



IN THIS ISSUE

- Global News and Notes
- China Updates
- France Updates
- Germany Updates
- The Netherlands Updates
- United Kingdom Updates
- United States Updates



Contacts

- Paul Brown**  
Partner, London  
paul.brown@hoganlovells.com  
+44 20 7199 8205
- Ana Castedo**  
Partner, Madrid  
ana.castedo@hoganlovells.com  
+34 91 349 82 05
- Dr. Frederick Ch'en**  
Partner, Tokyo  
frederick.chen@hoganlovells.com  
+81 3 5157 8263
- Zhen (Katie) Feng**  
Partner, Shanghai  
katie.feng@hoganlovells.com  
+86 21 6122 3826
- Giovanni Ghirardi**  
Partner, Milan  
giovanni.ghirardi@hoganlovells.com  
+39 02 720 2521
- Hirotto Imai**  
Partner, Tokyo  
hirotto.imai@hoganlovells.com  
+81 3 5157 8166
- Joseph (Joe) J. Raffetto**  
Partner, Washington, D.C.  
joseph.raffetto@hoganlovells.com  
+1 202 637 5514
- Stanislas Roux-Vaillard**  
Partner, Paris  
stanislas.roux-vaillard@hoganlovells.com  
+33 1 53 67 18 78
- Dr. Benjamin Schröer**  
Partner, Munich  
benjamin.schroer@hoganlovells.com  
+49 89 290 12 168
- Ruud van der Velden**  
Partner, Amsterdam  
ruud.vandervelden@hoganlovells.com  
+31 20 55 33 600

hoganlovells.com

SPOTLIGHT

**On 22 March 2019, Higher Regional Court of Dusseldorf—one of the two most important appeals courts for patent cases in Germany—announced its second-most important FRAND judgment in case I-2 U 31/16, after the *Sisvel v. Haier Decision of 30 March 2017 (I-15 U 65/15)*.** The ruling is another relatively implementer-friendly judgment which fits into a series of recent decisions from German courts. The court gave leave to appeal to the Federal Supreme Court, so this case may lead to that court's first FRAND decision since the (outdated) Orange Book Standard decision in 2009. The Higher Regional Court of Dusseldorf's judgment announced the following legal principles:

1. If a SEP owner makes an IPR declaration in relation to a SEP, such SEP can only be transferred "encumbered" with the IPR declaration. Consequently, a SEP owner who acquires a SEP from another party is bound by IPR declarations which have been made by its legal predecessors.
2. In addition, a SEP owner is not only bound by the IPR declarations but—in the light of the non-discrimination rule of FRAND—also by the licensing practices of its legal predecessors. That is, a SEP owner must not only refrain from any (unjustifiable) discrimination in comparison to licenses granted by itself, but also in comparison to licenses granted by previous owners of the SEP. Relevant previous license agreements are (only) those license agreements which still are in force at the time of the license offer of the SEP owner.
3. Since the SEP owner, according to the German case law, is required to disclose to the alleged infringer the comparable previous license agreements, in order to demonstrate that its license offer does not discriminate, the preceding points mean that the SEP owner also has to disclose previous license agreements of its legal predecessors. Therefore, if the transfer agreement regarding a SEP does not provide for an obligation of the seller to provide information regarding previous license agreements to the acquirer, it may become difficult for the new SEP owner to enforce the acquired SEP in Germany.
4. Further, the Higher Regional Court of Dusseldorf applies what the UK court in *Unwired Planet v. Huawei* called "hard-edged discrimination," i.e., a relatively strict non-discrimination standard. According to the court, the reference point for the non-discrimination test is the most implementer-friendly license agreement previously entered into. That is, once the SEP owner has granted a license on a SEP at certain conditions, it cannot deviate from these conditions regarding the same SEP, even if the previous terms and conditions are at the lower end of the range of licensing conditions which would still be FRAND.
5. Finally, the court provided guidance as to the calculation of a FRAND royalty rate under the non-discrimination rule in a scenario where only a portion of a previously-licensed portfolio is sold. The court explained that the share of the royalty rate agreed under the previous license agreement which has to be allocated to the transferred portion of the portfolio does not depend only on the mathematical share of this portion in the licensed portfolio. Instead, qualitative criteria have to be taken into account, particularly the relative value of the transferred portion compared to the entire portfolio and the criteria used to define the sales price for this portion. Therefore, in order to demonstrate that its license offer does not discriminate against the alleged infringer, the SEP owner usually also has to disclose the criteria based on which the SEP owner and its legal predecessor defined the sales price for the transferred portfolio.

