

# *WORDLWIDE FRAND LICENCES IN GLOBAL PATENT LITIGATION*

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## *ABSTRACT*

*A new front has recently emerged in SEP global battles, concerning the legitimacy of judicially determining FRAND worldwide royalties despite the absence of consent of all parties involved. The Unwired Planet decision in the UK, as well as other disputes in the EU and Asia, have given rise to such a new judicial trend in the context of standard essential patents litigation. But should national courts be allowed to embark on a similar comprehensive analysis of the litigants' global business relationship? After recalling the most recent initiatives adopted at EU, UK and U.S. levels in order to bring more transparency in SEP licensing negotiations, the article will explore the risks and disadvantages of this judicial practice, as also emerged from recent FRAND litigation.*

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## Introduction

Technical standards and patents have a strong impact on growth and innovation. While patents typically reward investments in R&D undertaken by innovative firms, technical standards make sure that interoperable technologies reach consumer markets contributing to their expansion.<sup>1</sup> In the ICT (information and communication technology) environment, standards often refer to technologies protected by patents; a standard essential patent (SEP) is therefore a patent protecting technology essential to the standard, and for which a licence is usually necessary in order to make use or sell the standardised product.<sup>2</sup>

The relevance of patents and technology standards in Europe is all the more evident when we consider their impact on the Digital Single Market, whose growth is plainly connected to the development of interoperable standardised technologies providing for interconnectivity (e.g., from the Wi-Fi, to the 5G or Bluetooth standards); interoperability that typically concerns manufacturers, as well as equipment and service providers.<sup>3</sup> More generally, the key role played by patents and standards in creating new business opportunities and enhancing societal welfare has been recognised by governments and public authorities at the global level.<sup>4</sup>

Besides positively contributing to growth and innovation in the economy, patents and technology standards may even give rise to conflictual relations between patent holders and standard implementers, who are normally involved in the activities of ICT standard development organizations (SDOs). Such a tension specifically derives from the fulfilment - or lack thereof - of the free or FRAND (fair, reasonable and non-discriminatory) licensing commitment that patent

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<sup>1</sup> European Commission, *Setting Out the EU Approach to Standard Essential Patents*, COM(2017) 712 final, 29 November 2017, 1; European Telecommunications Standards Institute (ETSI), *Understanding ICT Standardization – Principles and Practice*, (Sophia Antipolis: ETSI, 2021) 15-19; J.L. Contreras (ed.), *The Cambridge Handbook of Technical Standardization law*, (Cambridge: Cambridge University Press, 2017) 7; J.H. Park, *Patents and Industry Standards*, (Cheltenham: Edward Elgar, 2010) 1-2.

<sup>2</sup> European Telecommunications Standards Institute, *Understanding ICT Standardization – Principles and Practice*, (Sophia Antipolis: ETSI, 2021) 196-197.

<sup>3</sup> European Commission, *An EU Strategy on Standardisation Setting Global Standards in Support of a Resilient, Green and Digital EU Single Market*, COM(2022) 31 final, 2 February 2022, 1-3.

<sup>4</sup> UK Government (IPO), *Standard Essential Patents and Innovation: Call for Views*, (December 2021) 1-2; U.S. Federal Trade Commission, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, (March 2011) 1-2; U.S. Department of Justice and U.S. Federal Trade Commission, *Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition*, (April 2007) 33; European Commission, *Towards an Increased Contribution from Standardization to Innovation in Europe*, COM(2008) 133 final, 11 March 2008, 2-4; European Commission, *Modernising ICT Standardization in the EU – The Way Forward*, COM(2009) 324 final, 3 July 2009, 2-4; European Commission, *The Role of European Standardization in the Framework of European Policies and Legislation*, COM(2004) 674 final, 18 October 2004, 5; European Commission, *Intellectual Property Rights and Standardization*, COM(1992) 445 final, 27 October 1992, 2-5.

owners usually have to accept in order to participate to a SDO's committee or working group.<sup>5</sup> More in detail, under the IPRs policies widely adopted by SDOs, patent owners have to commit *ex ante* – i.e., before the formal adoption of the standard - to license their SEPs to any third party requesting a licence under free or FRAND economic terms. The rationale behind free or FRAND requirements is to make the standardised technology available to any implementer or user of the standard under accessible and non-exorbitant conditions, while ensuring that IP holders are not discouraged from investing in R&D and standardization activities.<sup>6</sup>

