

## FRAND OR FOE? COMPETITION LAW VS PATENT LAW, FRAND OBLIGATIONS VS INJUNCTIVE RELIEF

*Abstract: This is the first of two articles in which I consider the interaction of competition law and patent law and the obtaining of injunctive relief in the context of FRAND-pledged standard essential patents (SEPs). In this article I focus on (i) the European Commission's decisions in the Samsung<sup>1</sup> and Motorola<sup>2</sup> cases, and (ii) the decision of the Court of Justice in Huawei v ZTE.<sup>3</sup> In the next article I focus on post-Huawei decisions of the English superior courts (most notably, in the latter case, on the Unwired Planet cases).<sup>4</sup> The borderland between competition law and patent law is an area of the law which has developed an intimidating jargon and an array of acronyms; the reader will find a glossary of acronyms to the rear of this article.*

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### Introduction

Technology standards ensure that safe, interoperable technologies get disseminated.<sup>5</sup> Such standards are 'ubiquitous' on today's markets,<sup>6</sup> as interaction between patents and technology standards is an important element of innovation and growth.<sup>7</sup> Sometimes legal standards emerge *de facto*, sometimes they are adopted by public authorities, and sometimes, 'market participants themselves recognize the importance to elicit together a standard [for] ... an industry',<sup>8</sup> perhaps via standard setting organisations (SSOs) which may or may not be publicly financed. In the European Union (EU), European standards are presently set by three SSOs recognised as European standards organisations under Article 2(8) and Annex I of the Standardisation Regulation.<sup>9</sup> These SSOs are generally known by their acronyms, CEN,<sup>10</sup> CENELEC,<sup>11</sup> and ETSI.<sup>12</sup>

A patent essential for compliance with a standard is known as an SEP.<sup>13</sup> More particularly, an SEP is a complementary patent that is (i) necessary for a standard, (ii) non-substitutable, and (iii) legally valid.<sup>14</sup>

<sup>1</sup> *Samsung* (Case AT.39939) [2014] OJ C 350/8.

<sup>2</sup> *Motorola* (Case AT.39985) [2014] OJ C 344/6.

<sup>3</sup> Case C-170/13 *Huawei Technologies v ZTE Corp* [2015] (ECLI:EU:C:2015:477).

<sup>4</sup> *Unwired Planet v Huawei (UK)* [2017] EWHC 711 (Pat); [2017] EWHC 1304 (Pat); [2017] EWHC 2988 (Pat); [2018] EWCA Civ 2344; [2020] UKSC 37. Prior to the issuance of the UK Supreme Court decision in *Unwired Planet* (itself a decision that repays careful reading), the High Court and Court of Appeal decisions in those proceedings were described by one commentator, with justification, as providing 'a framework of unprecedented sophistication for resolving disputes over FRAND-committed SEPs.' (See J Gregory Sidak, 'Why Unwired Planet Might Revolutionize the Resolution of FRAND Licensing Disputes' (2018) 3 *Criterion Journal on Innovation* 601).

<sup>5</sup> European Commission, 'Setting out the EU approach to Standard Essential Patents' (Communication) COM (2017)712 final, 1.

<sup>6</sup> Ashish Bharadwaj and Dipinn Verma, 'Failure is Not Falling Down But Refusing to Get Up' (2018) 17 *John Marshall Review of Intellectual Property Law* 326, 327.

<sup>7</sup> European Commission (n 5) 1.

<sup>8</sup> Emanuela Arezzo, 'Is Dominance the Missing Piece of the Huawei Puzzle' (2017) *Orizzonti del Diritto Commerciale* 1.

<sup>9</sup> European Parliament and Council Regulation (EU) 1025/2012 of 25 October 2012 on European standardisation [2012] OJ L316/12.

<sup>10</sup> The European Committee for Standardization.

<sup>11</sup> The European Committee for Electrotechnical Standardization.

<sup>12</sup> The European Telecommunications Standards Institute.

<sup>13</sup> Standard-Essential Patent. See European Commission (n 5) 1.

<sup>14</sup> François Lévêque and Yann Ménière, 'Technology Standards, Patents and Antitrust' (2008) 9(1) *Competition and Regulation in Network Industries* 29, 34.

Essentiality is initially established by way of self-declaration, therefore, SSOs play no part in determining whether a patent is an SEP.<sup>15</sup> As Jacob observes, '[A] declared SEP may not be essential at all ... [and] an SEP, once essential, may cease to be so because ways around have been devised.'<sup>16</sup> That said, a declaration of essentiality goes 'a long way' towards 'presumptively establishing a "dominant position" under Article 102 [TFEU].'<sup>17</sup> Standards involve a risk of anti-competitive abuse because standard adoption 'eliminates competition between competing technologies.'<sup>18</sup> This is one reason why SSOs have long required members to commit to licensing SEPs on so-called 'FRAND' (fair, reasonable, and non-discriminatory terms).<sup>19</sup> The concept of FRAND is 'rather vague',<sup>20</sup> 'often interpreted differently',<sup>21</sup> and has yielded a plethora of case-law internationally which 'is not always homogenous.'<sup>22</sup> Traditionally, there were two key views as to why the FRAND standard exists: (1) to prevent refusals to licence which would hinder standard-use;<sup>23</sup> and (2) to avoid the problem of holdup (in both cases by creating a negotiation obligation).<sup>24</sup> Kitchin LJ appears to accept both views when he observes in *Samsung v Ericsson*<sup>25</sup> that:

I accept for the purpose of this appeal that the aim of ... a FRAND undertaking is to ensure that, once ... industry has become locked into a standard, SEPs ... are accessible to the users of that standard on FRAND terms ... In particular, FRAND undertakings are intended to prevent essential

<sup>15</sup> CEN and CENELEC, 'CEN and CENELEC Response to the European Commission Proposal for a Regulation on SEPs' (August 2023) <[www.cencenelec.eu/media/response-to-the-draft-regulation-on-standard-essential-patents.pdf](http://www.cencenelec.eu/media/response-to-the-draft-regulation-on-standard-essential-patents.pdf)> accessed 26 December 2023.

<sup>16</sup> Robin Jacob, 'Competition Authorities Support Grasshoppers: Competition Law as a Threat to Innovation' (2013) 9(2) *Competition Policy International* 15, 24.

<sup>17</sup> Jeffery Atik, 'The FRAND Ceremony and the Engagement of Article 102 TFEU in the Licensing of Standard Essential Patents' (2019) 42(3) *Fordham International Law Journal* 949, 950.

<sup>18</sup> Bharadwaj and Verma (n 6) 327.

<sup>19</sup> See European Telecommunications Standards Institute, 'Rules of Procedure' (29-30 November 2022), cl 6.1 <<https://www.etsi.org/images/files/IPR/etsi-ipr-policy.pdf>> accessed 26 December 2023. In the US, 'FRAND' licensing is known as 'RAND' licensing. The 'F' is widely considered not to add much by way of obligation. Thus, Whiting and Abbott write that '[T]he general view is that there is no material difference between the two [terms]'. (Laura Whiting and Paul Abbott, 'The UK: a FRAND-ly Jurisdiction?' (2019) 283 *Managing Intellectual Property* 16, 16). Sidak, however, observes that while he follows '[the] convention of making no legal or economic distinction between FRAND and RAND', he has 'never excluded the possibility that someone might eventually make a compelling argument for why "fair" is not a throwaway word in a contract.' (See J Gregory Sidak, 'Fair and Unfair Discrimination in Royalties for Standard-Essential Patents Encumbered by a FRAND or RAND Commitment' (2017) 2 *Criterion Journal on Innovation* 301, 308). Lévêque and Ménière suggest that the 'R' and 'ND' obligations are 'highly complementary', with the 'R' obligation eliminating market power linked to holdup and the 'ND' obligation ensuring that that power is not leveraged to downstream markets. (Lévêque and Ménière (n 14) 45). Non-discrimination, 'the neglected stepchild of the FRAND commitment' (Eli Greenbaum, 'Non-discrimination in 5G Standards' (2018) 94 *Notre Dame Law Review Online* 55, 55), is properly the subject of a separate article. For a useful introductory read, see Emanuela Arezzo, 'The "Non-Discrimination" Portion of the FRAND Obligation: An EU Perspective' (2021) *Orizzonti del Diritto Commerciale* 517. Arezzo canvasses convincingly for a non-discrimination standard that focuses not on discrimination simpliciter but on 'a more thoughtful approach which depicts the theory of harm around the concept of distortion of competition and competitive advantage', with the burden 'on the alleged discriminated firm to prove that the conduct of the dominant firm has had an impact on [its]...costs, profits or any other relevant interest' (ibid 537- 538).

