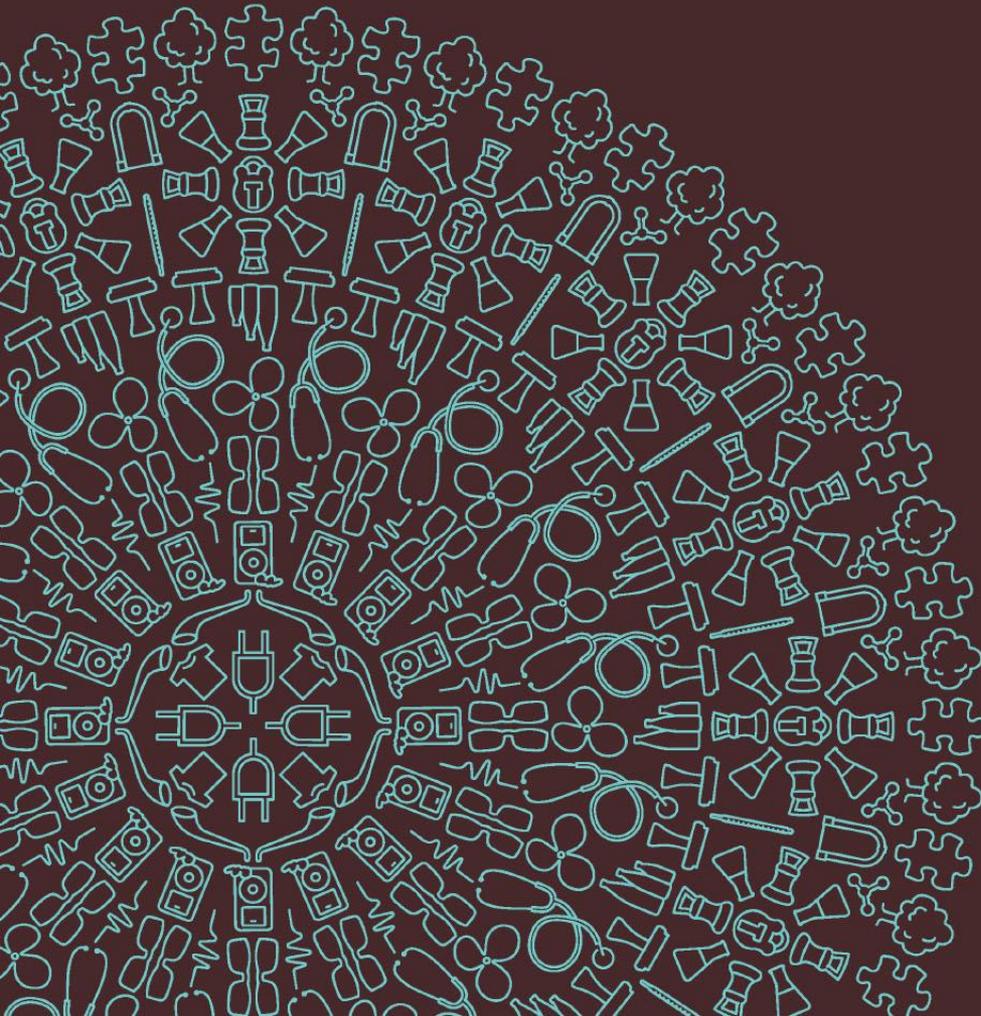


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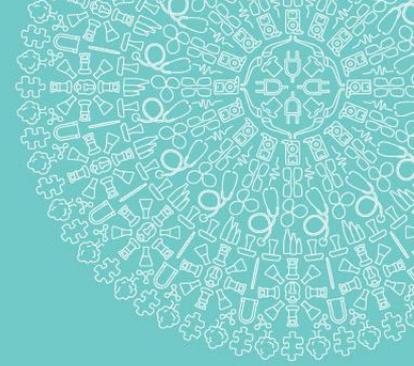
Is *Huawei v ZTE* applied in an incoherent manner?

The UK perspective

Sophie Lawrance, Partner



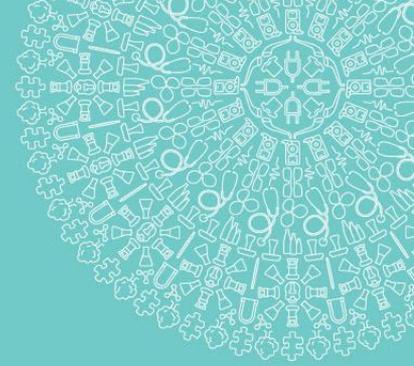
Context for the UK cases



Context in which UK cases decided

- Cases brought before UK Patents Court
- Legal basis for FRAND litigation in the UK:
 - FRAND primarily considered under a contractual framework – ETSI contract
 - Attempt to divide off FRAND issues to specialist competition court was refused in *Unwired Planet*
- Procedural nature of UK patent litigation:
 - Flexibility to seek declarations in addition to patent infringement claim
 - Relief normally considered at end of infringement proceedings – so in FRAND cases, a full assessment will have been given
 - Even where FRAND determinations are sought, the Court is inclined to treat them in the context of relief
 - No injunctive coercion until FRAND is determined