However, the last two decades have attested that licensing negotiations of SEPs in ICT industries may often lead to conflicts and frictions between the involved parties, which may eventually result in costly and time-consuming litigation on a global basis. On the one hand, implementers or potential licensees have in the past accused patent owners of charging non-FRAND or exorbitant royalties and of using the threat of an injunction in order to obtain the required fees, under a patent hold-up strategy.<sup>7</sup> On the other hand, SEPs holders have often claimed that implementers free ride on their technologies without engaging in good faith negotiations and rather try to depress the royalty levels close to zero, under patent hold-out dynamics.<sup>8</sup> The ultimate outcome of these thorny disputes and controversies on SEP licensing terms is detrimental to an effective implementation of standardised technologies and, consequently, to a timely development of interconnected devices.

A vast amount of literature has already explored in details the causes and effects of patent hold-up and patent hold-out strategies, implemented respectively by innovators and potential licensees in global technology markets.<sup>9</sup> Likewise, the past case law of courts and investigations of competition

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<sup>5</sup> On the scope of a FRAND licence commitment, see *inter alia* D. Geradin, “Moving Away from High Level Theories: a Market Driven Analysis of FRAND”, (2014) 59(2) *The Antitrust Bulletin* 327; T.F. Cotter, “Comparative Law and Economics of Standard Essential Patents and FRAND Royalties”, (2014) 22 *Texas Intellectual Property Law Journal* 311; D.W. Carlton, A.L. Shampine, “An Economic Interpretation of FRAND”, (2013) 9(3) *Journal of Competition Law and Economics* 531; J.G. Sidak, “The Meaning of FRAND, Part I: Royalties”, (2013) 9(4) *Journal of Competition Law and Economics* 931; M.A. Lemley, C. Shapiro, “A Simple Approach to Setting Reasonable Royalties for Standard Essential Patents”, (2013) 28 *Berkley Technology Law Journal* 1135; R.J. Gilbert, “Deal or No Deal? Licensing Negotiations in Standard Setting Organizations”, (2011) 77 *Antitrust Law Journal* 855.

<sup>6</sup> European Telecommunications Standards Institute, *Understanding ICT Standardization – Principles and Practice*, (Sophia Antipolis: ETSI, 2021) 202.

<sup>7</sup> J.L. Contreras (ed.), *The Cambridge Handbook of Technical Standardization Law*, (Cambridge: Cambridge University Press, 2017) 104.

<sup>8</sup> J.L. Contreras (ed.), *The Cambridge Handbook of Technical Standardization Law*, (Cambridge: Cambridge University Press, 2017) 123.

<sup>9</sup> K. Gupta and U. Petrovic, “Standards, Patents and Antitrust Policy – the Road Ahead”, (2020) *CPI Antitrust Chronicle* 2; A. Galetovic and S. Haber, “The Fallacies of Patent Hold-up Theory”, (2017) 13 *Journal of Competition Law & Economics* 1; International Telecommunications Union, *Understanding Patents, Competition and Standardization in an Interconnected World*, (Geneva: ITU, 2014) 64; B. Heiden and N. Petit, “Patent Trespass and the

authorities on a worldwide basis, addressing unlawful licensing practices and conducts in the ICT standard setting field, have been thoroughly scrutinised and commented by legal scholars.<sup>10</sup> It is out of the scope of this paper, therefore, to reconstruct the sequence of numerous cases and disputes on the matter decided at the global level, or to re-evaluate the mosaic of legal and economic theories advanced in order to define alternative licensing models in ICT standardization environments. Rather, the focus of the present work is on a narrower subject, related to the precise scope of a FRAND licence, which can be in theory interpreted as global or as territorially limited.

