



## Unwired Planet International Ltd & Anor v Huawei Technologies Co Ltd & Anor [2018] EWCA CIV 2344 (23 October 2018)

The Court of Appeal has given its decision in the appeal against Birss J's decision in *Unwired Planet International Ltd v Huawei Technologies Co Ltd* relating to standard essential patents (SEPs) and how to determine fair, reasonable, and non-discriminatory (FRAND) terms. The Court of Appeal upheld Birss J's decision (which we reported [here](#)) in all respects except one, holding, in summary, that a global licence was FRAND in this case, and that the FRAND requirement does not require the patentee to grant licences on equal terms to all third parties. The Court of Appeal overturned Birss J's decision that there is only one set of FRAND terms for any given set of circumstances.

Huawei's grounds of appeal were:

**Ground 1):** the imposition of a global licence on terms set by a national Court based on a national finding of infringement is wrong.

**Ground 2):** Huawei ought to have been offered the same rates as those reflected in the Samsung licence because the non-discrimination limb of FRAND prohibits an SEP owner from charging similarly situated licensees a substantially different royalty rates for the same SEPs.

**Ground 3):** the owner of an SEP cannot, without infringing Article 102 of the Treaty on the Functioning of the European Union (TFEU), bring an action for a prohibitory injunction against an alleged infringer without a) notice or prior consultation and, if the alleged infringer has expressed willingness to conclude a licencing agreement on FRAND terms, b) offering to that infringer a licence on such terms.

### Ground 1 - Global Licensing

Birss J had held that the FRAND licence in this case would have been a global licence rather than a national licence to the UK SEPs. Huawei argued that the task of the UK High Court was to determine the appropriate relief for infringement of the two UK SEPs and that the judge's decision to set rates and impose a licence which extended beyond the UK was inappropriate. The Court of Appeal acknowledged that its jurisdiction only extended to disputes concerning

infringement and validity of UK or EP UK patents and that if a UK SEP is found valid and infringed the UK Court will only grant relief in respect of the infringement of that patent. However, the Court of Appeal went on to note that the FRAND undertaking given by a patent owner to ETSI (the relevant standards agency in this case) applies to all patents which belong to the same family irrespective of the territory in which they subsist.

The Court of Appeal reiterated that Birss J was not adjudicating on issues of infringement or validity concerning any foreign SEPs, nor was he deciding what the appropriate relief for infringement of any foreign SEP might be. Birss J was simply determining the terms of the licence that Unwired Planet was required to offer Huawei pursuant to its undertaking to ETSI. It was then a matter for Huawei whether it was prepared to take that licence and whether to do so in its full scope. It could not be compelled to do so, and if it chose not to then the only relief to which Unwired Planet would be entitled would be relief for infringement of the UK SEPs the judge found to be valid and essential.

Huawei argued that the judge's approach was wrong in principle, created practical problems and his reasons in favour of a global approach were not well founded. The Court of Appeal dismissed each of these arguments with the exception of the judge's findings that there can be only one set of FRAND terms for any given set of circumstances. The Court of Appeal found that it was unreal to suggest the two parties, acting fairly and reasonably, would necessarily arrive at precisely the same set of licence terms as two other parties, also acting fairly and reasonably and faced with the same set of circumstances. However, this had no material effect on the conclusion that a global licence was FRAND in this case.

## Ground 2 - Non-discrimination

Huawei's case was that the non-discriminatory element of the FRAND undertaking meant, effectively, that there was a "most favoured licensee" clause in the FRAND undertakings. The Court of Appeal rejected this and found that the non-discriminatory requirement is a general approach which makes the technology accessible to all licensees at a fair price. The objective of the non-discriminatory undertaking is not to level down the royalty to a point where it no longer represents fair return for the SEPs owner's portfolio or to remove its discretion to agree lower royalty rates if it chooses to do so, but to prevent the distortion of competition.

Birss J had considered Samsung and Huawei to be "similarly situated" licensees and therefore Huawei argued that they should be offered equivalent terms under the non-discriminatory requirement, but Birss J also made factual findings about the context of the licence to Samsung (there were valuable long term benefits to the licensor) which meant that the Samsung licence did not represent useful evidence of the market value of Unwired Planet's patent portfolio and therefore there would be no distortion of competition if Huawei were not offered the same or similar terms.

## Ground 3 - Huawei v ZTE and Proportionality in the context of Article

## 102 of the Treaty on the Functioning of the European Union (TFEU)

Huawei argued that Unwired Planet was in a dominant position and that it had abused that dominant position contrary to Article 102 TFEU by bringing these proceedings prematurely and by seeking to charge excessive royalty payments by bundling together its SEPs and non-SEPs in its offers for licence. The Court of Appeal found that Unwired Planet was in a dominant position in the relevant market of licences under its SEPs but that it had not abused its position. The Court of Appeal reviewed the CJEU decision in *Huawei v ZTE* and considered whether the principles stated in that decision were specific mandatory conditions which must be satisfied before proceedings seeking injunctive relief, or whether they were simply defining a safe harbour for the SEP owner. The Court of Appeal concluded that the CJEU gave only one mandatory condition, which is that the proprietor of an SEP which considers that that SEP is the subject of an infringement cannot, without infringing Article 102 TFEU, bring an action for a prohibitory injunction or for the recall of products against the alleged infringer without notice or prior consultation with the alleged infringer, even if the SEP has already been used by the alleged infringer. That is to say that if the SEP owner has given no notice of its intentions nor communicated with the alleged infringer about the SEPs then it would be an abuse of its dominant position if it were to bring an action for a prohibitory injunction or for the recall of products.

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