In summary, recent FRAND-related case law of German courts continues to move in a more implementer-friendly direction. This raises the question of whether Germany may be a suitable venue for declaratory judgment actions of implementers, in order to achieve a determination of a FRAND royalty rate. In particular, the strict approach regarding the non-discrimination test may provide implementers the opportunity to benefit from low royalty rates in previous license agreements.

Contributor: *Dr. Benjamin Schröer*



JUMP TO

- Global News and Notes
- China Updates
- France Updates
- The Netherlands Updates
- United Kingdom Updates
- United States Updates

Global News and Notes

**Patent pool Avanci reported on 13 April 2019 that it has entered into a 2G, 3G, and 4G SEP license agreement with car manufacturers Audi AG and Porsche AG.** The deal is Avanci's second with auto manufacturers. It comes more than a year after Avanci its first SEP license agreement with BMW in late 2017. Few details about the deal have been made public. Avanci itself does not appear to have issued a press release. While reports suggest this demonstrates progress by Avanci in its campaign to license the auto industry and, more generally, in the use of pools, the list of reported Avanci licensees remains small, long after Avanci began its efforts to license the automotive industry in late 2016.

**On 17 April 2019, market intelligence firm Ipytics released a landscape analysis report on 5G SEPs in the automotive industry.** As 5G is being rolled out globally and integrated into products, Ipytics's report highlights the importance of companies being cognizant of the major players holding SEPs relevant to the standard. Ipytics identifies around 1500 declared 5G SEP families over 2016-2018 that Ipytics contends are specifically related to vehicular applications. According to Ipytics, none of these SEPs were declared by auto manufacturers or suppliers. The top seven automotive 5G SEP holders and 5G standard contributors identified by Ipytics include Avanci licensors Qualcomm, Ericsson, and Nokia, as well as various chip and cellphone manufacturers, each holding over 100 of the declared SEP families related to vehicular applications.

Contributors: *Joe Raffetto and Nicholas W. Rotz*

China Updates

**The Supreme People's Court (SPC) has granted InterDigital's petition for retrial concerning the Guangdong High Court's 2013 decision on FRAND rates to be paid by Huawei.** The grant suspends the 2013 decision, which had maintained the Shenzhen Intermediate Court's judgment requiring Huawei to pay a royalty of, at maximum, 0.019% (i.e., the FRAND rate) of the sales price of certain products. In addition to granting the InterDigital petition, the SPC served both parties with a mediation order, encouraging the parties to settle the disputed rate (it is unclear if the SPC is also acting as a mediator in settlement negotiations, which can be requested by the parties). The SPC's granted petition and mediation order could be viewed as a victory for InterDigital, as any potential agreed-upon future settlement may support a higher rate than the earlier 0.019% royalty determination.

**SEP pool operator Avanci announced on its website that China Mobile has agreed to license its entire global portfolio of 2G, 3G, and 4G SEPs via Avanci's "licensing platform."** According to the announcement, adding China Mobile to Avanci's patent pool brings the number of members in the consortium to over twenty. While not all member names are known, the patent portfolios being shared in the Avanci "platform" pertain to connected cars and other "Internet of Things"-related technologies. A subsidiary of China Mobile (China Mobile Group Design Institute Co., Ltd.) released similar statements about the deal in March on the subsidiary's official Wechat account. It is likely that the deal will provide China Mobile with additional domestic and international licensing revenue from implementers in the "Internet of Things" space.

Contributors: *Zhen (Katie) Feng and Kevin Xu*

France Updates

**On 16 April 2019, the Court of Appeal of Paris in *Conversant Wireless Licensing SARL v. LG Electronics Inc. and LG Electronics France* ruled that the patents asserted by Conversant were non-essential, rather than setting a worldwide FRAND license rate.**

In 2011, Core Wireless Licensing SARL ("Core"), now Conversant Wireless Licensing SARL ("Conversant"), purchased from Nokia around 1200 patents which were declared essential before the European Telecommunications Standards Institute ("ETSI") for implementing the GSM, UMTS, and LTE (2G, 3G, and 4G) standards. Negotiations between Core and LG Electronics ("LGE") to enter into a FRAND license failed, and Core filed a complaint for expedited proceedings on the merits before the Paris Court, asking the Court to state that LGE was in breach of its ETSI commitments and to set a FRAND license royalty to be paid by LGE.