The *Unwired Planet v Huawei* litigation, decided in recent years by the UK national courts, has entitled patent holders to demand FRAND royalties for their SEPs on a worldwide level, on the ground that country-by-country licensing negotiation goes against industry practice and determines unnecessary costs or risks.<sup>11</sup> Put differently, SEP owners are allowed to offer implementers a global FRAND licence including the entire portfolio of SEPs - i.e., SEPs registered in all those jurisdictions where the IP holder decided to register, rather than a more limited licence for patents registered in a specific country. Such a disputable approach, unsurprisingly, has led to a spate of disputes before Chinese, UK, EU and U.S. courts, whereby implementers and innovators have sued

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Royalty Gap – Exploring the Nature and Impact of Patent Holdout”, (2018) 34(2) *Santa Clara Computer and High Technology Law Journal* 179; R.A. Epstein and K.B. Noroozi, “Why Incentives for ‘Patent Hold-out’ Threaten to Dismantle FRAND, and Why it Matters”, (2017) 32 *Berkeley Technology Law Journal* 1381; G. Langus, V. Lipatov, and D. Neven, “Standard-Essential Patents: Who Is Really Holding Up (and When)?”, (2013) 9 *Journal of Competition Law & Economics* 253; M. Lemley, C. Shapiro, “Patent Hold-up and Royalty Stacking”, (2007) 85 *Texas Law Review* 1991; J.G. Sidak, “Patent Hold-up and Oligopsonistic Collusion in Standard-setting Organizations”, (2009) 5(1) *Journal of Competition Law & Economics* 123, 125; D. Geradin, M. Rato, “Can Standard Setting Lead to Exploitative Abuse? A Dissonant View on Patent Hold-up, Royalty Stacking and the Meaning of FRAND”, (2007) 3 *European Competition Journal* 101, 125-126; J. Farrell, J. Hayes, C. Shapiro, T. Sullivan, “Standard Setting, Patents, and Hold-up”, (2007) 74 *Antitrust Law Journal* 603, 608; R.A. Skitol, “Concerted Buying Power: Its Potential for Addressing the Patent Hold-up Problem in Standard Setting”, (2004–2005) 72 *Antitrust Law Journal* 727, 729.

<sup>10</sup> J.L. Contreras, “No License, No Problem — Is Qualcomm’s Ninth Circuit Antitrust Victory a Patent Exhaustion Defeat?”, (2020) *Patently-O* 1; S. Gallasch, “The Referral of Huawei v ZTE to the CJEU: Determining the Future of Remedies in the Context of Standard-essential Patents”, (2013) 34(8) *European Competition Law Review* 443; E.S.K. Ng, “Smartphone Patent Litigation: Lessons from the Apple-Samsung Saga”, (2014) 9(3) *Journal of Intellectual Property* 1; H. Ullrich, “Patents and Standards – a Comment on the German Federal Supreme Court Decision Orange Book Standard”, (2010) 41(3) *International Review of Intellectual Property and Competition Law* 337; H.J. Hovenkamp, “Patent Continuations, Patent Deception, and Standard Setting: the Rambus and Broadcom Decisions”, (2008) University of Iowa Legal Studies Research Paper n. 08-25; C. Koenig and K. Spiekermann, “EC Competition Law Issues of Standard Setting by Officially-entrusted Versus Private Organizations”, (2010) 31(11) *European Competition Law Review* 449; C. Koenig and A. Trias, “Some Standards for Standardization: a Basis for Harmonization and Efficiency Maximization of EU and US Antitrust Control of the Standard Setting Process”, (2010) 32(7) *European Intellectual Property Review* 320; R.H. Stern, “Rambus v Infineon: the Superior Aptness of Common Law Remedies than Antitrust for Standardization Skulduggery”, (2001) 23(10) *European Intellectual Property Review* 495.

<sup>11</sup> *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2017] EWHC 711 (Pat); *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2018] EWCA Civ 2344; *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2020] UKSC 37.

each other with the aim of having global royalties fixed by judges in the jurisdiction considered most favourable to their position.<sup>12</sup> This race to the court-house has further led to the demand and grant of anti-suit injunctions (ASIs), anti-anti-suit injunctions (AASIs) and even anti-anti-anti-suit injunctions (AAASIs), as legal remedies granted by judicial authorities in order to limit parties' prerogatives and rights to litigate in a foreign jurisdiction or to enforce decisions obtained in a foreign proceeding.<sup>13</sup> From this perspective, the *Unwired Planet* rulings seem to have given rise to an even more complex or intricate licensing scenario, characterised by forum shopping strategies and no clear solution on the horizon to address the frictions raised by the FRAND conundrum.<sup>14</sup>

After exploring the most recent initiatives adopted by governmental authorities and public bodies at the international level in order to bring more transparency in FRAND licensing and facilitate SEP negotiations, the paper will look at the rationale of a global licensing approach. In that regard, particular attention will be devoted to assess and compare the line of reasoning embraced in a selected number of disputes decided by UK, U.S., EU and Asian courts. The paper will eventually identify those reasons that cast doubts on the effectiveness of a judicial approach endorsing by default global licensing offers in the attempt to promote smooth transactions in ICT standardization.

