

Kluwer Patent Blog

First UPC FRAND decision: Amours à l'Italienne (Panasonic v. Oppo)

Matthieu Dhenne (Dhenne Avocats) · Friday, December 20th, 2024

Like Prudence the heroine of Amours à l'Italienne (Rome Adventure in English), UPC local division of Mannheim gives us a lesson of polyamory with the first UPC FRAND decision (November, 22, 2024, Panasonic v. Oppo), in which the Court reminds us of its Love for EU Law (and CJEU case law), but also, and above all, its Love for the construction of its own UPC case law (which includes its own interpretation of EU Law). This decision lays the underpinning for UPC's approach to FRAND licenses, while also reminding us of the complexity of the articulation between EU Law and UPC Agreement.

Until recently, there was still some suspense regarding the position UPC would take on the SEPs/FRAND cases (see [here](#)). The decision in Panasonic v. Oppo (partly) puts an end to this: UPC local division of Mannheim considers itself competent to rule on FRAND terms, and finds that, in this case, Oppo has infringed a Panasonic SEP relating to 4G. The background of the case is classic for those accustomed to this kind of litigation. Panasonic Holdings Corporation (“Panasonic”) holds a European patent ([EP 2 568 724](#)) protecting a radio communication device and method, declared essential to the 4G telecommunications standard to the ETSI (i.e., European Telecommunications Standards Institute). The patent was filed on 13 August 2008, claims priority to patents JP 2007211548 of 14 August 2007 and JP 2008025535 of 5 February 2008, and was granted on 17 December 2014. Guangdong Oppo Mobile Telecommunications Corp. Ltd. and its German subsidiary Oropo Germany GmbH, belong to the Oppo Group (“Oppo”) and distribute products compatible with cell phones. Since July 2019, Panasonic and Oppo have been in discussions regarding a FRAND licensing agreement for Panasonic’s 4G patents. However, the negotiations remained unsuccessful. As a result, the SEP holder introduced an infringement action before the UPC local division of Mannheim, alleging that Oppo was infringing its EP’724, through 4G-enabled smartphones (such as the Oppo Find X5 Pro) and 4G-enabled smartwatches, seeking injunctions, recall, damages and other relief, while Oppo argued that there was no infringement, that the patent was void and that Panasonic had not offered a license under FRAND terms. Oppo also sought to obtain a FRAND license as determined by the Court by making several ancillary applications. The Court ruled that the patent was valid and infringed, before focusing essentially on the FRAND defense. This defense, based on an alleged abuse of the plaintiff’s dominant position (article 102 TFEU), was deemed admissible, but unfounded.

FRAND-related decisions had already been handed down several times before by UPC local divisions, but only about orders to produce evidence (see [here](#) and [here](#)). The decision reported here is the first to deal with FRAND terms assessment. The analysis of FRAND commitment

therefore constitutes the essential contribution of the decision.

We first note that the Court follows the requirements established by the CJEU in *Huawei v. ZTE*. However, the Judges reject the referral request to the CJEU, as well as the interpretations of FRAND licenses set out in the European Commission's recent "amicus curiae" observation letter. The Court stresses the importance of following the CJEU's guidelines in *Huawei v. ZTE*, based on Article 102 TFEU. At the same time, it is noted that there is no need to refer questions to the European Court, because UPC can resolve those questions by applying the established principles of the CJEU. Moreover, while reiterating its commitment to applying EU Law and respecting its primacy, the Court points out that the Commission's opinions are not binding.

De facto, the Court held that the SEP owner must inform the alleged infringer of the patent infringement, specifying how it has been infringed. Sending a list of SEPs with claim charts including the patent(s) invoked is sufficient to satisfy this requirement. Thus, the Court rejects the European Commission's formalistic approach, according to which the analysis of the letter must include a formal analysis of the infringement.