On 17 April 2015, the First Instance Court dismissed Core's claims, pointing out that essentiality is not assessed by ETSI, and that when asserting alleged SEPs, a patent holder cannot just presume the essentiality of said patents. The Court then addressed the essentiality of the alleged SEPs to conclude that they were not essential. Since Core based its demonstration of infringement upon only the essentiality of these patents (i.e., LGE's devices would necessarily practice the patents, since they are compliant with 2G, 3G, and 4G standards), the Court also dismissed all infringement claims.

The claimant appealed that ruling. In the first instance, Conversant asked the Court to look at a "sample" of five of its alleged SEPs, urging this was a proper way to assess that the whole portfolio was essential and that a worldwide FRAND license royalty rate should be set. Before the Appeal Court, however, Conversant asserted only two patents against LGE. On 16 April 2019, the Appeal judges basically confirmed the lower Court's judgment. They first reviewed and dismissed the invalidity challenges brought by LGE, finding that this went beyond the analysis made by the first instance judges, who had set aside all invalidity defenses and focused on essentiality only. Then the Appeal Court went on to address essentiality, and affirmed the ruling.

According to the judges, it was possible to manufacture devices which are compliant with the standard, but still not infringing, which means that the said patents are not standard-essential.

Consequently, the Court did not rule on Conversant's FRAND royalty rate request and on the exhaustion of rights defense raised by LGE on the basis of a third party license. LGE was awarded €100,000 in legal fees. Accordingly, practitioners will need to wait for a future case to get detailed FRAND guidance from French courts.

Contributors: *Stanislas Roux-Vaillard and Julie Gemptel*

The Netherlands Updates

**For the first time, the Court of Appeal of The Hague has given guidance on the interpretation of the CJEU decision in *Huawei v. ZTE* and the standards for assessing FRAND defenses under Dutch law.** In its 7 May 2019 decision in *Philips v. ASUS*, the Court of Appeal of The Hague determined that the steps described in *Huawei* should be considered not as strict requirements, but rather as guidelines. The Court of Appeal also granted an injunction against ASUS, holding that ASUS had employed delaying tactics and had not acted as a "willing licensee."

Philips appealed an earlier judgment of the District Court of The Hague regarding Philips' patent EP 1 623 511 (related to a "Communication system"), which Philips alleged was standard-essential but which was revoked as invalid by the District Court. The Court of Appeal overturned the decision and held that the patent was valid and essential to the UMTS/LTE standard. It also held that Philips did not abuse a dominant position in the sense of Article 102 TFEU.

The Court of Appeal first considered that Philips was under no obligation to disclose its patent application as a SEP prior to the finalization of the standard. The ETSI IPR Policy and ETSI Guide mention this should happen "as soon as feasible" and "in a timely fashion"; however, according to the Court of Appeal, a reasonable interpretation is that this should be done shortly after the standard is finalized and it has become clear what technology is included. The ETSI standards are not designed to be open standards free of IP rights, but designed to achieve technically optimal solutions.

The Court of Appeal concluded that the CJEU in *Huawei* did not establish a strict set of rules: if the SEP holder has not precisely and fully complied with any of the steps, this does not immediately and necessarily imply that enforcing its SEP would constitute an abuse of a dominant position. The CJEU rather provided guidelines for good-faith negotiations between the parties about a license. The factual circumstances of the case must be taken into account when assessing whether enforcement of a SEP should be regarded as abusive. On the one hand, the SEP holder can be expected to inform the user of his SEPs, to offer a license, and to enter into good-faith negotiations before seeking an injunction, so that the negotiations can take place without the pressure of a possible injunction. On the other hand, the SEP user must be a willing licensee and not apply delaying tactics, which, *inter alia*, means that within a short time-frame, the user must initiate a written counter-offer.

