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FRAND-Einwand II: Werther and the love of contracts

Matthieu Dhenne (Ipsilon) · Saturday, February 27th, 2021

Neither of French case law nor of a mood note on a general theme today, like Werther I prefer to suffer with my eternal love for Goethe's language to evoke the Sisvel vs Haier II decision (FRAND-Einwand II, i.e. Defense FRAND II) of the *Bundesgerichtshof* (i.e. German Federal Court of Justice) rendered last week ; all with a "French touch" of course (if only to pay homage to recent Daft Punk's split).

This ruling follows the important decision of last July in the Sisvel vs Haier case. Although the outcome of the decision had already been revealed by the Court in May, its reasoning had so far remained unknown. Rejecting again Haier's FRAND defense, the Court explains more precisely its interpretation of the criteria that had been identified in Huawei vs ZTE.

First of all, it confirms its approach focusing on the overall behavior of the parties, according to which negotiation implies reciprocal obligations. An abuse is only committed in the case of a categorical refusal to take a license or an unreasonable and categorical offer by the holder of the SEP. Thus, the expression of the mere willingness to take a license, for example, will not suffice. The agreement should be the result of a negotiation process in which the interests of the parties can be discussed, so that this discussion can lead to a fair and reasonable balance of interests. It is a flexible and evolutionary conception and not simply strict and static one.

The Court then reaffirms that the criteria identified by the Court of Justice in Huawei v. ZTE is only a "safe harbor", i.e. a guideline. This view is shared by the English[1] and Dutch[2] Courts. It should be noted, however, that German judges have sometimes taken a strict view of these criteria[3].

I find it interesting to note that such an approach of the FRAND negotiations tends to take them away from the golden prison of competition law in which the Court of Justice had left them. While the Huawei/ZTE criteria are benchmarks for assessing abuse of a dominant position, the fact remains that the negotiations as a whole must be conducted in *good faith*. In other words, we come back to the requirement of good faith that overrides any contractual negotiation. The flexible approach of the Huawei/ZTE framework thus brings us back to the tearing of FRAND conditions between competition law and contract law, but in favor of the latter. This movement from FRAND towards contracts Law is undoubtedly to be compared with the analysis of the source of obligations – the ETSI Agreement and its IPR policy – as an agreement between the patentee and ETSI including a "stipulation pour autrui" (i.e. a third-party beneficiary clause) for the future licensees. Such a conception is tending to gain ground, as evidenced by the recent Unwired Planet decision

and especially by French case law, and even more so when it comes to determining the competent court to set a global royalty rate.

In the end, if the “Defense FRAND II” decision is not revolutionary, it nevertheless has the merit of elegantly reminding us that the didactics underlying any FRAND negotiation cannot be confined within the strict and imprecise straitjacket of competition law, in which the Court of Justice has attempted to lock it. The ECJ could also benefit from Werther’s adventures: « *es genügt, aus tiefstem Herzen zu lieben, um alle anderen freundlich erscheinen zu lassen* ».

[1] *Unwired Planet c/ Huawei* (2017) EWHC 711 (Pat).

[2] District Court of The Hague, *Archos vs. Philipps*, February 8, 2017, Case No. C/09/505587 / HA ZA 16-206 (ECLI:NL:RBDHA:2017:1025).

[3] Regional Court Mannheim, judgments of July 1, 2016 (7 O 209/15) and November 17, 2016 (7 O 19/16), *Philips v. Archos*.

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