



Practical implications of the Dutch FRAND-approach

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Brussels, 22 April 2013
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BACKGROUND

- Enforcement of standard-essential patents discussed by District Court The Hague in a number of relatively recent decisions;
 - **Philips/SK Kassetten** dated 17 March 2010
 - **LG Electronics/Sony** dated 10 March 2011
 - **Samsung/Apple** dated 14 March 2012
 - **Samsung/Apple** dated 14 October 2011
- Practical implications:
 - 3 different scenario's

ESSENTIAL PATENTS IN PRACTICE
SCENARIO I

Scenario I: Enforcement against alleged infringer who does not ask for, or refuses to negotiate and take a license

- Situation is clear:
 - Following **Philips / SK Kassetten**:
 - *entitlement* to a FRAND license alone is insufficient to deny an injunction
 - it is the responsibility of the third party to obtain a license
 - if he fails to take his responsibility (e.g. by doing *nothing*): patentee may enforce its essential patent and injunctive relief is granted if patent is valid and infringed

ESSENTIAL PATENTS IN PRACTICE
SCENARIO I

- Under these circumstances, there is no reason to treat the holder of an essential patent differently from the holder of any other patent: FRAND-obligation exists, but is not triggered by third party;
- Usually situation is more complex: parties are negotiating, but a license is not (yet) concluded.

ESSENTIAL PATENTS IN PRACTICE
SCENARIO II**Scenario II: Enforcement following unsuccessful negotiations**

- Patentee may start proceedings **and in principle** remains entitled to injunctive relief (**Philips/SK Kassetten**)
 - See also Pres. District Court The Hague in **Samsung/Apple**:
"The route towards a FRAND-license starts with a request thereto from Apple followed by a FRAND-offer from Samsung. **In case the parties would not be able to come to an agreement thereafter, Samsung is still free to claim injunctive relief.**"
- Unless **exceptional circumstances** apply (**Philips / SK Kassetten**):
 - Decisive in assessing whether such exceptional circumstances apply: did patentee comply with its FRAND-obligation (**Samsung/Apple**)
N.B. Court will assess whether offer or counter-offer was FRAND

ESSENTIAL PATENTS IN PRACTICE
SCENARIO III**Scenario III: Enforcement while negotiations are still pending**

- As long as good faith negotiations about a FRAND license are still pending, taking enforcement measures entails a serious risk for the patentee of being accused of misuse of right by **filing proceedings** alone (**LGE/Sony** and **Samsung/Apple**);
- This may be different (i) if FRAND-offer is reasonable and alleged infringer refuses to accept this offer, or (ii) the alleged infringer does not negotiate in good faith, **BUT**

ESSENTIAL PATENTS IN PRACTICE
SCENARIO III

- Under current case-law, high likelihood that patentee who “jumped the gun” will be held to have misused its rights. In **LGE/Sony** and **Samsung/Apple** misuse assumed:

(i) without discussion by the court whether or not offer(s) of patentee complied with FRAND, and

(ii) without determining whether the counter-offers of alleged infringer were FRAND or were closer to FRAND than offer(s) patentee:

“The District Court explicitly leaves open whether the counter-offer of Apple can be regarded as a FRAND-royalty, i.e. a license-rate that complies with the requirements in the FRAND-declarations. It can also be left open whether the counter-offer by Apple is closer to a FRAND-royalty than the opening-offer by Samsung.”

ESSENTIAL PATENTS IN PRACTICE

- Hence, from current case-law it appears to follow:

Enforcement in the absence of a license: **YES**, **unless** misuse of right/special circumstances/extraordinary or unreasonable desires by patentee;

Enforcement pending negotiations: **NO**, **unless** lack of good faith or misuse of right by alleged infringer;

- Each case to be assessed on its own facts with reasonableness as driving force:
 - * A patentee's FRAND obligation should protect a third party that is genuinely interested in obtaining a license against being coerced into unreasonable conditions;
 - * A patentee's FRAND obligation is not eternal: after having reasonably attempted to come to an agreement, the patentee should be able to invoke its patents and terminate further infringement;

Thank you for your attention...