<sup>20</sup> Yo Sop Choi and Andreas Heinemann, 'Standard Essential Patents – A Comparison of Approaches Between East and West' (2018) 8(4) *Queen Mary Journal of Intellectual Property* 313, 315.

<sup>21</sup> *ibid.*

<sup>22</sup> *ibid.* See also as regards the challenges that the FRAND concept presents, Michael Carrier 'Why is FRAND Hard?' (2023) 4 *Utah Law Review* 931.

<sup>23</sup> See Damien Gérardin, 'Standardization and Technological Innovation: Some Reflections on *Ex Ante* Licensing, FRAND and the Proper Means to Reward Innovators' (June 2006, TILEC Discussion Paper DP 2006-017).

<sup>24</sup> See Mark Lemley, 'Ten Things to Do About Patents Holdup of Standards (and One Not to)' (2006) Stanford Public Law Working Paper No. 923470 <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=923470](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=923470)> accessed 27 March 2024; Gil Ohana, Marc Hansen, and Omar Shah, 'Disclosure and Negotiation of Licensing Terms Prior to Adoption of Industry Standards: Preventing Another Patent Ambush' (2003) 24(2) *European Competition Law Review* 622.

<sup>25</sup> [2016] EWCA Civ 489.

IPR holders from making the implementation of a standard difficult by refusing to license or by requesting unfair, unreasonable or discriminatory licence fees.<sup>26</sup>

Kitchin LJ relied in this regard on the European Commission's *Guidelines on the Applicability of Article 101 TFEU to Horizontal Cooperation Agreements*.<sup>27</sup> In 2023, the Commission introduced new guidelines in this regard.<sup>28</sup> The equivalent paragraph in these new guidelines gives a more fulsome and balanced account of the purpose of FRAND commitments, identifying their societal benefits, benefits to SEP holders, and benefits to alleged infringers:

FRAND commitments ... [1] ensure that essential IPR-protected technology incorporated in a standard is accessible to ... users ... on fair, reasonable and non-discriminatory terms and conditions ... [2] can prevent [i.e. they do not necessarily prevent] IPR holders from [a] making ... implementation of a standard difficult by refusing to license or ... [b] requesting ... excessive fees ... after ... industry has been locked into the standard or [c] by charging discriminatory royalty fees ... At the same time, FRAND commitments allow IPR holders [3] to monetise their technologies via FRAND royalties and ... [4] obtain a reasonable return on their ... R&D ... [5] This can ensure continued incentives to contribute the best available technology to the standard.<sup>29</sup>

It is accepted in EU law that there is a direct link between standardisation and competitiveness. So, for example, recitals (3) and (5) of the Standardisation Regulation indicate that standardisation helps boost industrial competitiveness,<sup>30</sup> reinforces the global competitiveness of European industry (especially when established in coordination with international standardisation bodies),<sup>31</sup> and supports the internal market, e.g., through the use of harmonised standards for products sold on it.<sup>32</sup> Standardisation can also be lucrative for SEP holders, so much so that 'manufacturers ... have strengthened their propensity to disclose and claim [SEPs] ... while ... firms specialized in R&D have started pushing their own proprietary technology in standard-setting organizations.'<sup>33</sup> The foregoing and various other advantages (and disadvantages) of technology standards are summarised in Table 2 below.<sup>34</sup>

ADVANTAGES	DISADVANTAGES
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<sup>26</sup> *ibid* [10].

<sup>27</sup> European Commission 'Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements Text with EEA relevance' (14 January 2011) OJ C 11/1, para 287 ('Old Horizontal Guidelines').

<sup>28</sup> European Commission 'Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements' (2023) (21 July 2023) OJ C 259/1, 1-125 ('New Horizontal Guidelines').

<sup>29</sup> *ibid* para 458.

<sup>30</sup> European Standardisation Regulation (n 9), recital 3.

<sup>31</sup> *ibid*.

<sup>32</sup> *ibid*, recital 5.

<sup>33</sup> See Lévêque and Ménière (n 14) 30.

<sup>34</sup> *ibid*. CEN and CENELEC also (naturally) promote the advantages of a system of standardisation. See CEN and CENELEC, 'CEN and CENELEC Response to a new framework for standard-essential patents' <[www.cencenelec.eu/media/Policy%20Opinions/cen-cenelec\\_response\\_ecsep\\_consultation.pdf](http://www.cencenelec.eu/media/Policy%20Opinions/cen-cenelec_response_ecsep_consultation.pdf)> accessed 26 December 2023.

<ul style="list-style-type: none"> <li>(1) Potentially lucrative.</li> <li>(2) Boosts competitiveness and reputation.</li> <li>(3) Promotes and commercialises innovation.</li> <li>(4) Enables keeping up with technology.</li> <li>(5) Supports internal market</li> <li>(6) Supports compliance with laws and rules.</li> <li>(7) Facilitates standard diffusion.</li> <li>(8) Reduces transaction costs.</li> <li>(9) Avoids multiple marginalisation.<sup>35</sup></li> <li>(10) Competition to join can be healthily intense.</li> </ul>	<ul style="list-style-type: none"> <li>(1) Standardization is long and costly.</li> <li>(2) Offers chance of collusive behaviour.</li> <li>(3) Can force licence of un-needed patents.</li> <li>(4) Expands legal protection of patents.</li> <li>(5) May see coordinated licensing policies.</li> <li>(6) Unstable: members have incentives to deviate.</li> <li>(7) 'Hold up'. (Hiked fees to include patent in pool).</li> <li>(8) Withdrawal costly (if loss of compatibility).</li> </ul>
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**Table 1: Advantages and Disadvantages of Technology Standards**

There are perhaps three ways to look at SEP licences from a competition law perspective: (i) in terms of compliance with Article 102 TFEU, (ii) in terms of compliance with an SEP holder's SSO-imposed obligations, and (iii) (the subject of this article) from an injunctive standpoint, i.e., whether an injunction (in restraint of breach of patent) should be refused to an SEP-holder where it declines to licence on ostensibly FRAND terms. Curiously, until the decision of the Court of Justice of the European Union (CJEU) in *Huawei v ZTE* brought a competition law focus to bear on this borderland of competition law and patent law, Germany appears to have been the only member state that saw such an injunction application 'through the competition, rather than a patent law, lens'.<sup>36</sup>

## The Decisions in *Samsung* and *Motorola*

### *Samsung*<sup>37</sup>

In 2011, Samsung sought injunctive relief in various member state courts against competing mobile device-makers based on alleged infringements of certain SEP rights. Thereafter, the Commission investigated whether, in so doing, Samsung failed to honour a previous irrevocable FRAND licensing commitment to ETSI. In particular, the Commission was concerned to examine whether there had been a breach of Article 102 TFEU. Announcing its opening of the investigation, the Commission noted that '[i]n order to guarantee undistorted competition and to reap the positive economic effects of standardisation it is important that FRAND commitments be fully honoured'.<sup>38</sup> Though set in a competition law context (and arguably not acknowledging sufficiently that 'IP rights are exceptions to the ... Western model of free competition')<sup>39</sup> this wording suggests that FRAND is a purely contractual issue. Indeed, in their commentary on *Huawei*, Jacob and Milner suggest that there are 'powerful reasons' for saying that the FRAND commitment *is* contractual in its nature and import.<sup>40</sup> In other words, they see competition law to have a minimal involvement when it comes to FRAND-pledged SEPs.

<sup>35</sup> Multiple marginalisation arises when patent owners set individual royalties separately. Each sets its royalty high to maximise its profits but this reduces the demand for licences of other essential patents, so everyone is worse off. Concentration between multiple patent holders is unlikely but patent pooling achieves the same end. In place of multiple marginalisation there is a single royalty for all the patents and a division of profits between the patent-owners.

