

Unwired Planet v Huawei: UK Supreme Court Confirms that English Courts can Determine Global FRAND terms

The UK Supreme Court has handed down an important judgment¹ which is likely to have global implications for how standard essential patents (SEPs) are licensed in the future.

Background

A standard essential patent (SEP) is a patent which covers technology which is required (i.e. is essential) to be used in order to implement a technical standard (for example such as 2G, 3G and 4G in the telecommunications industry). Conforming to the technical standard allows devices from different manufacturers to operate together and to use the same infrastructure. Standard Setting Organisations (SSOs) bring participants together to evaluate technologies for inclusion in a new standard. Participants of SSOs enter into an irrevocable undertaking with the SSO to allow implementers of the new standard to obtain a licence to SEPs on fair, reasonable and non-discriminatory (FRAND) terms.

Court proceedings held in 2015 and 2016 found that patents held by Unwired Planet and declared as SEPs were valid and had been infringed by Huawei. In 2016 and 2017, further court proceedings were held to determine the remedies for the infringements. As part of this, Birss J, in the High Court², decided that an injunction to restrain infringement of the relevant UK patents was appropriate with a proviso that the injunction would cease to have effect if the defendant entered into the FRAND licence which Birss J had settled. Birss J found that, in the circumstances, the FRAND licence would necessarily be a global (worldwide) licence, not a licence only in respect of the UK patents. This judgment was seen to have potentially serious implications because under this doctrine SEP holders could pressurise implementers to take a worldwide licence to declared SEPs, with terms of the licence determined by the English court, with the threat of patent infringement litigation in just the UK.

This issue was appealed to the Court of Appeal³, which agreed with the first instance finding that a worldwide licence was appropriate. This finding was then appealed to the Supreme Court by Huawei.

The Supreme Court Judgment

Thus, the question to be considered by the Supreme Court was *whether a court in the United Kingdom has jurisdiction and may properly exercise a power, without the agreement of both parties, to (a) grant an injunction to restrain the infringement of a UK patent where the patented invention is an essential component in an international standard of telecommunications equipment, which is marketed, sold and used worldwide, unless the implementer of the patented invention enters into a global licence of a multinational patent portfolio, and (b) determine royalty rates and other disputed terms of such a global licence.*

Huawei argued that allowing the English courts to oblige them to take a global licence would compromise their rights in relation to patents in other territories, because they would not, having taken a licence to those patents, be able to challenge their validity or challenge whether they are essential patents.

The court considered the policy of the relevant SSO (ETSI, the European Telecommunications Standards Institute), and noted that the policy is "*intended to have international effect*". The court also considered the usual commercial practice in the industry when licensing patents, stating that this is "*to agree global licences of a portfolio of patents, without knowing precisely how many of the licensed patents are valid or infringed*". Thus, the Supreme Court decided that it was appropriate in this case for the English courts to impose a global licence in order to avoid an injunction for infringement of a UK patent, and for the English courts to determine the terms of the global licence. The Supreme Court considered this conclusion not to be in contradiction to jurisprudence in the US, Germany, Japan and China.

The Supreme Court also considered the meaning of "non-discriminatory" in FRAND. A significant finding agreeing with the first instance decision is that non-discriminatory does not necessarily require similar terms in all licenses. That is, one licensee may have more favourable terms than another licensee, but both may be FRAND, depending on the circumstances.

The Judgment also gives some guidance as to how a SEP holder should behave before bringing an action to avoid abuse of a dominant position under EU competition law. Ensuring a defendant has sufficient notice that if the declared SEPs are valid and essential a licence is required and showing oneself to be willing to grant a licence on whatever terms are found to be FRAND are necessary to avoid abuse of a dominant position.

Implications of the Judgment

This judgment does not imply that the English courts have jurisdiction to consider the validity or infringement of patents in other territories, nor that the English courts can decide on licensing terms if a UK patent is not involved in the dispute. Indeed, it requires that a declared SEP UK patent is found to be valid and infringed. Further, even when a declared SEP UK patent is found to be valid and infringed, it is not a blanket rule that a FRAND licence must be a worldwide one; rather it depends on the facts of the case.

However, this decision does confirm the possibility that, if a declared SEP UK patent is found to be valid and infringed, then the only way of avoiding liability for the infringement (other than ceasing to trade in the UK) is to take a FRAND licence, which

could be a global licence, with the terms decided by the English courts.

This decision has significant ramifications for both holders of SEPs, and for manufacturers who make products which use standards (and thus use SEPs).

For holders of SEPs, this judgment might make the English courts an attractive forum for litigation relating to infringement of UK standard essential patents, because a judgment in the holder's favour could provide for a positive result of favourable licensing terms being imposed worldwide.

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Conversely, for manufacturers, it confirms the possibility that if the manufacturer is found to infringe a UK standard essential patent, then the English courts could insist on deciding the terms of a worldwide licence. If the manufacturer refused to accept such a licence, they would risk a UK injunction against further infringement and a finding of damages in respect of the UK infringement.

Footnotes

1. [\[2020\] UKSC 37](#)
2. [\[2017\] EWHC 711 \(Pat\)](#)
3. [\[2018\] EWCA Civ 2344](#)

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