

FRAND licensing: How the FRAND dance works

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Outline of the presentation

- Introduction – FRAND essentials / overview of the required steps
- Proposal for an EU regulation on SEP and FRAND Licenses
- UPC principles for the FRAND dance
- Developments in UK caselaw: interim licenses
- Interactive discussion

Key FRAND Concepts

SEP

- Patent essential to complying with a technical standard (e.g., 5G, Wi-Fi)

SSO

- Industry group setting standards
- Members commit to license SEPs on FRAND terms

FRAND

- Fair, Reasonable and Non-Discriminatory
- Ambiguous concept

ECJ Huawei v ZTE, C-170/2013, 16 July 2015

- **Background**

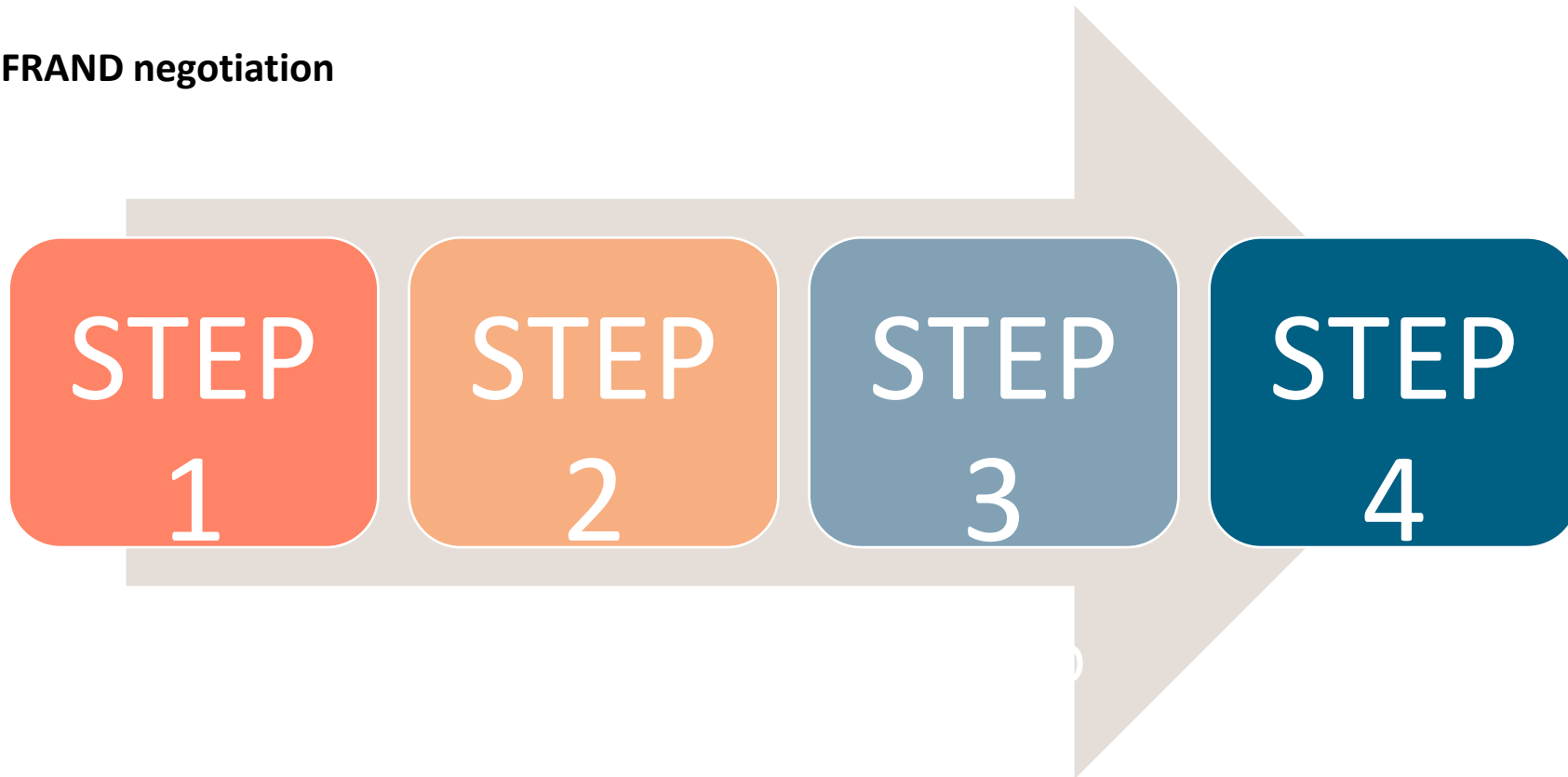
- Huawei was the proprietor of an EP declared as essential to the LTE standard from ETSI.
- Huawei undertook to license that EP on FRAND terms.
- ZTE marketed in Germany products equipped with software linked to the LTE standard.
- Huawei and ZTE held discussions on the possibility of a license on FRAND terms, but no offer was finalized.
- Huawei brought an infringement action against ZTE before Landgericht Düsseldorf, seeking an injunction.

