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Patents, Standards and FRAND (2)

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HOWREY

What is FRAND commitment?

- Commitment of patentee to undertake good faith bilateral negotiations with potential licensees
- Only for patents essential to the standard
- E.g. art. 6.1 ETSI IPR Policy
 - SSO will *request* (not: oblige) patentee to undertake in writing that it is willing to grant irrevocable licenses on FRAND T&C
 - Absent FRAND commitment: IPR *can* be excluded from the standard

HOWREY

FRAND means flexibility

- SSO policies strike balance between many competing interests of participating firms
- No “one size fits all” agreement that works for all licensees → importance of bilateral negotiations
- Ex ante disclosure of licensing terms / ex ante licensing?

HOWREY

When are T&C FRAND?

Fair, Reasonable

- not have direct result of precluding efficient licensee from commercially implementing the standard

Non-Discriminatory

- not offer similarly situated potential licensees materially different T&C
- BUT T&C must not necessarily be the same for all licensees as circumstances may differ

HOWREY

FRAND commitment does NOT:

- Constitute a license, only obligation to undertake bilateral negotiations in good faith
- Impose specific license terms
- Preclude injunctive relief for patentee
- Mean “ART/Numerical Proportionality” (because not all essential patents are created equal)

HOWREY

FRAND and injunctive relief

Can the courts issue an injunction against the user of a standard who rejected a FRAND offer from the patent owner ?

NO (Shapiro, Miller et al)	YES (Gérardin et al)
<i>« FRAND commitment = waiver of right to seek injunction »</i>	<i>« FRAND commitment ≠ waiver of right to seek injunction »</i>
<i>→ « patent owner = limited to payment claims »</i>	<i>→ « patent owner ≠ limited to payment claims »</i>

HOWREY

Case law (1): Landgericht Düsseldorf, *Siemens v Amoi* (13 Feb 2007)

- Court does not explicitly decide whether article 6.1 ETSI IPR Policy grants potential licensee an enforceable right to be granted a licence
- License offer by patentee was not FRAND
- No injunction granted

First reported court to dismiss a patent infringement action solely on the basis of a FRAND violation!

Case law (2): Landgericht Düsseldorf, *MPEG-2* (11 Sep 2008)

- Patents found essential and infringed
- Patent pool, but individual licenses still available
- License terms offered to standard adopter found reasonable:
 - Requirement to agree to standard pool agreement
 - Requirement to pay royalties for past infringement by affiliates
 - Absence of maximum royalty cap (↔ *Siemens v Amoy*)
- Injunction granted

FRAND does not exclude injunctive relief

Three-tier test

The owner of

1. a *valid* essential patent;
2. that is found to be *infringed*; and
3. who made a licensing offer that is found to be *FRAND* complied with his obligations and *can still obtain an injunction* against the standard adopter who rejected the *FRAND* offer.

Thank you

HOWREY_{LLP}

> Antitrust > Global Litigation > Intellectual Property