The Court of Appeal held that ASUS was not a "willing licensee," but instead applied a "hold-out" strategy. Philips had informed ASUS of its UMTS patent portfolio in 2013 and several meetings took place, always at the initiative of Philips. Philips explained the infringements, but ASUS never had a technically qualified person present at the meetings and never provided a (technical) response. According to the Court of Appeal, ASUS did not show any interest in a license, avoided a discussion on license terms, did not ask about Philips' license agreements with others, and never got in touch with Philips after meeting. Philips sent a proposal for a standard license agreement, a list of relevant UMTS/LTE patents, and claim charts to ASUS on 21 September 2015, but ASUS did not respond. Also at a meeting on 15 November 2015, no discussion on the license terms took place and ASUS did not make a counter-offer. Philips indicated at the end of the meeting that it was expecting a counter-offer, but it did not receive one. Philips then sued ASUS on 15 December 2015.

The Court of Appeal held it follows from *Huawei* that if the SEP holder has met its duty of notification (as was held to be the case here), that the SEP user—after receipt of the notification—must show a willingness to negotiate to enter into a license agreement under FRAND conditions. This was not done, as ASUS was held not to be actually willing to negotiate in good faith. Philips was thus not required to make a specific license offer that is FRAND to ASUS and was free to initiate injunction proceedings.

According to the Court of Appeal, Philips was thus not even required to make its license offer of 21 September 2015. The Court of Appeal therefore sets aside ASUS' argument that Philips' offer did not meet the requirements of *Huawei* because Philips' offer had been specified that, and why, its offer was FRAND. The Court of Appeal superfluously held that specifying that, and why, an offer is FRAND is not a requirement following from *Huawei*.

ASUS did make a counter-offer to Philips after the proceedings were initiated, but the Court of Appeal held that this could at most lead to the SEP holder being invited to negotiate in good faith with the SEP user, but cannot lead to the conclusion that the initiated proceedings would—in retrospect—constitute an abuse or that the SEP holder would have to suspend such proceedings. This would open the door to delaying tactics by the SEP user.

As the Court of Appeal considered the patent to be valid and essential to the standard, and Philips was not held to have acted abusively, it ordered an injunction, account of profits, rectification, recall and destruction of goods, and damages against ASUS. The Court of Appeal's decision is open to appeal to the Supreme Court.

Contributor: *Ruud van der Velden & Liselotte Cortenraad*

United Kingdom Updates

**On 11 March 2019, in *TQ Delta, LLC v ZyXEL Communications UK Limited & Ors* [2019] EWHC 745 (Pat), the Patents Court found TQ Delta's EP268 patent (which expires on 25 June 2019) to be valid, essential, and infringed by ZyXEL Communications UK Ltd. At a further hearing on 18 March 2019, the Patents Court determined the form of order following its judgment (the "Form of Order Hearing").**

TQ Delta's position was that ZyXel should either be enjoined or give an undertaking to take a RAND license on the terms the Court determines at the upcoming RAND trial, scheduled to take place in September 2019. ZyXel's position was that it would not provide the undertaking requested, that it was not seeking a license, and that the RAND trial should not take place because EP268 would expire prior to the trial. Further, ZyXel argued that it would be disproportionate for the Court to grant an injunction given the short time left until expiry of EP268, but if the Court did grant an injunction, there should be a stay of enforcement or a carve-out to allow ZyXel to fulfill existing orders.

TQ Delta was successful on every point, and ZyXel was therefore enjoined with effect from the date of the hearing. Mr. Justice Carr based his judgment in part on a finding that ZyXel had engaged in hold-out, noting that it had not paid royalties on TQ Delta's patents or any other relevant SEPs (despite evidence from ZyXel that it had never been asked to take a license by any other patent holder). The Judge also considered that it would be wrong to refuse TQ Delta of the injunctive relief to which it was entitled where ZyXel had deprived to take a license, as this would effectively amount to a compulsory license. Justice Carr thus exercised his discretion both to grant the injunction and to refuse any stay or carve-out of that injunction.