Approach of the UK Court in *Unwired Planet*



Background

- January 2013: Unwired Planet (UP) acquired c. 2,100 patents (SEPs and non-SEPs) from Ericsson
- Late 2013: UP wrote to Huawei suggesting two companies should negotiate licence terms
- Early January 2014: Huawei asked UP for claim charts; UP said it would provide under NDA – but terms of NDA not agreed
- **March 2014: UP began proceedings against Huawei in UK and Germany seeking an injunction**
- April 2014: UP made first licence offer to Huawei
- Late 2016: FRAND trial

Birss J's first-instance judgment (April 2017)

A relatively relaxed approach to the *Huawei v ZTE* framework...

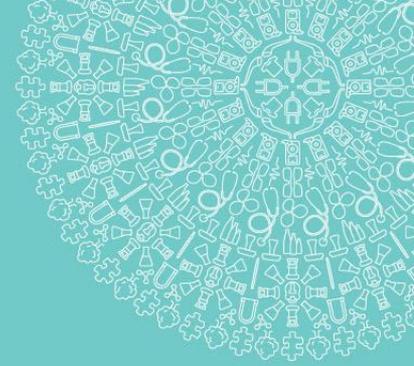
- UP dominant – market for licensing of SEPs
- But litigation was not premature and request for injunction was not abusive
- Huawei was a sophisticated licensee – the information it had by March 2014 was sufficient for it to understand that UP's issuing of proceedings did not represent a refusal to license
- It understood the potential infringement – cf previous licence from Ericsson
- Offers need not be actually FRAND provided they do not disrupt or prejudice negotiations
- CJEU judgment not a “mandatory protocol which must precede issuance of a claim form”
- Even if the start of the litigation was abusive (because no offer had been made), this was ‘cured’ by later offers / Huawei's subsequent failure to make unqualified counter-offers
- Consideration of precedents from Germany – interpretation “not formulaic”

Court of Appeal judgment (October 2018)

Court of Appeal agreed with Birss J's approach...

- Only one part of *Huawei v ZTE* framework is mandatory: the SEP owner's obligation to notify the implementer before starting litigation:
 - Precisely what notice must be given depends on all the circumstances of the case
- Other steps in the *Huawei v ZTE* framework simply give the SEP owner 'safe harbour' protection against an abuse of dominance finding
- If SEP owner steps outside the framework, whether its behaviour is abusive must be assessed in light of all of the circumstances
- Significance of procedural differences between UK and Germany – in particular that injunction only comes in UK after FRAND fully determined
- CoA indicated (without expressing a concluded view) that it might have been disproportionate to refuse an injunction three years after the commencement of proceedings

Implications



Consistency with *Huawei v ZTE*

- Arguable points of inconsistency:
 - CJEU in *Huawei v ZTE* was answering the question: “what circumstances give rise to an abuse”
 - If the judgment only identifies a ‘safe harbour’, that was not an answer to the question posed
 - Judgment refers to licensee’s ‘legitimate expectations’ which suggests there should be predictability
- On the other hand, the judgment suggests some flexibility:
 - Refers to situations where seeking an injunction may ‘in principle’ be abusive
 - Relevance of the specific legal and factual context noted – may suggest that the framework does not need to be interpreted rigidly
 - Seeking an injunction is an abuse only in exceptional circumstances – how can that be right if it’s so difficult to comply with the licensing framework?

Commercial and policy considerations

- Commercially:
 - Reasonable to reflect the fact that negotiations ‘in the wild’ don’t always progress in a linear fashion?
 - Commission has emphasised that there is no ‘one-size-fits all’ solution (SEP Communication, 2017)
- As a matter of FRAND policy:
 - Damaging all-important balance between patentee and implementer?
 - English Court has now assumed a global jurisdiction: combined with watering down of *Huawei v ZTE* criteria => risk of generating a race to court?
 - Importance of balance emphasised in *Huawei v ZTE*, Commission Communication, ETSI Guide on IPRs
 - Perhaps not: Court of Appeal itself referred to the importance of a “balanced and predictable” enforcement regime for SEPs

Thank you

Bristows LLP

100 Victoria Embankment
London EC4Y 0DH
T +44(0)20 7400 8000

sophie.lawrance@bristows.com
www.bristowscleanup.com

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