<sup>36</sup> Tim Eicke, 'The EU Commission's "Contempt" of National Courts' (*Verfassungsblog*, 8 October 2014) <<https://verfassungsblog.de/eu-commissions-contempt-national-courts/>> accessed 26 December 2023.

<sup>37</sup> Case AT.39939 (n 1).

<sup>38</sup> See European Commission, 'Antitrust: Commission opens proceedings against Samsung' (Press Release, 31 January 2012) <[https://ec.europa.eu/commission/presscorner/detail/en/IP\\_12\\_89](https://ec.europa.eu/commission/presscorner/detail/en/IP_12_89)> accessed 26 December 2023.

<sup>39</sup> Jacob (n 16) 15.

<sup>40</sup> Robin Jacob and Alexander Milner, 'Lessons from *Huawei v. ZTE*' (4IP Council, October 2016) 11-12 <[www.4ipcouncil.com/application/files/6314/7928/6022/Lessons\\_from\\_Huawei\\_v\\_ZTE\\_-\\_RJacob\\_-\\_24-10-16.pdf](http://www.4ipcouncil.com/application/files/6314/7928/6022/Lessons_from_Huawei_v_ZTE_-_RJacob_-_24-10-16.pdf)> accessed 26 December 2023.

In *Samsung*, the Commission's investigation ended when Samsung gave binding commitments to the Commission whereby it would not seek injunctions in Europe on the basis of its SEPs for smartphones and tablets against licensees who signed up to a specified licensing framework.<sup>41</sup> Under this framework, any dispute over what were FRAND terms for those SEPs would be determined by a court or arbitrator.<sup>42</sup> In effect, Samsung substituted its private agreement with ETSI with a public commitment to the Commission, accompanied by the threat of sanction in the event of breach.<sup>43</sup> Whether the additional threat of sanction in place of the weighing of interests in injunction proceedings in which the Commission can intervene if necessary is in fact desirable has been questioned in academic commentary.<sup>44</sup>

### *Motorola*<sup>45</sup>

On the same day as its decision in *Samsung*, the Commission accepted similar commitments in an Article 102 investigation that it had opened against Motorola.<sup>46</sup> This has been criticised as 'trying to create precedent by creep',<sup>47</sup> whereby the Commission uses its power to get patentees, when limiting their rights, to go to court, when the best place for adjudication on the Commission's concerns would arguably be in court.<sup>48</sup>

In *Motorola*, the Commission adopted a decision that Motorola's seeking and enforcement of an injunction against Apple before a German court on the basis of a smartphone SEP was an abuse of a dominant position, given the particular circumstances in which the injunction was used.<sup>49</sup> In particular, the Commission found that:

- (i) it was abusive for Motorola to seek and enforce an injunction against Apple in Germany on the basis of an SEP which it had committed to license on FRAND terms and where Apple had agreed to take a licence and be bound by a determination of the FRAND royalties by the German courts; and
- (ii) it was anticompetitive that Motorola insisted, under the threat of injunction, that Apple surrender its rights to challenge the validity or infringement by Apple's mobile devices of Motorola SEPs. In this regard, the Commission noted that: 'Implementers of standards and ultimately consumers should not have to pay for invalid or non-infringed patents. Implementers should therefore be able to ascertain the validity of patents and contest alleged infringements.'<sup>50</sup>

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<sup>41</sup> See 'Summary of Commission Decision of 29 April 2014 relating to a proceeding under Article 102 of the TFEU and Article 54 of the EEA Agreement' (4 October 2014) OJ C 350/8.

<sup>42</sup> *ibid.*

<sup>43</sup> See European Commission, 'Antitrust: Commission accepts legally binding commitments by Samsung Electronics on standard-essential patent injunctions' (Press Release, 29 April 2014).

<[https://ec.europa.eu/commission/presscorner/detail/en/IP\\_14\\_490](https://ec.europa.eu/commission/presscorner/detail/en/IP_14_490)> accessed 26 December 2023

<sup>44</sup> Jacob (n 16) 24.

<sup>45</sup> Case AT.39985 (n 2)

<sup>46</sup> *ibid.*

<sup>47</sup> Jacob (n 16) 25.

<sup>48</sup> *ibid.*

<sup>49</sup> See 'Summary of Commission Decision of 29 April 2014 relating to a proceeding under Article 102 of the TFEU and Article 54 of the EEA Agreement' (4 October 2014) OJ C 344/ 6.

<sup>50</sup> See European Commission, 'Antitrust: Commission finds that Motorola Mobility infringed EU competition rules by misusing standard essential patents' (Press Release, 29 April 2014)

<[https://ec.europa.eu/commission/presscorner/detail/en/IP\\_14\\_489](https://ec.europa.eu/commission/presscorner/detail/en/IP_14_489)>.accessed 26 December 2023.

This latter point has never subsequently been departed from, so it appears to remain the view of the Commission that inclusion in an SEP licence of a clause prohibiting a challenge to the SEP would be anticompetitive.

The Commission decided not to impose a fine on Motorola, given that (i) there was then no EU-level case-law dealing with the legality under Article 102 TFEU of SEP-based injunctions and (ii) national courts had to that point reached divergent conclusions in this regard.<sup>51</sup> However, given that *Samsung* and *Motorola* offered guidance on the Commission's view of the applicable law, it is safe to assume that implicit in the rationale for not fining Motorola was an intention that the next transgressor would be fined.

Advocate General Wathelet later noted in his opinion in *Huawei v ZTE*<sup>52</sup> that in the press release and memorandum that announced the commencement of *Samsung*,<sup>53</sup> 'the Commission does not explain ... in what circumstances an infringer may be regarded as ... willing to negotiate. Nor does it echo the criteria set out by the Bundesgerichtshof in ... *Orange-Book-Standard*.<sup>54</sup> While he is right in this, in a closing memorandum on the *Samsung* and *Motorola* decisions,<sup>55</sup> the Commission did address willingness and the position as regards *Orange-Book* as follows:

- [Q1.] When is a company considered...a willing licensee?  
 [A1.] Whether a company can be considered a 'willing licensee' needs to be determined on a case by case basis ... [on] the specific facts ....
- [Q2.] Is a potential licensee who challenges validity, essentiality or infringement of SEPs unwilling?  
 [A2.] No. Potential licensees of SEPs should remain free to [so] challenge  
 ....<sup>56</sup>

Thus, the Commission considered that the issue of whether one was a willing licensee to be a fact-based matter to be decided case-by-case. However, it concluded that one did not become unwilling simply by virtue of challenging the validity, essentiality, or infringement of SEPs.

A possible problem with the Commission's emphasis on willingness, was that it could have a "chilling effect"<sup>57</sup> on SEP holders seeking to exercise their rights in court, with infringer "willingness" to become a licensee offering a low threshold. Jacob, remarking on the Commission's emphasis on "willingness" versus what happens in practice, observes that 'Defendants will always say they are willing to negotiate – that really means stringing things

<sup>51</sup> Summary of Commission Decision (n 49) 8.

<sup>52</sup> Case C-170/13 *Huawei v ZTE* (ECLI:EU:C:2014:2391), Opinion of AG Wathelet.

<sup>53</sup> European Commission, 'Antitrust: Commission Opens Proceedings against Samsung' (Press Release, 31 January 2012) <[https://ec.europa.eu/commission/presscorner/detail/en/IP\\_12\\_89](https://ec.europa.eu/commission/presscorner/detail/en/IP_12_89)> accessed 26 December 2023; 'Samsung – Enforcement of ETSI Standards Essential Patents' (Memorandum, 21 December 2012) <[https://ec.europa.eu/commission/presscorner/detail/en/MEMO\\_12\\_1021](https://ec.europa.eu/commission/presscorner/detail/en/MEMO_12_1021)> accessed 26 December 2023

<sup>54</sup> *Huawei* (n 52) [33]. In *Orange-Book-Standard* (BGH) KZR 39/06, the German Federal Court of Justice had decided in 2009 that a potential licensee could raise a competition law defence against an injunction application by showing that (i) it had made an unconditional offer to license under terms that could not be rejected by the patentee without abusing its dominant position, and (ii) it acted as if it had entered into a valid patent licence. The ruling did not specifically relate to SEPs and ostensibly seemed not directly applicable to the cases on which the Commission decided.