ECJ Huawei v ZTE, C-170/2013, 16 July 2015

- **Referral to ECJ**
 - Landgericht Düsseldorf – decision in main proceedings depended on whether the action brought by Huawei constituted an abuse of its dominant position under A. 102 TFEU.
 - Referral questions – Under what circumstances does a SEP holder in a dominant position –who has committed to license on FRAND terms– cross the line into abuse contrary to A. 102 TFEU when it seeks an injunction or a product recall?
- **ECJ Huawei v ZTE 16 July 2015 – C-170/2013**
 - Landmark decision that established a balanced framework for licensing SEPs.

ECJ Huawei v ZTE, C-170/2013, 16 July 2015

- ECJ steps in FRAND negotiation

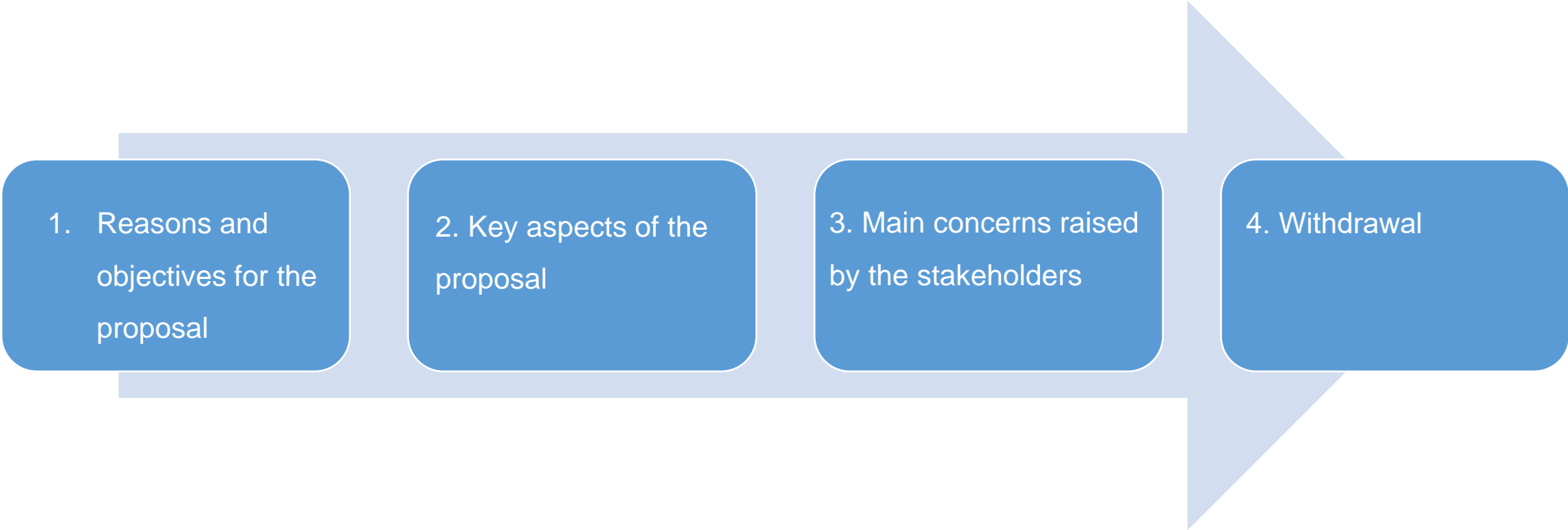


But... is that all?

