

Unwired Planet v Huawei: What's the fallout?

IPcom's managing director runs through the potential outcomes for FRAND agreements following Unwired Planet v Huawei

Ben Wodecki reports

What does the outcome of the Huawei v Unwired Planet mean for future FRAND arrangements?

The outcome is fully in line with IPCom's fair, reasonable and non-discriminatory (FRAND) licensing process, and confirms our commitment to FRAND obligations.

Our FRAND patent licence offer and method of calculating our FRAND rate takes justice Colin Birss' calculation method in the original ruling as one of the major benchmarks. In his first instance decision in April 2017, justice Birss provided a very detailed mathematical formula for calculating a global patent portfolio licence fee, which takes into consideration various parameters such as number of standard essential patents (SEPs), determination of the total patent landscape, sum of total cumulative royalties and different weightings of a multimode device (2G/3G/4G).

We regard this method of calculation as indeed reasonable and balanced, as it is usually very difficult to define a royalty rate that will be accepted by potential licensees. Since the initial ruling, we have received positive feedback from potential licensees, confirming that IPCom's FRAND licence offer is extremely transparent and supplemented with details to help potential licensees understand how the FRAND rate has been determined. One of the potential licensees also confirmed that, due to the clear-cut FRAND offer, there's a good chance that the dispute will be settled without litigation.

Whilst we were comfortable with the first instance decision, we were also worried about the appeal decision, as all of the questions raised would have had an impact on our licensing approach. The issues on appeal as asserted by Huawei were referring to the global aspect of the portfolio license. The non-discrimination point, with the question of whether Huawei should be given the same royalty rate as Samsung, owing to the non-discrimination limb of FRAND, was also raised. Finally, the appeal court had to decide how strictly the Huawei v ZTE protocol set by the Court of Justice of the EU (CJEU) should be followed.

As it turned out, the appeal decision largely followed the first instance decision, something we are very pleased about, as it meant there was no need to change our FRAND offer or licensing approach.

We regard this method of calculation as indeed reasonable and balanced, as it is usually very difficult to define a royalty rate that will be accepted by potential licensees

What are the major implications that this case could have for the telecoms industry? Are there other industries that could be affected?

The negotiation of FRAND requirements and obligations started about 10 years ago, since then it has shifted and evolved. In 2009, there was a benchmark decision of the German Supreme Court (Bundesgerichtshof): the 'Orange Book' case. In this landmark decision, Philips asserted its patent, which is essential for recordable Compact Discs (CD-Rs), against German CD-R manufacturers which had failed to request a license. The defendant contended that Philips was abusing a dominant position in the CD-R market by seeking an injunction on its SEP. At this time, I was working in the licensing team of Philips and was also involved in the optical storage licensing activities related to the CD-R standard which was at issue in the court proceedings.

Philips wasn't the only one; there were a lot of major telecoms and technology companies which owned SEPs and held dominant positions in the market. These parties were arguably in such an elevated position of control that they could theoretically exclude implementers out of the market by refusing a licence ('hold-out'). Thus, the discussion of how to limit the power of the IP owners began, reaching a political dimension with the involvement of the European Commission.

Ultimately, to what extent should innovative ideas be dependent on FRAND terms?

Any innovative idea deserves protection. If it's an idea which contributes to the development or evolution of a technology, then it's important to be properly safeguarded. This also means that anyone who wants to use this innovative idea should pay fairly.

I think FRAND itself is a really good tool to help balance the interests of both parties. It protects and regulates the position of the IP owner because, in the real negotiating world, it has historically been a challenge to judge the quality of and put a price on IP. IP owners are ultimately trying to licence something that's intangible, pretty abstract and very technical.

I have never in my almost 15 years of licensing had a potential licensee voluntarily come to me and say 'this is such a great technical feature, I really want to pay for the idea behind this feature and reward its owner.' This never happens. Instead, it's the other way around, involving a more active approach on the part of the IP owner, who must be the one to say, 'hey, you're using my idea, and you need to pay for it.'

As such, I've experienced a lot of reluctance, stalling and delaying on the part of potential licensees. Why? Because holding up any licensing discussion and thus delaying time can mean saving money; it's that simple. This is such a problem for the licensors, and it means they can't establish a timetable to move licensing activities forward, ensure the opponent commits to a timetable, and then have meaningful and reasonable discussions about the use of the invention as well as the terms of the licence offer.

FRAND is changing this and helping to regulate timescales and discussions. It establishes a mutually beneficial framework for negotiations, whereby a licensor can make a FRAND offer, and the potential licensee can then either accept the offer, or come up with a fair counter offer.

FRAND also means that if the counter offer is regarded as unreasonable and is rejected by the licensor, then the licensee must provide security for past usage, as well as for future royalties.

The recent Unwired Planet v Huawei ruling is a further sign that the tables are turning in favour of IP owners. This landmark decision will give IP owners more rights, and grant more flexibility in negotiating IP rights with potential users. As well as reflecting IPro's long-held FRAND commitments, the ruling will help to create a courteous business environment and re-distribute the power traditionally held by some big technology firms when it comes to negotiating IP licenses.

On the other side, and in addition to the aforementioned 'hold-out' issue, we often see licensors, (more often than not huge multi-national corporations) approaching implementers simply saying, 'pay two percent or 'pay \$3,000 per unit', without giving the other party a reason as to why. The FRAND protocol is changing all this and helping implementers to better understand a license offer, especially regarding royalty fees.

This is nothing new for IPro, as we've been working to level the playing field and shine a light on anti-competitive practices for some time now, but should come as great news for all of the inventors and innovators that are driving developments in the tech and telecoms industry. [IPro](#)



“

We've been working to level the playing field and shine a light on anti-competitive practices for some time now

”

**Pio Suh, managing director
IPro**