Having given judgment on the issues in dispute, Justice Carr then went on to consider ZyXel's request for permission to appeal the technical findings regarding EP268 and the grant of an injunction. Both requests were refused on the basis there was no reasonable chance of success. With respect to the injunction, Justice Carr held that the correct general principles were clear from the Court of Appeal's judgment in *Unwired Planet*, namely that ZyXel should have agreed to submit to the outcome of a RAND determination if it wished to avoid the injunction. On 8 April the Court of Appeal also refused permission to appeal with respect to the grant of an injunction; the Court of Appeal has yet to decide if ZyXel can appeal the finding of validity with respect to EP268.

Contributors: *Paul Brown, Ian Moss, and James Gray, and Ellen Dewhurst*

**On 11 April 2019, in *Unwired Planet v. Huawei* [2018] Ewca Civ 2344 & *Huawei v. Conversant* [2019] Ewca Civ 38, Huawei v. Huawei was given permission to appeal the UK Courts' jurisdiction to determine global FRAND terms to the UK Supreme Court.** We have previously reported on the landmark High Court and Court of Appeal rulings in the *Unwired Planet v Huawei proceedings*, and on *Huawei's unsuccessful attempts to challenge the UK Court's jurisdiction on FRAND matters*. In both cases, the justiciability of the terms of a global FRAND license by the UK Courts was a key issue.

The details of Huawei's appeal are not yet known, but it is understood that the case will be heard in the course of 2019. The Supreme Court's ruling is likely to be of significant importance, especially given the number of FRAND proceedings initiated in the UK Courts since the *Unwired Planet* decision.

Contributors: *Paul Brown and Ian Moss*

United States Updates

**On 18 March 2019, Judge Rodney Gilstrap of the Eastern District of Texas ruled in a case before him that insufficient evidence had been presented for the court to determine whether a non-patenting entity (NPE) had satisfied its FRAND obligations in licensing its SEP patents to a jury finding infringement and awarding damages against the manufacturer.** In addition to the infringement allegations, the NPE sought a declaratory judgment that its worldwide licensing offer was FRAND-compliant as to U.S. patents. However, Judge Gilstrap observed that no evidence had been presented "with any offer from which a rate for U.S. SEPs can be derived or discerned," because the NPE's offer had included both U.S. and non-U.S. SEPs and none of the parties' witnesses or experts had analyzed the offer from a U.S.-perspective. Accordingly, Judge Gilstrap declined to issue a declaratory judgment, since he found it would be an advisory opinion and inject confusion into a developing area of the law.

**On 11 April 2019, Judge Cathy Ann Bencivengo of the Southern District of California granted-in-part and denied-in-part a motion to dismiss filed by SEP-holder InterDigital, Inc. against claims brought by Swiss technology company u-blox AG.** Judge Bencivengo dismissed u-blox's promissory estoppel claim (i.e., u-blox's claim that InterDigital made a clear and definite promise that it would grant essential patents on FRAND terms to all 2G, 3G, and 4G implementers), finding that French law governing InterDigital's ETSI commitments does not recognize promissory law estoppel. But, she allowed u-blox's antitrust and declaratory judgment FRAND claims to proceed. She reasoned that u-blox had sufficiently stated an antitrust monopolization claim, based on its allegations of InterDigital's monopoly power and InterDigital's alleged failure to offer its SEPs on FRAND terms. As to u-blox's FRAND declaratory judgment claims, Judge Bencivengo also identified triable factual disputes between the parties that she found justified the denial of a motion to dismiss, including disputes as to whether InterDigital satisfied the FRAND obligations during SEP licensing negotiation and whether u-blox itself negotiated in good faith.

**On 24 April 2019, Judge Joseph Bataillon of the District of Delaware, ruling on post-trial motions, ordered that SEP-holder Godo Kaisha IP Bridge 1 was entitled to a royalty as to LTE products sold by a cellphone manufacturer, including LTE products of the manufacturer that had not been specifically adjudicated.** At trial, a jury found the patents asserted by IP Bridge to be essential as to the LTE standard, and awarded damages against the manufacturer for certain accused products practicing the standard. The Court reasoned that a patent-holder is ordinarily entitled to an injunction against infringement, and that this is generally inapplicable in a case alleging infringement of a SEP. As such, Judge Bataillon alternatively granted-in-part IP Bridge's post-trial motion for a reasonable royalty as to any of the manufacturer's products that practice the LTE standard, on the basis that they would necessarily infringe the patents at issue.

Contributors: *Joe Raffetto and Nicholas W. Rotz*