<sup>55</sup> European Commission 'Antitrust Decisions on Standard Essential Patents (SEPs) – Motorola Mobility and Samsung Electronics – FAQs' (Memorandum, 29 April 2014). <[https://ec.europa.eu/commission/presscorner/detail/en/MEMO\\_14\\_322](https://ec.europa.eu/commission/presscorner/detail/en/MEMO_14_322)> accessed 26 December 2023.

<sup>56</sup> *ibid.*

<sup>57</sup> See Eicke (n 36).

out for as long as possible and paying as little as possible in the end, a sensible commercial tactic if you can get away with it.<sup>58</sup>

At worst, if the threshold for “willingness” was set very low, that could yield a breach of Article 6(1) of the European Convention on Human Rights, under which a civil claim must be capable of being submitted to an independent tribunal.<sup>59</sup> This right of access is not absolute. However, as observed by the General Court in *ITT Promedia NV v European Commission*:<sup>60</sup>

As access to the ... [courts] is a fundamental right and a general principle ensuring the rule of law, it is only in wholly exceptional circumstances that the fact that legal proceedings are brought is capable of constituting an abuse of a dominant position within the meaning of Article 86 of the Treaty.<sup>61</sup>

Vesterdorf, writing in this regard, contends (it is submitted, correctly) that “[W]hile IP rights holders ... must respect the competition rules...the competition rules must not [generally] curtail the fundamental right of access to court.”<sup>62</sup> Foreclosure and Article 6(1) concerns aside, if it becomes more difficult to obtain injunctions, that will see an increase in infringement/validity actions, with FRAND damages ordered when compensation falls to be ordered, which is but ‘reverse hold up with a vengeance.’<sup>63</sup>

The decisions of the Commission in *Samsung* and *Motorola* attracted a lot of criticism in subsequent commentary. Some of these criticisms have already been touched upon. Others include the following:

- (1) Samsung and Motorola compete in one of the most competitive sectors in the world, so ‘Where is there a competition law problem?’<sup>64</sup> (This criticism might itself, arguably, be criticised for seeming to presume that competition law issues cannot present on a generally competitive market. As Bonadio observes, Commission investigations have confirmed that standardization and SEPs ‘might in certain circumstances infringe competition rules’).<sup>65</sup>
- (2) If the commencement of enforcement proceedings involved a breach of competition law, parties that are the subject of such actions could be expected to raise this in their defence, i.e. without need for intervention by a supranational agency.<sup>66</sup> (In other words, the Commission’s involvement is not necessary for competition law to be invoked and relied upon).

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<sup>58</sup> Jacob (n 16) 24.

<sup>59</sup> *Golder v United Kingdom* App No 4451/70 (ECtHR, 21 February 1975) [35].

<sup>60</sup> *ITT Promedia NV v European Commission* (Case T-111/96) ECLI:EU:T1998:183.

<sup>61</sup> *ibid* [60].

<sup>62</sup> Bo Vesterdorf, ‘IP Rights and Competition Law Enforcement Questions’ (2013) 4(2) *Journal of European Competition Law and Practice* 109, 111.

<sup>63</sup> Jacob (n 16) 24.

<sup>64</sup> *ibid*.

<sup>65</sup> Enrico Bonadio, ‘Standardization Agreements, Intellectual Property Rights, and Anti-Competitive Concerns’ (2013) 3(1) *Queen Mary Journal of Intellectual Property* 22, 22.

<sup>66</sup> Jacob (n 16) 23. On a related note, Jacob (at 24) points to (i) the ability of a court to determine whether an offer is FRAND or not, (ii) the potential for a court to order an interim royalty amount to a patentee with the disputed balance to be paid into an escrow account).

- (3) Becoming involved in the issue of when/whether a national court should or would grant injunctive relief, the Commission was arguably intruding into the purview of national courts.<sup>67</sup>
- (4) It is perhaps open to question whether the stance adopted by the Commission involved undue intrusion of the public realm into a private sphere in which arguably the injunctive process functions satisfactorily.<sup>68</sup>
- (5) A possibly preferable approach would have been for the Commission to bring court proceedings against Samsung and Motorola and let the courts determine the legality of the companies' actions, with fines to be imposed in the event that the CJEU found competition law breaches to present.<sup>69</sup>
- (6) The result of *Samsung/Motorola* could have been to see the CJEU become 'a FRAND-determining tribunal'.<sup>70</sup> (Arguably, if the Commission's proposal of last year for an SEP Regulation is adopted as proposed, this is what will happen, save that it would be the EU Intellectual Property Office (EUIPO) and not the Commission, that would, among other matters, establish/administer a system for assessment of the essentiality of SEPs, establish/administer the FRAND determination process, administer a royalty determination process, and operate as a "first stop shop" in the event that parties cannot reach a FRAND determination.)<sup>71</sup>

## The Opinion and Decision in *Huawei v ZTE*<sup>72</sup>

### Introduction

This case was significant, because for the first time the CJEU was called upon to analyse whether and when an infringement action brought by an SEP holder against an alleged infringer constitutes abuse of a dominant position. Following on from the concerns raised by *Samsung/Motorola*, the reference in *Huawei* was seen to offer an "important first opportunity" for the CJEU to 'address the confusion caused [by *Samsung/Motorola*] and restore the correct balance between national courts and the ... Commission'.<sup>73</sup> For EU member states the decision sets an "EU-wide antitrust standard"<sup>74</sup> on the issue of injunctive relief as regards FRAND-pledged SEPs.

### Facts

The request for a preliminary ruling came from the *Landgericht Düsseldorf* and concerned Article 102 TFEU. The request was made in infringement proceedings between Huawei, a Chinese telecommunications company, and ZTE, a German multinational in the same sector. Huawei sought an injunction prohibiting continuation of the infringement and an order for rendering of accounts, recall of products and assessment of damages. One unusual feature

<sup>67</sup> *ibid* 23.

<sup>68</sup> *ibid* 24.

<sup>69</sup> *ibid* 25.

<sup>70</sup> *ibid* 26.

<sup>71</sup> Commission, 'Proposal for a Regulation of the European Parliament and of the Council on standard essential patents and amending Regulation' COM (2023) 232 (EU) 2017/1001 <[https://single-market-economy.ec.europa.eu/publications/com2023232-proposal-regulation-standard-essential-patents\\_en](https://single-market-economy.ec.europa.eu/publications/com2023232-proposal-regulation-standard-essential-patents_en)> accessed 26 December 2023.

<sup>72</sup> *Huawei* (n 3).

<sup>73</sup> Eicke (n 36).

<sup>74</sup> Nicolas Petit, 'Huawei v. ZTE: Judicial Conservatism at the Patent-Antitrust Intersection' (2015) 2 *CPI Antitrust Chronicle* 1 <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2681377](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2681377)> accessed 26 December 2023.



of *Huawei* is that while the reference was concerned with existence of an abuse, the CJEU's decision is concerned instead with identifying the circumstances in which an application for an injunction and/or product recall does *not* constitute an abuse: '[T]he German court asked the Court: Can you tell me when there is abuse? And the Court responded: No, I will tell you when there is no abuse.'<sup>75</sup> As a result, what started as a case about antitrust liability became a case about antitrust immunity.<sup>76</sup>

In light of the questions submitted by the *Landgericht Düsseldorf*, AG Wathelet confined his observations to competition law. However, he was of the view that because the issues arising 'stem[med] largely from a lack of clarity as to what is meant by "FRAND terms"',<sup>77</sup> they could adequately, if not better, be resolved by laws or mechanisms other than competition law. In particular, he suggested it would be helpful:

... if standardisation bodies were to establish minimum conditions or a framework of 'rules of good conduct' for the negotiation of FRAND licensing terms. Without these ... actions for a prohibitory injunction but also the rules on abuse of a dominant position, which should be employed only as solutions of last resort, are being used as a negotiating tool or a means of leverage by the SEP holder or the undertaking which implements the standard and uses the teaching protected by that SEP.<sup>78</sup>

