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What does the Optis v. Apple case mean for SEP Litigation in the UK?

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Introduction

The implementation of 4G mobile communication technology in the UK has become very expensive for Apple in light of the High Court of England and Wales' decision last month in *Optis v. Apple*. The court held that Optis's standard-essential patents ('SEPs') were infringed by Apple. The court added that it was willing to decide the value of royalty to be paid by Apple to Optis in the context of Apple being viewed by the court as an 'unwilling licensee'. The repercussions could extend to claimed damages (approximately $7 billion).

The outcome of the case is likely to jeopardise Apple's position in the UK market, with some commentators even raising the possibility of an end to iPhone sales in UK and a restriction of services and upgrades to current customers. At the same time, the case on the other hand may bolster the UK's perceived position as a welcoming legal jurisdiction for SEP owners.

Background

The case arises from the contentions raised by the non-practising entity Optis (and its partners, PanOptis Patent Management and Unwired Planet LLC). Optis claims that Apple's iPhones, which implement the LTE cellular standard, infringe upon their standard essential patents on 3G and 4G. The case is multi-jurisdictional, and was first litigated in favour of Optis in a Texan Court in August 2020, wherein it was found that Optis' patent rights had been "wilfully" infringed by Apple with Optis granted the relief of $506 million. The Texas damage award was then reversed in April 2021 by US District Judge Rodney Gilstrap who emphasized the question of whether the royalty was consistent with FRAND terms, leading to a retrial (*Optis Wireless Technology v. Apple Inc*., 19-66, U.S. District Court for the Eastern District of Texas).

Thereafter, in 2020, Optis took Apple to court in a UK lawsuit over the same SEPs. As the case stands, following the second in a series of four technical trials in June 2021, the High Court of England and Wales (Mr. Justice Meade) has held that Apple infringed Optis' patent rights. Meade J has also stated that any decision the court makes on the FRAND royalty amount the iPhone maker must pay would apply worldwide, not just to its UK sales (in line with the UK Supreme Court decision last year in *Unwired Planet v Huawei*). The High Court will also verify whether

Apple's action renders it an 'unwilling licensee'.

The 'Unwilling Licensee'

Apple will be subject to another hearing in 2022 before the English High Court which will determine the aforementioned global level royalty rate to be paid to Optis. An essential aspect of this concerns whether Apple ought to be labelled an unwilling licensee. In UK law, the noncompliance with a court-determined FRAND royalty value is the key element that would make Apple an unwilling licensee; a finding which – the UK judicial argument goes – is consistent with the approach taken by the Court of Justice of the European Union (CJEU) in *Huawei v. ZTE*.

Apple finds itself in a vulnerable situation as an implementer, whereby they need to comply with the rate determined by the court to avoid an injunction. Apple's fear of being deemed an unwilling licensee, and being forced to cease using the technology in question via an injunction, may force Apple to settle in the current case.

Yet Apple claims the right to question the value of the court-determined royalty without being labelled an unwilling licensee. The approach adopted by the High Court – Apple argues – would essentially facilitate a situation wherein Apple ends up giving a blank cheque in lieu of the patented technology. As Apple's lawyer put it, "there may be terms that are set by the court which are just commercially unacceptable". Apple's own Statement on FRAND Licensing of SEPs stipulates that a willing licensee is not merely considered unwilling if 'it refuses arbitration, challenges the merits, or resorts to litigation because the SEP owner does not offer FRAND terms.' This has been echoed by the Fair Standards Alliance in their own position paper (Fair Standards Alliance is an association whose aim is to support innovative technology companies in making sure that SEP licensing is conducted on what they refer to as 'real' FRAND terms).

Conclusion

The case is another indicator that the UK Supreme Court decision in *Unwired Planet v Huawei* – which gave the green light for UK courts to formulate global royalty rates for essential technologies – has created a perception that the UK is a welcoming jurisdiction for enforcement of the rights of SEP holders. This will likely lead to increased filings. However, several critics argue the surge of patent cases in UK may create a situation where a single jurisdiction is empowered to frame precedents for a global (territorial) patent system. This is viewed as problematic since there might be jurisdictional clashes if other countries designate themselves in a similar fashion. The controversy reflects the complexity created by the fact that patents are territorial but the FRAND commitment is made globally.

In this specific case, Optis find itself in a strong position, as the English High Court has both held against Apple for patent infringement, and also wielded the power to decide a global FRAND value. In doing so, it has increased further the attractiveness of the UK courts for SEP holders who might emulate Optis' actions in this case, impacting the broader Internet of Things ability to use standards and giving rise to political consequences far beyond the average SEP case.

(Dr Enrico Bonadio and Dr Luke McDonagh are Fellows of the Innovators Network Foundation for 2020-21)

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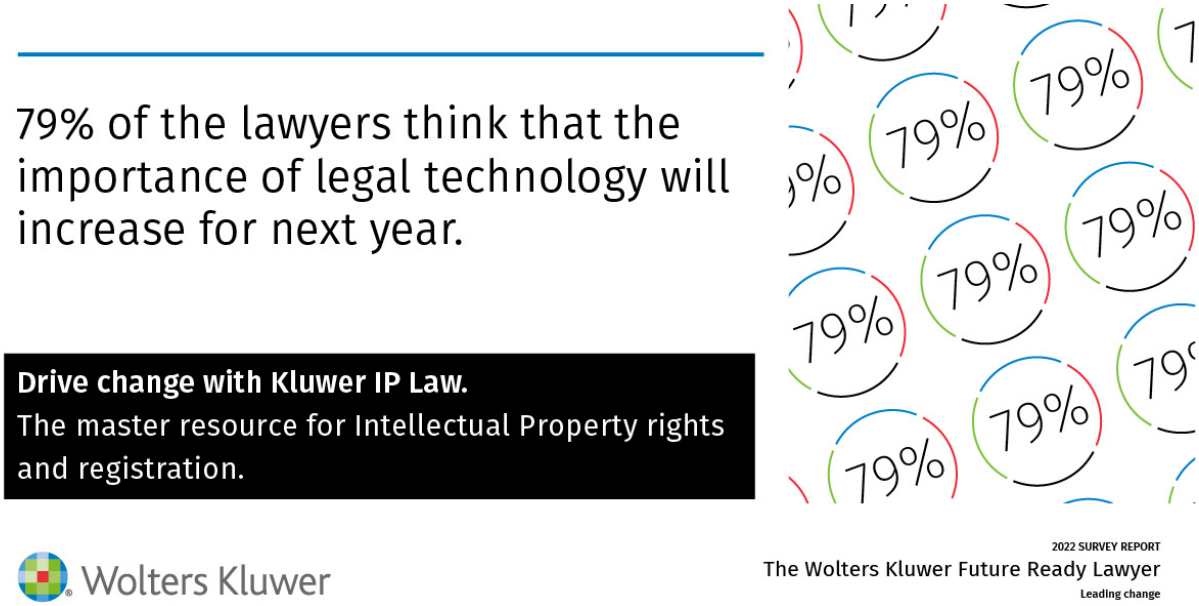

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