Proposal for a regulation on SEPs and FRAND Licenses by the European Commission



COM(2023)232 - Proposal for a regulation of the European Parliament and of the Council on standard essential patents and amending Regulation (EU) 2017/1001



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graph LR; A[1. Reasons and objectives for the proposal] --> B[2. Key aspects of the proposal]; B --> C[3. Main concerns raised by the stakeholders]; C --> D[4. Withdrawal];
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1. Reasons and objectives for the proposal

2. Key aspects of the proposal

3. Main concerns raised by the stakeholders

4. Withdrawal

1. Reasons and objectives for the proposal



Reasons

- Promoting innovation and competitiveness
- Reducing fragmentation and legal costs
- Providing SMEs support and exemptions



Objectives

- Increasing transparency
- Improving licensing efficiency
- Supporting SMEs

Legal basis: Art. 114 TFEU

2. Key aspects of the regulation

Mandatory SEP Registration

SEP holders must register their patents at the EUIPO before they can enforce them or collect royalties.

Essentiality checks

The regulation proposes appointing independent evaluators with the requisite technical expertise to conduct essentiality checks. The checks will occur annually on non-binding and sampling basis, ensuring that each patent family is assessed only once.

FRAND determination process

SEP holders must generally initiate a non-binding conciliation process for FRAND royalty terms and rates before going to court. This must be completed within 9 months.

EUIPO Competence Centre

The proposal envisions a dedicated Competence Centre at the EUIPO to oversee a public SEP register, manage essentiality checks, and help determine FRAND terms.

Aggregate royalty rate

SEP Holders:
"top-down" approach (i.e., a total royalty for all SEPs in a standard is set and then split among individual holders.

Implementers:
request non-binding opinions on an appropriate aggregate rate.

Special provisions for SMEs

- Exemptions from essentiality checks.
- Request territorial limitations.
- More favourable terms in FRAND negotiations, including discounts.
- Training, support and general advice by the EUIPO.

Do the pivotal features of the Proposal really fulfill the reasons and objectives presented by the European Commission?

The almost **unanimous answer** from the market was that this was **not** the case.
Let's see **why**.

3. Main concerns raised by the stakeholders



**Mandatory SEP
Registration**



Burdens on SEP Holders **vs.** Benefits for SEP Implementers.

Fundamental property right of SEP Holders

Confusion over the relevant database



**Essentiality
checks**



Weakened position of SEP Holders in FRAND negotiations

Non-binding assessments unduly shaping judicial landscape



**FRAND
Determination
process**



Encouraging hold-out tactic by implementers

Fundamental access to justice right of SEP Holders

Desincentivize innovation and prolong disputes.

3. Main concerns raised by the stakeholders



EUIPO Competence Centre



Capacity to handle complex Patent and standardization issues

Administrative burdens on SEP Holders



Aggregate Royalty Rate



Lower royalties

Sellers' cartel / Buyers' cartel

Undermine Europe's competitiveness



**Special provisions for
SMEs**



New costs and complexities

Are SMEs really a concern in SEPs?

4. Withdrawal

in February 2025.

***Will the Commission attempt to propose
a new regulation?***

Young EPLAW Congress 2025
28/04/2025

FRAND licensing: UPC principles for the FRAND dance

First decisions on SEP/FRAND cases

The UPC rendered its first two decision concerning SEP/FRAND issues, in which the patent users raised a FRAND objection and counterclaim:

- **Panasonic vs OPPO**

UPC_CFI_210/2023, 22/11/2024, Local Division Mannheim

- **Huawei vs Netgear,**

UPC_CFI_9/2023, 18/12/2024, Local Division Munich

OVERVIEW

Panasonic vs OPPO

- Panasonic is the proprietor of EP 22 568 724 B1, essential for the **4G standard** and in force in several EU countries;
- Oppo marketed in those countries 4G capable devices (smartphones and smartwatches);
- Panasonic contacted Oppo in 2019 and the parties have since **unsuccessfully negotiated** a license for Panasonic's 4G patents;
- Panasonic acted in front of UPC in 2023 (several infringement cases);
- Oppo (other than invalidity and non infringement) opposed a **FRAND objection** and a **counterclaim for the determination of a FRAND licensee fee for EU territory**