In the abundant commentary on *Huawei v ZTE* and related case-law, sight sometimes seems to have been lost of AG Wathelet's observation that the laws concerning injunctions (and the rules on abuse of a dominant position) are and should be "solutions of last resort".<sup>79</sup>

### The Questions Posed

From a German/EU law perspective, Huawei presented an interesting predicament. In its judgment in *Orange-Book-Standard*, the *Bundesgerichtshof* held that where the owner of a patent seeks a prohibitory injunction against a defendant who has a claim to a licence for that patent, the patent owner abuses his dominant position only where the following conditions are met:

- (1) [T]he defendant [i.e. the party seeking a licence] must have made the applicant [i.e. the patentholder] an unconditional offer to conclude a licensing agreement ... it being understood that the defendant must consider itself bound by that offer and that the applicant is obliged to accept it ... If the defendant considers the amount of royalty claimed by the applicant to be excessive, or if the applicant refuses to quantify the royalty, the offer ... is regarded as unconditional if it provides that the applicant is to determine the ... royalty fairly ...
- (2) [I]f the defendant is already making use of the subject-matter of the patent before the applicant accepts its offer, it must meet the obligations which ... will be incumbent on it under the future licensing agreement ...As regards ... fulfilment of that payment obligation, the defendant is not required to pay

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<sup>75</sup> *ibid* 4.

<sup>76</sup> *ibid*.

<sup>77</sup> AG Wathelet (n 52) [9].

<sup>78</sup> *ibid* [11].

<sup>79</sup> *ibid*.

the royalty directly to the applicant [but may] ... deposit a security for payment of the royalty at ... [a local court].<sup>80</sup>

According to the referring court (the *Landgericht*):

- (I) (1) if the criteria established by the Bundesgerichtshof were applied, Huawei was not obliged to accept one of the offers made in writing by ZTE because
- (i) ZTE's offers were inadequate on account of the fact that they were not 'unconditional' offers (as they were limited exclusively to the products giving rise to the infringement); (2) regardless of whether the amount of the royalty was correctly determined, ZTE did not pay the royalty (and also did not duly or exhaustively render an account for past acts of use).
- (II) if the approach argued for by the Commission in its Samsung press release and memorandum of 2012 (considered above) were taken, the action for a prohibitory injunction brought by Huawei would have to be dismissed as an abuse. The *Landgericht* based this conclusion on the fact that:
- (i) Huawei declared to ETSI that it was willing to license...and...ZTE was... 'willing to negotiate' within the meaning of the Commission's position....[and] (ii) in the context of the Commission's argument, willingness to negotiate is not affected by the fact that the parties cannot agree on the content of certain clauses in the agreement or, in particular, on the amount of the royalty payable.<sup>81</sup>

Both positions (i.e. *Samsung/Motorola* and *Orange*) are open to criticism. As AG Wathelet observed in *Huawei*, echoing a point made by ZTE, (i) relying only on an alleged infringer's "willingness to negotiate" would result in pricing well below an SEP's true economic value, but (ii) relying on *Orange* would create the opposite problem, as the royalties would be high, though not so high as to constitute a refusal to conclude a contract, in breach of Article 102 TFEU.<sup>82</sup>

Arising from the conflict between *Orange-Book* and *Samsung*, the *Landgericht* asked five questions (only three of which AG Wathelet considered to require an answer). They concerned: whether the holder of a FRAND-pledged SEP abused its dominant position if it brought an action for a prohibitory injunction against an infringer "willing to negotiate" such

<sup>80</sup> *Orange-Book-Standard* (n 54).

<sup>81</sup> AG Wathelet (n 52) [37]. The key clause in this regard seems to be the section of the Memorandum in which the Commission explains that it is not generally questioning the use of injunctions by patentholders, stating:

'Recourse to injunctive relief is generally a legitimate remedy for patent-holders in case of patent infringements. The case is therefore not about eliminating the use of injunctions by patent-holders. Rather, the Commission takes the preliminary view that the seeking of an injunction for SEPs can constitute an abuse of a dominant position in the exceptional circumstances of this case - where the holder of a SEP has given a commitment to license these patents on FRAND terms and where the company against which an injunction is sought is willing to negotiate a FRAND licence.'

(See European Commission (n 55). Again, while there is clearly a competition dimension to Samsung's behaviour, a question surely arises whether the issue does not ultimately distil down to a contract question, with a party agreeing to do something and then just not doing it.

<sup>82</sup> AG Wathelet (n 52).

a licence; the fulfilment of the infringer's obligations under the licence to be granted; and other protective measures available to SEP holders.

As AG Wathelet observed in *Huawei*, it goes without saying that the unlicensed use of a patent, in principle, infringes a patent-owner's IP rights (opening up remedies available under the Enforcement Directive).<sup>83</sup> However, AG Wathelet considered matters to be different in the context of a FRAND-pledged SEP.<sup>84</sup> In such instances, AG Wathelet considered the respective obligations of the SEP holder (*before* bringing a prohibitory injunction application) and the infringer (*after* the SEP holder fulfils those obligations) to be as shown in Diagram 1 (see below). Presumably, though this is not stated, AG Wathelet would see much the same obligations to arise in the event that a mandatory injunction was sought.

As to whether an infringer must, even before concluding a licensing agreement, fulfil the obligations which will be incumbent on it under a future licensing agreement, AG Wathelet considered that such a requirement should not be imposed where the patent owner has made a commitment to grant licences on FRAND terms:<sup>85</sup> 'However ... the infringer must show itself to be objectively ready, willing and able to conclude such a licensing agreement.'<sup>86</sup> In those circumstances, the SEP holder may require the provision of security.<sup>87</sup>

As to whether an SEP holder abuses its dominant position where it takes legal action to assert other claims arising from the infringement, namely, the rendering of accounts, the recall of products and damages, AG Wathelet did not consider that Article 102 TFEU precludes an SEP holder from seeking either a rendering of accounts or damages.<sup>88</sup>

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<sup>83</sup> European Parliament and Council Directive 2004/48/EC of 29 April 2004 on the enforcement of IP Rights [2004] OJ L157/45. See AG Wathelet (n 52) [77].

<sup>84</sup> Wathelet (n 52) [78].

<sup>85</sup> *ibid* [98].

<sup>86</sup> *ibid* [98].

<sup>87</sup> *ibid* [98].

<sup>88</sup> *ibid* [100] - [101].

