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UPC and SEPs/FRAND: Many questions, very few answers (so far)

Matthieu Dhenne (Dhenne Avocats/Paris-Panthéon-Assas University/OECD) · Tuesday, July 30th, 2024

The question of the role that UPC is likely to play in relation to SEPs (and therefore FRAND licenses) is one that I've heard most often since the new jurisdiction was born, certainly because the main aim of the UPC is to harmonize hitherto fragmented patent litigation in Europe, notably to improve legal certainty. However, the emergence and exponential growth of SEPs/FRAND litigation in Europe in recent years, which explains why the European Commission has taken up the issue, has led to the search for lasting solutions synonymous with greater legal certainty.

With this short paper, I would like to offer a brief study of the possible interactions between UPC and SEPs/FRAND. The UPC system opens new outlooks by providing a jurisdiction that could rule on FRAND issues, and more specifically on the determination of royalties. But I realized that the analyze provides (very) few answers for the moment (as the title suggests), while on the other hand it reveals many questions to which only the jurisdiction itself will be able to provide answers. Without claiming to list these questions exhaustively, I'm going to list the ones that immediately come to mind drawing up a sort of inventory.

The first set of questions concerns the scope of the new Court's forum. Or, in other words, the limits of its forum over SEPs/FRAND matters. Will the Court have jurisdiction to set the terms of a FRAND royalty rate? The answer is not self-evident. Indeed, article 32(2) of the UPC Agreement delimits the exclusive jurisdiction of the Court and makes no mention of SEPs/FRAND disputes. It is therefore doubtful whether the Court has jurisdiction over independent FRAND actions (even if the question of the possible exhaustivity of article 32(2) remains). Nevertheless, it should be possible to invoke FRAND terms, in other words non-compliance with FRAND obligations, as a defense. But here again, a new question arises: will the Court rule whether terms would be FRAND or not? Or will the Court, on the contrary, in the absence of specific provisions concerning this jurisdiction in the Agreement, refuse to consider this question? For the moment, the only clue we have is UPC Judge Rian Kalden's unofficial statement that if the Court can set a license to calculate damages, it must also be able to calculate what is a reasonable royalty under a license agreement (see here).

And if the Court considers itself competent, what approach will the Court adopt: one similar to that of civil law or *common* law countries (see here)? In short, while civil law Courts have sometimes asserted their jurisdiction to decide FRAND cases (as in France, see here), or have sometimes decided what is FRAND and what is not (as in Germany, for example), none has ever set FRAND royalties, and German judges have even refused to do so (see here). Conversely, in common law

countries such as the UK, judges have agreed to set such a royalty rate (see here). What will UPC's position be? Will the Court agree to set a royalty rate like the English judges? Or not? Not only is it impossible for us to give an answer at the moment, but it's not certain that a clear, unified position will emerge from the outset, and there's nothing to prevent the UPC divisions from adopting different approaches.

The second set of questions concerns the method of calculating FRAND royalties (on this question see the article Calculation of FRAND Royalties: An Overview of Practices Around the World). If the Court agrees to determine FRAND royalties, how it will be handled? For instance, will the Court fix a global royalty rate, as some jurisdictions do, with all the difficulties that this entails (see here)? In this context, will the Court grant Anti-Suit Injunctions (ASIs) or Anti-Anti Suit Injunctions (AASIs) (see here)? Will the Court consider a portfolio of patents or only consider the patents asserted?

Not to mention the fundamental questions of the royalty base and rate calculation. As far as the basis of assessment is concerned, it will be necessary to determine whether the final product as a whole should be taken into account, or only isolated components (i.e., EMVR, Entire Market Value Rule, and SSPPU, Smallest Saleable Patent Practicing Unit). When it comes to calculating the rate, it will be necessary to determine which calculation method is the most suitable, or whether a mixture of the methods identified should be used (e.g., a possible mix between the comparable approach and the top-down approaches). We would simply note that the comparable license method finds considerable support in the UPC Agreement, with the order to produce evidence on the one hand, and the protection of confidentiality on the other (see Huawei vs. Netgear case). In addition, the Mannheim local division has already issued two rulings (in the Panasonic cases), in which the local division set out the conditions under which the production of comparable licenses is admissible, referring to the Court of Justice's Huawei vs. ZTE case law.

Last but not least, any intervention by the new Court in the SEPs/FRAND field would undoubtedly lead it onto a somewhat slippery slope towards European Union law. This last point, although unfortunately not often highlighted, seems to me to be of considerable importance. There can be little doubt that decisions on FRAND licenses would interfere with EU competition law, so it is highly likely that SEPs/FRAND litigation before UPC would open the door to questions before the European Court of Justice, which has so far given only an unsatisfactory answer to such questions… Will UPC's intervention be just one more dispute synonymous with a return to the starting point? It's impossible to predict anything now, only time will tell.

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This entry was posted on Tuesday, July 30th, 2024 at 6:07 pm and is filed under FRAND, SEP, UPC
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