The Judges then examined whether the alleged infringer had expressed its willingness to license on FRAND terms. In the Court's view, the conduct of both parties must be assessed in the light of the fundamental objective of the CJEU's negotiating program, namely the rapid conclusion of a FRAND agreement within the framework of targeted negotiations on an essentially private-autonomous basis. This framework implies to analyze the obligations to be met at each stage of the negotiations. In this case, Oppo complied with step 2 (with a "willingness to license"), via an e-mail to Panasonic, in which Oppo indicated its willingness to take a license, which was sufficient to start negotiations. However, Oppo failed to comply with step 4 by not formulating a "FRAND counteroffer".

To sum up, the decision contains several major lessons: UPC is competent to assess the FRAND terms of a license; the Court applies the CJEU principles but gives its own interpretation; "willingness to license" is assessed on the basis of an overview of the parties' conduct throughout the negotiation program; the right-holder and the implementer must cooperate in order to achieve a FRAND license on time, with focused negotiations on an essentially private and autonomous basis, leaving little room for formalistic defenses based on substantial FRAND requirements; the Court advocated an overall FRAND license rate in line with usual commercial practice; national case law (here Dutch, English and German) underpins the interpretation of the requirements set out in *Huawei v. ZTE*, but the Orange-Book case law of the German Federal Court of Justice is rejected.

In the end, there's a lot to learn from just one decision, which was certainly eagerly awaited. So, let's get back to the heart of the matter: *Amours à l'Italienne*. The decision is, of course, very interesting because of the above-mentioned lessons. But those lessons are, in a way, only the consequences of even more interesting underlying trends. First, the Court considers itself competent to set FRAND conditions. However, it is clear from article 32 of the UPC Agreement that this does not fall within its exclusive competence. It is therefore debatable and questionable to extend the Court's forum as it is the case here: the said forum is expressly limited, and I fail to see what justifies such an extension (notably from a fundamental point of view). That said, it is often the tropism of any jurisdiction to consider its forum broadly.

And yet, the Court makes a genuine declaration in favor of Union law, which is decidedly in the spotlight in this case. But this declaration is misleading. Firstly, it extends its jurisdiction beyond

the UPC Agreement, which is, as explained, questionable regarding EU Law (i.e., article 32 UPC Agreement). Secondly, it refers to EU Law, while preferring not to request referral to the CJEU, because UPC can interpret EU Law without the Highest European Court's help. Here again, this type of behavior is not new. For instance, the CJEU's attitude towards the European Court of Human Rights in its interpretation of the Fundamental Charter of Human Rights is similar: the CJEU claims to behave like the ECHR while applying the same principles, but, in fact, the CJEU interpretations are different than the ECHR ones. In short, it's more a declaration of independence, or a declaration of Love for its case law than a true declaration of Love for the EU Law and its interpretation by CJEU.

This attitude is not surprising, but it says a lot about how UPC Agreement and EU Laws will be articulated in the future: it's a safe bet that references to the CJEU will be rare, and that the UPC will prefer to build its own practice. Such an attitude could be a source of difficulties: with national SPCs, which are already the subject of extensive and complex case law from the CJEU; but also for SEPs, should the Commission still be determined to push ahead with its flawed proposal on SEPs.

At the end of the day, those *Amours à l'Italienne* will certainly result in the construction of a UPC case law of its own. Even more so as it's not even certain that UPC will be able to refer questions to the CJEU, because it's not certain that UPC is a "jurisdiction" within the meaning of European Union Law (more on this issue in the next episode...).

To make sure you do not miss out on regular updates from the Kluwer Patent Blog, please [subscribe here](#).

2024 Future Ready Lawyer Survey Report

Legal innovation: Seizing the future or falling behind?

[Download your free copy →](#)

 Wolters Kluwer



 Future
Ready
LAWYER

This entry was posted on Friday, December 20th, 2024 at 4:44 pm and is filed under [FRAND](#), [UPC](#). You can follow any responses to this entry through the [Comments \(RSS\) feed](#). You can leave a response, or [trackback](#) from your own site.