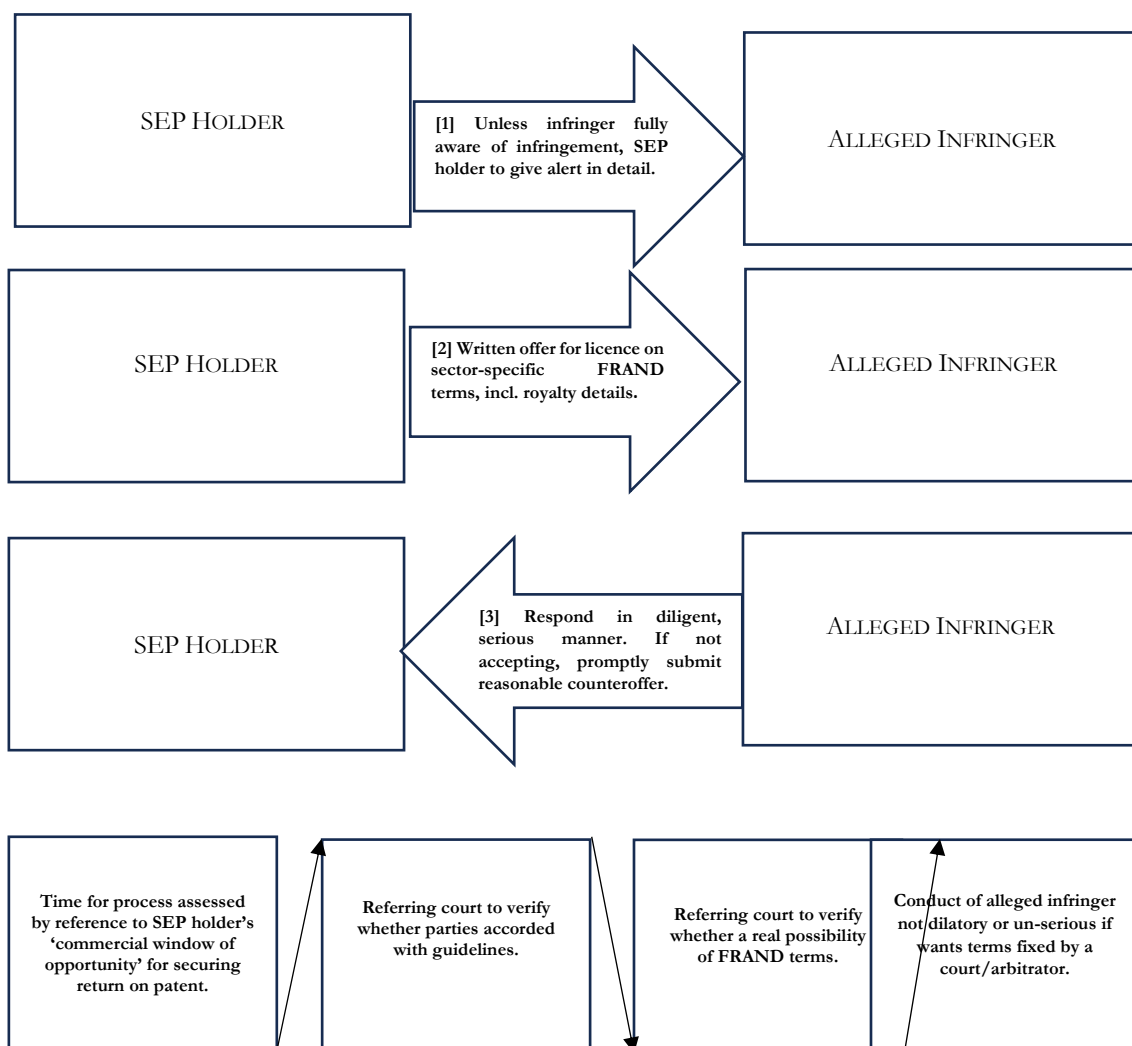


Diagram 1: Obligations of SEP holder and Infringer (AG Wathelet)

### The CJEU’s Decision

The judgment of the CJEU in *Huawei* is considered by some to be a judgment that ‘made an important contribution towards mitigating the risks of patent holdup and holdout’<sup>89</sup> in the context of FRAND-pledged SEPs, and by others to be a “conservative judgment”<sup>90</sup> which extended by a “razor-thin margin”<sup>91</sup> potential patentee antitrust liability. In its judgment, the CJEU refines the five questions put to it by the referring court into two questions, summarised below as ‘Question A’ and ‘Question B’.

<sup>89</sup> Claudia Tapia and Spyros Makris, ‘Negotiating SEP Licences in Europe after *Huawei v. ZTE*: Guidance from National Courts’ (2018) 275 *Managing Intellectual Property* 21, 22. Patent holdup involves ‘the concern that patentees of SEPs will have the power to charge above-market prices, i.e. prices higher than would prevail in a competitive market’. (Jeffrey Blumenfeld, ‘Should FRAND Excuse ‘Efficient Infringement?’ (2020) 5 *Criterion Journal on Innovation* 143, 146). There is debate in the academic commentary as to whether patent holdup (if it exists) is actually a competition law issue. See in this last regard, Ashish Bharadwaj and Srajan Jain, ‘A Comparative Study of the Evolving Jurisprudence on Standard Essential Patent Licensing’ (2020) 23(3-4) *Journal of World Intellectual Property* 310, 318. See also J Gregory Sidak, ‘Is Patent Holdup a Hoax?’ (2018) 3 *Criterion Journal on Innovation* 401. Sidak (at 489) considers the holdup concept to be the fruit of ‘commissioned legal advocacy masquerading as economic science’.

<sup>90</sup> Petit (n 74) 2.

<sup>91</sup> *ibid.*

## Question A

In what circumstances is the bringing of an action for infringement (by an undertaking in a dominant position and holding an SEP, which had given an undertaking to the standardisation body to grant licences to third parties on FRAND terms)<sup>92</sup> seeking (i) an injunction prohibiting the infringement of that SEP or (ii) the recall of products for the manufacture of which the SEP has been used, an abuse contrary to Article 102 TFEU?<sup>93</sup>

In answering this question the CJEU, among other matters, made the following points.

### General

- (1) The right to bring infringement proceedings is part of an IP proprietor's rights and (save in exceptional circumstances)<sup>94</sup> cannot in itself constitute an abuse of a dominant position.<sup>95</sup>
- (2) Here, the patent in issue obtained SEP status in return for the proprietor's irrevocable undertaking to ETSI that it was prepared to grant licences on FRAND terms.<sup>96</sup> 'However, the parties were not in agreement as to what was required by FRAND terms in the circumstances presenting.'<sup>97</sup> (And the CJEU gets no closer to identifying to what those FRAND terms are).
- (3) In such a situation, the SEP holder must comply with conditions which seek to ensure a fair balance between the interests concerned.<sup>98</sup>
- (4) In this connection, due account must be taken of the specific legal and factual circumstances in the case.<sup>99</sup>

### The Process to be Followed

- (5) An SEP proprietor which considers that that SEP has been infringed cannot, without infringing Article 102, bring an action for a prohibitory injunction or recall of products without notice or prior consultation with the alleged infringer, even if the SEP was already used by the alleged infringer.<sup>100</sup>
- (6) Prior to such proceedings, it is for the SEP proprietor, first, to alert the alleged infringer of the infringement by designating that SEP and specifying the way it has been infringed. In other words, the CJEU contemplates that there could be a period of unlicensed use post-notification. This is a departure from the previous practice in some member states, *e.g.*, in the

<sup>92</sup> *Huawei* (n 3) [44]. This is a narrow set of circumstances. So much so that *Petit* (n 74) 3 suggests that while *Huawei* extends antitrust liability, this only occurs as regards 'a slice of cases' in which (to borrow from Sean-Paul Brankin, Salome Cissal de Ugarte and Lisa Kimmel, 'Injunctions and Standard Essential Patents – Is Exclusion a Foregone Conclusion?' (2015) 30 *Antitrust* 80, 83) "the exclusion of competitor products [is]...the basis for a finding of abuse".

<sup>93</sup> *Huawei* (n 3) [44].

<sup>94</sup> *ibid* [47].

<sup>95</sup> *ibid* [46].

<sup>96</sup> *ibid* [51].

<sup>97</sup> *ibid* [54].

<sup>98</sup> *ibid* [55].

<sup>99</sup> *ibid* [56].

<sup>100</sup> *ibid* [60].

- Netherlands the courts held that a patent simply could not be used unlicensed, even if the patentee was on notice of the infringement.<sup>101</sup>
- (7) Secondly, after the alleged infringer has expressed willingness to conclude a licensing agreement on FRAND terms, it is for the SEP holder to present to that alleged infringer a specific, written offer for a licence on FRAND terms, in accordance with the undertaking to the standardisation body, specifying, in particular, the royalty amount (and the way it is to be calculated).<sup>102</sup> In practice, it is not clear: (i) why the notice and the offer need to be separate and (ii) whether the entire worldwide portfolio of patents needs to be offered. (Such portfolio licences were standard practice in the technology sector, and previously recognised as standard by the German courts. There is no reason to believe the CJEU meant this to change.)<sup>103</sup>
  - (8) The alleged infringer must diligently respond to that offer, in accordance with recognised commercial practices in the field and in good faith.<sup>104</sup> The requirement as to diligence seems to be aimed at precluding hold-out.
  - (9) Should the alleged infringer not accept the offer, it (the alleged infringer) may rely on the abusive nature of an action for a prohibitory injunction or for product recall only if it has submitted to the SEP proprietor, promptly and in writing, a specific counteroffer that corresponds to FRAND terms.<sup>105</sup>
  - (10) Where the alleged infringer uses the SEP's teachings before a licensing agreement is concluded, it is for that alleged infringer, from when its counteroffer is rejected, to provide appropriate security.<sup>106</sup>
  - (11) Where no agreement is reached on the FRAND terms following the counteroffer, the parties may, by common agreement, seek resolution by an independent third party, by decision without delay.<sup>107</sup>
  - (12) An alleged infringer cannot be criticised for challenging, in proceedings parallel to the negotiations, the validity and/or essential use and/or actual use of the patents, or reserving the right to do so.<sup>108</sup>

Summarising the foregoing, the CJEU states:

It follows ... that the proprietor of an SEP, which has given an irrevocable undertaking to a standardisation body to grant a licence to third parties on FRAND terms, does not abuse its dominant position, within the meaning of Art.102 ... bringing an action for infringement seeking an injunction prohibiting infringement or ... the recall of products ... as long as...