Huawei vs Netgear

- Huawei is the proprietor of EP 3 611 989, essential for the Wi-Fi 6 standard and in force in several EU countries;
- Huawei had declared that the patent essential for the Wi-Fi 6 standard and issued an IEEE-LOA (Letter Of Assurance) in July 2019.
- Netgear marketed Wi-Fi 6 routers in seven EU countries;
- During negotiations, Huawei offered a SISVEL pool license (in addition to their bilateral license);
- Huawei acted in front of UPC in 2023 (plus a parallel action in US District Court of California)
- Netgear (other than invalidity and non infringement) opposed a **FRAND objection** and a **IEEE LOA defense**

OUTCOMES

Panasonic vs OPPO

- The Court granted the injunction against Oppo (plus damages) finding Panasonic's patent valid and infringed by Oppo in Germany, France, Italy, the Netherlands, and Sweden;
- **Both the FRAND objection and the FRAND counterclaim were rejected.**

Huawei vs Netgear

- The Court granted the injunction against Netgear finding Panasonic's patent valid and infringed in Belgium, Germany, Italy, Finland, France, and Sweden;
- **Both the FRAND objection and the IEEE LOA defense were rejected.**
- Netgear settled the case in January 2025.

Note: further considerations will be limited to FRAND issues

- The two cases present many similarities and almost the same outcome.
- Huawei vs Netgear followed the interpretation given in Panasonic vs Oppo, utilizing the same language and arguments and referring multiple times to the previous decision from the Mannheim LD.

**It thus seems that the UPC is already establishing a firm orientation on
FRAND negotiations**

- Equally, both decisions repelled the suggestions European Commission in its 2024 Amicus Curiae Brief (in case VoiceAge EVS and HMD Global before the Munich Higher Regional Court).
- No referral to the ECJ was deemed necessary (UPC seeking autonomy?).

On the Jurisdiction:

- the decisions firmly considered all FRAND (both defense and counterclaims) issues to be within UPC jurisdiction.
- Considered to be against good faith to limit the determination of the FRAND rate to only some subregions of the world, while in others similar proceeding are pending in front of other Courts

The FRAND negotiations: General Principles

Huawei v ZTE: the *kernel is the negotiation process itself*, which allows to assess whether the patent's rights enforcement is subjected to antitrust restrictions. The specific license condition and the royalty rate are only a part (procedural safeguards vs substantive outcome). Thus:

- Mutual obligations and Court's evaluation of the parties' conduct
- Refusal of a formalistic approach
- Necessity to conduct negotiations according to a good faith criterion

The FRAND negotiations: On the SEP holder notification (1)

- No strict formal requirement in regard of how the notification must be done: assessment case by case of its suitability to duly inform the patent user
- The patent user has the duty to seek a more complete information/more in-depth discussion in case of lack thereof or if problems in understanding arises (at the infringement oral proceeding is too late)

therefore

The parties must cooperate to define the infringement issues with precision

Contrary to the EU Commission's opinion, not necessary to include all the patents and infringement references in the formal notification itself (UPC allows references to external documents)

The FRAND negotiations: On the willingness to license (2)

- Not sufficient to consider only the declaration of willingness to license of the patent user: the assessment must be based on the overall view of the parties' respective conduct.
- Requiring a specific wording or formal declarations would not shed any further light on the patent's user real intentions
- Refusal to apply Orange Book approach
- The parties should work in good faith toward the conclusion of the license agreement

The FRAND negotiations: On the FRAND offer (3)

- No strict formal requirements for the offer. In particular no need for a complete and written contract to be proposed (SEP holder offer should ordinarily being the starting point for further negotiations)
- Mutually dependent conduct

The FRAND negotiations: On the counteroffer and subsequent behavior (4)

- The implementer should provide the patent holder with information about its act of use and its economical framework, to allow the SEP holder to make a more beneficial and reasoned proposal (and to evaluate on the security offered by the patent user)
- Each party does not have to blindly accept the data from third parties commercial services (e.g. the provider IDC)
- The SEP holder should be ready to explain why it considers its offer to be FRAND, especially in absence of published standard license agreement

Final Considerations

The decisions' interpretation of the ECJ FRAND negotiation program seems to be aimed at guarantee that the parties (both the patent holder and the patent user) engage in a meaningful attempt to reach a FRAND license agreement, guided by criteria of effectiveness and good commercial practices.

