses to this entry through the Comments (RSS) feed. Both comments and pings are currently closed.