

# UK Supreme Court judgment in FRAND licences

7 December 2020

In a recent Judgment<sup>1,2</sup>, the UK Supreme Court brought 6 years of UK patent litigation to a close with a resounding victory for the patent licensing companies Conversant and Unwired Planet. The repercussions however extend beyond the telecoms environment of the litigated subject matter and many believe that it also will affect the future of patent licensing in areas such as digital health and connected and autonomous vehicles. In short, the UK Supreme Court have decided that the English courts have jurisdiction to determine the terms of a global license of a multi-national patent portfolio.

## Background of the Judgment

Conversant and Unwired Planet have built large multinational portfolios of patents in the field of telecommunications. Unwired Planet acquired its patent portfolio from Ericsson, while the Conversant patent portfolio largely originated from Nokia. Both patent portfolios include Standard Essential Patents, SEPs: patents that were declared by their owners at the European Telecommunications Standards Institute, ETSI<sup>3</sup>, to be essential to the telecommunications industry standards (such as the 2G, 3G, 4G standards).

Conversant and Unwired Planet both actively sought to license their respective SEPs to implementers, i.e. companies making and selling telecommunications equipment. Amongst others, they approached telecommunications manufacturers Huawei and ZTE to collect royalties for using their SEPs.

As no license agreement could be reached, actions for infringement were respectively brought by Unwired Planet against Huawei, and Conversant against Huawei and ZTE.

As these cases were linked by similar issues, they were ultimately dealt together by the UK Supreme Court.

<sup>1</sup> <https://www.supremecourt.uk/cases/docs/uksc-2018-0214-judgment.pdf>

<sup>2</sup> <https://www.supremecourt.uk/cases/docs/uksc-2018-0214-press-summary.pdf>

<sup>3</sup> <https://www.etsi.org/intellectual-property-rights>

## History of previous actions

### First case - Unwired Planet International v Huawei Technologies

Unwired Planet first brought actions against Huawei in 2014 for infringement of five UK patents claimed to be SEPs. Technical trials were held and two of the patents were found to be both valid and essential. Two other patents were found to be invalid.

Decisions of the UK High Court in 2017 were in favour of Unwired Planet:

- The undertaking of Unwired Planet was justiciable and enforceable in the English courts.
- An implementer refusing to take a licence on FRAND terms was exposed to an injunction for infringing a UK patent.
- The English Courts considered to be entitled to decide the royalty rates and the terms of a FRAND licence, where a FRAND licence should be global, i.e. international.

### Second case - Huawei Technologies v Conversant Wireless Licensing; ZTE Corporation v Conversant Wireless Licensing

Conversant brought actions against Huawei and ZTE in 2017 for infringement of four UK patents declared as SEPs. In April 2018, the first instance decision was in favour of Conversant and held that the English Courts have jurisdiction to enforce the ETSI policy and to determine the terms of a FRAND licence.

### Appeal decisions

These first instance decisions were appealed, and the Court of Appeal upheld the decisions in both cases, respectively in October 2018 and January 2019.

# Appeal to the Supreme Court

Huawei and ZTE appealed to the UK Supreme Court, which gave its Judgement on 26 August 2020, dismissing both appeals.

The Supreme Court has addressed five issues of importance for the evaluation of SEP and FRAND disputes. In the decision, the Judges have rebutted the appellants Huawei and ZTE in all five issues and held in favour of Conversant and Unwired Planet:

**1. Do the English Courts have jurisdiction to grant an injunction unless the implementer enters into a worldwide licence on FRAND terms of a multinational portfolio, and determine royalty rates and terms of such licence?**

The UK Court has jurisdiction to determine terms of a **global** FRAND licence for a multinational portfolio of SEPs – **not only UK** - and can grant an injunction against an infringer unless the infringer takes such a global FRAND licence. The contractual arrangement which ETSI has created in its IPR Policy gives the Court jurisdiction to determine a FRAND licence [48].

**2. Is the UK an appropriate forum to determine such matters?**

The UK is an appropriate venue for determining the terms of a global FRAND licence. The Chinese courts do not, at present, have jurisdiction to determine the terms of a global FRAND licence, at least in the absence of agreement by all parties that they should do so [97].

**3. What is the meaning of the Non-Discriminatory part of FRAND?**

The Non-Discriminatory part of FRAND means that a *single royalty price list* should be available to all, that is not a single price, but a *fair market price* for any market participant based on the value of the patent portfolio and without adjustment depending on each market participant [114]. This refutes the “hard-edged” view defended by Huawei that equivalent terms to the most favourable licence terms should be offered to all similarly situated licensees [106; 116].

**4. Was European Competition Law correctly applied in the previous decisions? Was Unwired Planet abusing of its dominant position?**

The European Competition Law, in particular Article 102 of the Treaty on the Functioning of the European Union, TFEU, providing that abuse of a dominant position shall be prohibited was respected. Although Unwired Planet did not make a motivated offer to Huawei before bringing the action, they could show that they were willing to grant a licence, thereby not behaving abusively (see details our previous review article<sup>4</sup>) [158].

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<sup>4</sup> [https://hmc-ip.com/wp-content/uploads/2020/07/Article\\_FRAND\\_website.pdf](https://hmc-ip.com/wp-content/uploads/2020/07/Article_FRAND_website.pdf)

## 5. Is an injunction an appropriate and proportionate remedy to the infringement of the UK SEPs rather than damages?

An **injunction** is a correct measure - to stop continuing infringement *in the UK* - and better suited than awarding damages [167]. Unwired and Conversant cannot use the threat of an injunction to charge exorbitant fees since they must make an offer which the court is satisfied is FRAND [164].

This judgment, addressing some long-awaited issues in FRAND dispute, was welcomed by SEP owners. Now, in more recent decisions, China seems to seek to become an appropriate jurisdiction for determining global FRAND licences too (see for example a summary provided by Patentlyo.com<sup>5</sup>). No doubt, there is more to come.

*References in bracket are to paragraphs of the judgment.*

<sup>5</sup> <https://patentlyo.com/?s=Huawei+Conversant>



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