Once this has been done (by at least the SEP holder), the patent user has been sufficiently protected against dominant position abuse, and thus the IP rights of the patent holder can not be limited on an anti trust basis.

Introduction

- FRAND's main difficulty – patents are territorial but licences are global – so who decides?
- Supreme Court – the UK can decide FRAND licences (at the behest of SEP holders)
- If a UK court will determine a FRAND licence, why pursue other proceedings?
- Is an interim licence the answer?
- Evolution of case law and the tensions it raises



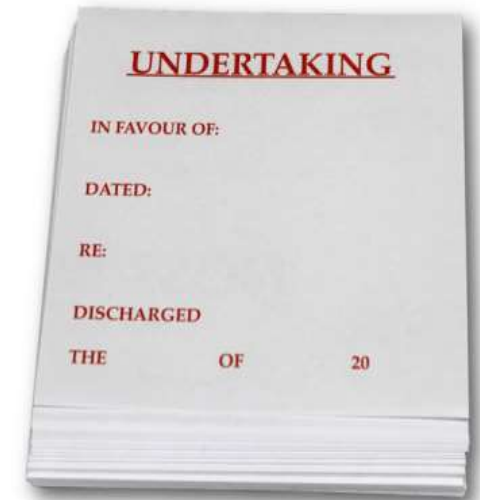
Panasonic v Xiaomi - Dispute Background

- Oppo also involved in Panasonic's claims.
- 3G and 4G SEPs.
- ETSI IPR Policy: French law.
- Litigation in:
 - UK
 - Germany
 - UPC



Panasonic v Xiaomi - UK Proceedings

- **Panasonic** alleging SEP infringement and FRAND licence term determination.
- Unconditional **undertakings** given by both parties.
- Panasonic did not commit to withhold enforcement of any injunctions awarded in the Germany or UPC.
- Triggered an application by Xiaomi for declaration:
 - a willing licensor would grant an interim SEP licence; and
 - Panasonic would be an unwilling licensor if it refuses.



Panasonic v Xiaomi – Interim Licence

- First instance: Interim licence refused.
- Xiaomi appeal:
 - Given undertakings Panasonic has no justification for seeking injunctions elsewhere.
 - Panasonic's actions breach its obligation to negotiate in good faith.
- Panasonic response:
 - Entitled to enforce their SEPs in any court of competent jurisdiction unless and until Xiaomi actually takes a licence.
 - Utility and comity concerns with declaration.



Panasonic v Xiaomi – Decision (I)

- Leading judgment given by Arnold LJ.
- Central question [85]:

What was the purpose of Panasonic's behaviour?

- Criticism of parallel proceedings: Panasonic's pursuit of German/UPC proceedings, despite undertaking to commit to UK jurisdiction, was meant to **pressure** Xiaomi into accepting more favorable terms, **breaching FRAND good faith obligations**.

Pressure



Panasonic v Xiaomi – Decision (II)

- A willing licensor would have offered an interim licence pending the UK court's final FRAND ruling.
- **Declarations:**
 - Even if Panasonic would ignore, still beneficial as there is a real prospect would Panasonic to reconsider its litigation position.
 - Finding was not contrary to comity because it did not force Panasonic to change foreign litigation strategy.
- **Dissenting Opinion:** Lord Justice Phillips dissented, finding Panasonic's conduct wrong but opposing the declarations. He suggested an anti-suit injunction.