- (i) prior to bringing that action, [a] the proprietor has ... alerted the alleged infringer of the infringement complained about by designating that patent and specifying the way in which it has been infringed, and, [b] ... after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, presented to that infringer a specific,

<sup>101</sup> Jacob and Milner (n 40) 8.

<sup>102</sup> *Huawei* (n 3) [63].

<sup>103</sup> Jacob and Milner (n 40) 8.

<sup>104</sup> *Huawei* (n 3) [65].

<sup>105</sup> *ibid* [66].

<sup>106</sup> *ibid* [67].

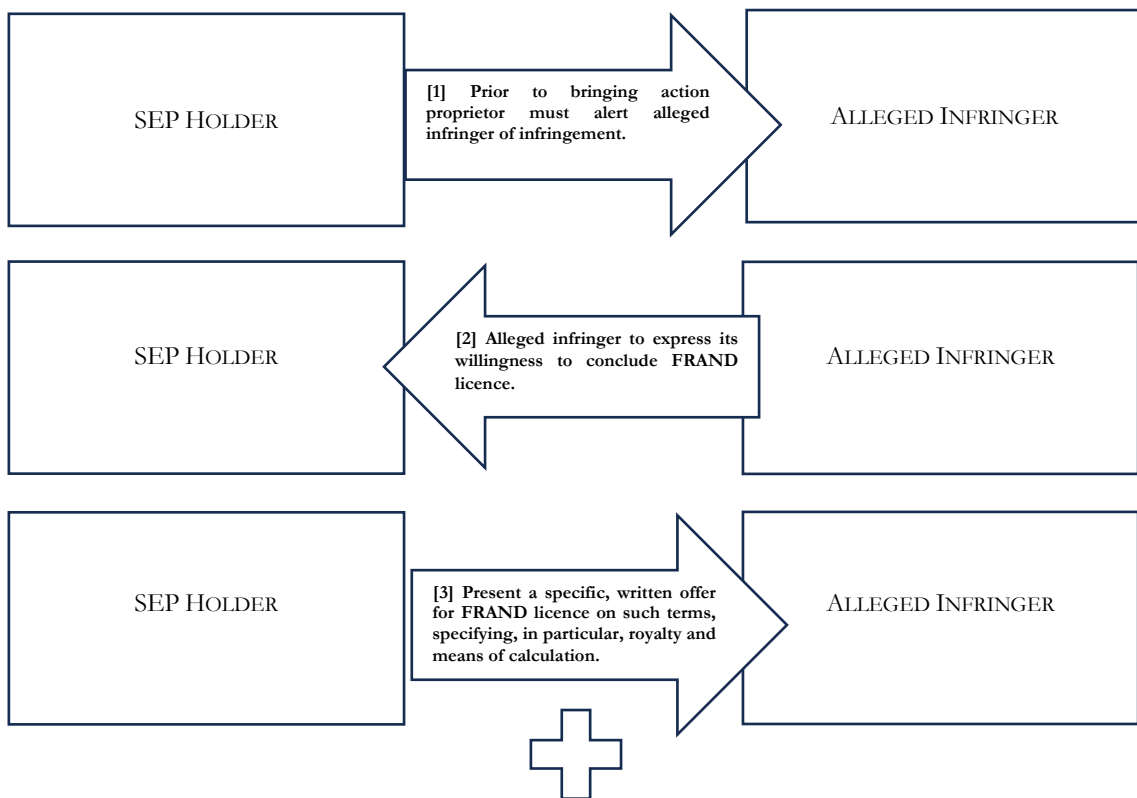
<sup>107</sup> *ibid* [68].

<sup>108</sup> *ibid* [69].

written offer for a licence on such terms, specifying, in particular, the royalty and the way in which it is to be calculated, and...

- (ii) where the alleged infringer continues to use the patent in question, the alleged infringer has not diligently responded to that offer, in accordance with recognised commercial practices in the field and in good faith, this being a matter which must be established on the basis of objective factors and which implies, in particular, that there are no delaying tactics.<sup>109</sup>

Diagram 2 offers a schematic representation of the process contemplated by *Huawei*.



[4] Where alleged infringer continues to use patent, it has not diligently responded to that offer, in accordance with recognised commercial practices in the field and in good faith (this to be established on the basis of objective factors and implies, in particular, no delaying tactics).

**Diagram 2: Obligations of SEP holder and Infringer (CJEU)**

Following on *Huawei*, it seems that there are three circumstances in which injunction proceedings concerning FRAND-pledged SEPs may be commenced without a competition law issue presenting: (1) where following notice of infringement an alleged infringer does nothing; (2) if, following the SEP holder’s counteroffer, the alleged infringer files no

<sup>109</sup> *ibid* [71].

counteroffer, a non-FRAND counter-offer, or a FRAND counter-offer without security; and (3) *possibly*, if the offer is at the higher end of the FRAND range and the counteroffer at the lower.<sup>110</sup>

## Question B

Must Art.102 TFEU be interpreted as prohibiting an undertaking (i) in a dominant position and holding an SEP, (ii) which has given an undertaking to the standardisation body to grant licences for that patent on FRAND terms, from bringing an action for infringement against the alleged SEP infringer and seeking the rendering of accounts in relation to past acts of use of that SEP or an award of damages in respect of those acts of use?<sup>111</sup>

The CJEU concluded that Article 102 TFEU must not be interpreted as so prohibiting. A few points might usefully be made about the judgment in *Huawei*:

- (1) The judgment points to a role for competition law in controlling the SEP process. However, the potential for liability is “very thin”.<sup>112</sup>
- (2) As the case concerns competing firms, it is not clear that it extends to NPEs.
- (3) Although *Huawei* does not address all issues concerning the intersection between competition law, patent law, and SEPs, it can possibly be read to suggest that ‘[B]eyond competitor exclusion, there is little space for antitrust policy’<sup>113</sup> when it comes to FRAND-pledged SEPs.
- (4) The CJEU seeks in *Huawei* to establish a balance of obligations on the patentee and alleged infringer that should facilitate the granting of injunctive relief when merited, while dissuading the bringing of inappropriate injunction requests.
- (5) It is clear from *Huawei* that an alleged infringer may in principle rely on an antitrust defence to a claim by a patentee for an injunction in certain circumstances, i.e., antitrust matters can and will be considered in injunction proceedings.<sup>114</sup>

<sup>110</sup> The first two possibilities are clear from the judgment. The last possibility is not expressly considered therein; however, Petit (n 74) at 6 considers it a possible scenario in which injunction proceedings could be brought without yielding antitrust liability.

<sup>111</sup> *Huawei* (n 3) [72].

<sup>112</sup> Petit (n 74) 3. There is a contrary school of thought that in fact *Huawei* is very broad. This alternative view appears to rest on the CJEU’s observation at [53] that:

[H]aving regard to the fact that an undertaking to grant licences on FRAND terms creates legitimate expectations on the part of third parties that the proprietor of the SEP will in fact grant licences on such terms, a refusal by the proprietor of the SEP to grant a licence on those terms may, in principle, constitute an abuse within the meaning of Article 102 TFEU.

Read alone, these words can be construed as suggesting that an undertaking to grant FRAND terms could of itself yield a potential competition law liability. However, that reading, if based on [53] (and it is difficult to see what other section of *Huawei* reliance could be placed on in this regard) ignores the fact that [53] begins with the words ‘In those circumstances...’ and thus clearly refers back to [52] in which the CJEU is concerned with infringement proceedings initiated in a context of vertical integration.

<sup>113</sup> Petit (n 74) 7.

<sup>114</sup> Jacob and Milner (n 40) 6.