Nokia v Amazon - Background

- HEVC/AVC SEPs and NEPs
- Amazon's streaming devices and services
- RAND obligation under Swiss law



Nokia v Amazon - Worldwide Litigation

- PI in Brazil
- Injunction proceedings in Germany
- Injunction proceedings in the UPC
- Injunction proceedings in India
- ITC proceedings in the US



Nokia v Amazon - UK Proceedings

- Nokia sued Amazon in October 2023 for infringement of NEPs
- Amazon counterclaimed to enforce RAND obligations
- Amazon subsequently sought to amend its counterclaim to request an interim licence



Nokia v Amazon – Decision

- Test for amending pleading: “real prospect of success”
- Good faith: tension between i) RAND terms should be negotiated; ii) Nokia is justified to seek injunctions because negotiations have failed
- Useful purpose and comity rely on Nokia distinguishing from *Panasonic*
- Amazon had an arguable case on all these points

Lenovo v Ericsson – Dispute Background

- Cross licence for 4G/5G SEPs
- ETSI IPR Policy. French law.
- Worldwide litigation:
 - Eastern District of North Carolina
 - US ITC
 - UPC (Lenovo)
 - PI in Brazil and Colombia
- Arbitration offer made by Ericsson.

The Lenovo logo, consisting of the word "Lenovo" in a bold, red, sans-serif font.

Lenovo v Ericsson - UK Proceedings

- Lenovo initiated UK proceedings against Ericsson.
- Undertakings:
 - Ericsson offer to commit to whatever EDNC finds to be FRAND
 - Lenovo will only commit to EDNC if Ericsson stops strategy of enforcing injunctions in the meantime – Ericsson did not agree.
 - Lenovo committed to enter into the licence determined to be FRAND by the English Court.
- For purposes of interim licence application Lenovo = implementer. Seeking a declaration that willing parties would enter into a “short term licence” and what the terms of a short term licence are.

Lenovo v Ericsson – Interim Licence

- First instance: IL refused.
- Lenovo appeal: no legitimate purpose for Ericsson's pursuit of injunctions other than to pressurise as any rational SEP holder would wish for compensation earlier. Breach of good faith obligation.
- Ericsson's response:
 - Entitled to enforce SEPs in other jurisdictions.
 - As SEP holder they can seek FRAND determinations elsewhere.
 - Interim licence payments cannot be recognised.



Lenovo v Ericsson – Decision

- Did not accept Ericsson's justification of parallel proceedings.
 - No other jurisdiction would result in payment quicker than interim licence.
 - Rejected evidence that interim payments were not recognisable.
 - It is can still be a breach of good faith obligation to legitimately exercise legal rights.
 - Conduct "not as egregious" as Panasonic as Ericsson didn't invoke English court jurisdiction.
- Declaration found to have useful purpose adapt Ericsson's litigation position.
- Comity not a cause for concern as no other court is necessarily making a global FRAND determination (note: failed jurisdiction challenge) and a declaration of an IL is not forcing Ericsson adapt foreign proceedings.

Summary

Factor	<i>Panasonic v Xiaomi</i>	<i>Alcatel v Amazon</i> <i>[PLEADING AMENDMENT STAGE]</i>	<i>Lenovo v Ericsson</i>
SEP holder UK commitment	Panasonic initiated and undertook to UK court.	Nokia neither started UK proceedings nor pledged to accept the court's FRAND determination.	Ericsson did not start UK proceedings. Lenovo have given an undertaking to commit to CDL cross licence.
Relief sought	Declaration that an interim licence is FRAND and the terms.	Specific performance and declaration that an interim licence is FRAND and the terms.	Declaration that an interim licence is FRAND and the terms.
Interim Licence Scope	Interim licence tied to SEPs	Amazon sought interim coverage for both SEPs and non-SEPs (NEPs). By appeal = just SEPs.	Interim licence: cross licence of SEPs
Purpose of declaration	Reconsider litigation strategy which could relieve foreign courts of burdensome litigation.	Not decided but Amazon asserted same purpose as <i>Panasonic</i>	Reconsider litigation strategy which could relieve foreign courts of burdensome litigation.
Comments on foreign proceedings	Criticised strategy as seeking to force Xiaomi to agree to better terms than the English courts would determine.	Nokia criticised for saying that FRAND licences should be negotiated not court determined whilst seeking injunctions from other courts.	Acceptable to litigate elsewhere but failing to agree not to enforce injunctions or to accept a global FRAND determination criticised.
Status	SETTLED WORLDWIDE	SETTLED WORLDWIDE	SETTLED WORLDWIDE

Interactive Discussion:

Future impact on national courts and evolving case-law



Interactive Discussion:



Responses are anonymous

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