- (6) The CJEU makes clear that an SEP holder does not violate competition law by seeking an injunction when the alleged infringer has merely offered to conclude a licence on FRAND terms.
- (7) Fundamentally *Huawei* offers procedural guidance as to what process must be observed so that parties (SEP holders and alleged infringers) are seen to have acted reasonably.
- (8) Narrowing *Huawei's* potential scope is the fact that it is concerned with an SEP holder seeking injunctive relief against a party with whom it does/will compete.<sup>115</sup> This suggests that *Huawei* could readily be sidestepped through corporate restructuring that would see the SEP holder replaced in the market in which it would have competed by a sister company.
- (9) *Huawei* offers little illumination as to what 'FRAND' means. In itself, this is unsurprising: the referring court did not raise the issue. However, it has been suggested that the CJEU's silence on this point means that 'if a patentee can establish before a [court] ... that it has more or less standard terms which are generally accepted in the industry,'<sup>116</sup> those terms are likely to be taken as FRAND. (This does not appear to advance matters in the context where a patentee does not rely on standard terms.)
- (10) On a related note, the emphasis throughout *Huawei* is on national courts or arbitration (with an implicit preference for arbitration),<sup>117</sup> rather than competition authorities, as the appropriate fora for dispute resolution (pointing perhaps to the essentially contractual nature of the question 'what is FRAND?').
- (11) Although the issue of patent holdup gets a mention in the section of *Huawei* that outlines the dispute,<sup>118</sup> holdup is not thereafter considered. Three possibilities present in this regard. First, the CJEU rejects the holdup theory. (In this regard, one commentator writes: 'There is no evidence of any such thing. Just look at these innovative industries [in the ICT sector] and ask, if things are moving so fast, "where in this is 'hold-up?'"')<sup>119</sup> Second, holdup is a matter for national courts. Or third, the CJEU did not consider the issue necessary to consider. Its silence sits oddly with 'the judicial activism of the court in other areas, where it has resorted to Article 102(a) TFEU of its own motion, to establish antitrust liability.'<sup>120</sup> When it comes to how the CJEU might have addressed hold-up, Petit suggests that one possibility would have been for the CJEU to advise the referring court that an application for an injunction or product recall is abusive if it leads to 'unfair selling prices.'<sup>121</sup> This the CJEU did not do.
- (12) As mentioned above, the *Samsung/Motorola* emphasis on willingness made it too easy for an alleged infringer to foreclose SEP holder access to the courts. *Huawei* offers a more balanced approach in which only unreasonable behaviour by the SEP holder will see its bringing of enforcement proceedings castigated as abusive.

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<sup>115</sup> Petit (n 74) 5.

<sup>116</sup> Jacob and Milner (n 40) 11.

<sup>117</sup> *ibid* 8.

<sup>118</sup> *Huawei* (n 3) [38].

<sup>119</sup> Jacob (n 16) 18.

<sup>120</sup> Petit (n 74) 8.

<sup>121</sup> *ibid*.

- (13) By identifying what constitutes reasonable behaviour by an alleged infringer (including payment of security), *Huawei* goes a long way to making hold-out more difficult. ('Hold-out', it will be recalled is where an alleged infringer delays taking a licence with a view to avoid paying royalties, or leveraging lower royalties.)
- (14) It is not clear what is to happen where both SEP holder and alleged infringer make FRAND offers. What is clear is that this is a possibility, which in itself makes clear that there is no 'pixelized FRAND point'.<sup>122</sup>
- (15) It is not clear how a court should proceed when an alleged infringer claims a patent is invalid and/or un-used.<sup>123</sup> Does it decide these issues first? Can it order security? The CJEU offers no guidance. Nor does it indicate whether a higher royalty can be charged of an alleged infringer who fails to establish invalidity or non-use. (Logic would suggest that this should be possible.)
- (16) As mentioned previously, *Huawei* does not make clear whether or not the FRAND commitment is contractual in nature. If it is, a contractual defence could be a complete answer to a patentee's claim, not merely to an injunction.
- (17) *Huawei* does not make clear whether a patentee can require an alleged infringer to enter into a non-disclosure agreement before making an offer. (No obvious reason presents why such a requirement could not be imposed. In truth, the pendulum swings the other way: if an NDA requirement could not be imposed, a patentee would be placed at risk of disclosing commercial secrets without the comfort of a prior NDA in place.)

## Conclusion

The CJEU's decision in *Huawei* is by any measure a landmark decision concerning the borderland between competition law and patent law. It answered many of the concerns raised by the decisions of the Commission in *Samsung* and *Motorola*. Yet as Heracles (and latterly Percy Jackson) have discovered, sometimes in cutting off one head, two can grow in its place. Thus, *Huawei* itself left a number of questions unanswered, including the following:

- (1) Are the *Huawei* 'dance steps'<sup>124</sup> (the process it contemplates) mandatory?
- (2) What exactly does a FRAND requirement require?
- (3) Does the FRAND commitment create a 'de facto compulsory licensing scheme'?<sup>125</sup>
- (4) What is the extent of the diligence required by an alleged infringer in responding to an SEP holder's offer?
- (5) How prompt must the alleged infringer be in making its counteroffer to the SEP proprietor?
- (6) Does *Huawei* merely create a thin potential for competition law liability or are those who canvass for a broader application correct?
- (7) Does *Huawei* extend to NPEs?
- (8) Beyond competitor exclusion, is there much space for competition policy when it comes to FRAND-pledged SEPs?

<sup>122</sup> *ibid* 7.

<sup>123</sup> The CJEU expressly contemplates the bringing of such forms of claim at [69] of its judgment.

<sup>124</sup> Laura Whiting and Paul Abbott, 'The UK: The FRAND-liest Jurisdiction of Them All?' (2020) 288 *Managing Intellectual Property* 30, 32.

<sup>125</sup> Bharadwaj and Jain (n 89) 318.

- (9) Is it possible to sidestep *Huawei* through corporate restructuring that would see the SEP holder removed from the market in which it would have competed and replaced by a sister company?
- (10) Given the CJEU's silence on the precise meaning of FRAND, does this mean that if a patentee can establish before a court that it has more or less standard terms which are generally accepted in the industry, those terms are likely to be taken as FRAND?
- (11) What is the CJEU's position as regards patent holdup (assuming this phenomenon to manifest in practice)?
- (12) What is to happen where both SEP holder and alleged infringer make FRAND offers?
- (13) How is a court to proceed when an alleged infringer claims that a patent is invalid and/or un-used? Does it decide these issues first? Can it order security?
- (14) Can a higher royalty be charged of an alleged infringer who fails to establish invalidity or non-use? Would this be discriminatory?
- (15) Is the FRAND commitment purely/fundamentally contractual in nature?
- (16) Can a patentee require an alleged infringer to enter into an NDA before making an offer?

In Part 2 of this article, I consider (i) how the English superior courts (leading European courts in the field of patent law to this time) have addressed these and other issues considered to present in *Huawei*, and (ii) how competition law and patent law are presently considered to interact when it comes to SEP holders obtaining injunctive relief in the context of FRAND-pledged SEPs.

The borderland between competition law and patent law is an area of the law which has developed an intimidating jargon and an array of acronyms. Among them are the following:

<b>CEN</b>	The European Committee for Standardization.
<b>CENELEC</b>	The European Committee for Electrotechnical Standardization.
<b>ETSI</b>	European Telecommunications Standards Institute.
<b>FRAND</b>	Fair, Reasonable and Non-Discriminatory.
<b>Hold-out</b>	The practice whereby a person implementing an SEP seeks to delay taking an SEP licence so as to minimise or avoid paying FRAND royalties.
<b>Hold-up</b>	The practice whereby implementers of a standard meet with supra-competitive royalty demands from an SEP owner.
<b>Interoperable</b>	The capacity of two products, programs, <i>etc.</i> to be used together.
<b>NPE</b>	Non-practising entity, <i>i.e.</i> a person/company that acquires a patent or associated rights and relies on the acquired IP rights without practising the patented invention.
<b>SDO</b>	Standard Development Organization.
<b>SEP</b>	Standard Essential Patent.
<b>SSO</b>	Standard Setting Organisation.

Annex 1: Table of Acronyms Used