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<sup>12</sup> Among the disputes exploring global licensing practices, see for instance *TQ Delta LLC v Zyxel Communications UK Ltd*, [2019] EWHC 1089 (Pat); *TQ Delta LLC v Zyxel Communications UK Ltd*, [2019] EWCA Civ 1277; *TCL Communication Tech. Holdings, Ltd. v. Telefonaktiebolaget LM Ericsson*, Case no: SACV 14-341 JVS(DFMX) (C.D. California, 2018); *Lenovo (United States) Inc and Motorola Mobility, LLC v ICom GmbH & Co KG*, Case No 5:19-cv-1389 (N.D. California 2019); *Guangdong OPPO Mobile Telecommunications Corp Ltd v Sharp Corp.*, Case Yue 03 Min Chu No 689 (Intermediate People's Court of Shenzhen City of Guangdong Province, 2020); *Sharp Corp. v Guangdong OPPO Mobile Telecommunications Corp Ltd.*, Case Zui Gao Fa Zhi Min Xia Zhong No 517 (Supreme People's Court of the People's Republic of China, 2021); *Samsung v Ericsson*, Case E 01 Zhi Min Chu No 743 (Hubei Province - Wuhan Intermediate People's Court, 2020); *Xiaomi Communication Technology Co Ltd v Inter Digital Inc.*, Case E 01 Zhi Min Chu No 169 (Hubei Province - Wuhan Intermediate People's Court, 2020).

<sup>13</sup> Among the disputes concerning requests of ASI, AASIs and AAASIs, see for instance *Huawei Technologies Co Ltd v Samsung Elecs Co Ltd*, Case No 3:16-cv-02787 (N.D. California 2018); *Continental Automotive Systems Inc v Avanci LLC et al*, Case No 5:19-cv-02520 (N.D. California 2019); *Ericsson Inc v Samsung Electronics Co Ltd*, Case No 2:20-CV-00380 (E.D. Texas 2021); *Conversant Wireless Licensing v Huawei Technologies Co Ltd and ZTE Corp* [2018] EWHC 2549 (Ch); *ICom GmbH & Co v Lenovo Technology (United Kingdom) Limited and Motorola Mobility UK Ltd* [2019] EWHC 3030 (Pat); *Huawei Technologies Co Ltd and another v Conversant Wireless Licensing*, Case Zui Gao Fa Zhi Min Zhong No 732, 733, 734 (Supreme People's Court of the People's Republic of China, 2020); District Court (LG) of Munich, Case No 21 O 9333/19 (2019), *Nokia v Daimler and Continental*; Higher Regional Court (OLG) of Munich, Case No 6 U 5042/19 (2019), *Continental v Nokia*; District Court (LG) of Munich, Case No 7 O 14276/20 (2021), *InterDigital Inc v Xiaomi Communication Technology Co Ltd*; District Court (LG) of Munich, Case No 7 O 36/21 (2021), *Huawei Technologies v IP Bridge*; Tribunal of Paris, Case No RG 19/59311, *ICom v Lenovo* (2019); Court of Appeal of Paris, Case No 14/2020, *Lenovo v ICom* (2020); High Court of Delhi, Case IA 8772/2020 in CS(COMM) 295/2020 (2021), *InterDigital Technology Corp v Xiaomi Corp.*

<sup>14</sup> For an analysis of the *Unwired* litigation, see G. Colangelo and G. Scaramuzzino, "Unwired Planet Act 2: the Return of a FRAND Range", (2019) 40(7) *European Competition Law Review* 306; and P. Picht, "Unwired Planet v Huawei: a Seminal SEP/FRAND Decision from the UK", (2017) 12(10) *Journal of Intellectual Property Law & Practice* 867.

## Licensing Principles for Standard Essential Patents

IP offices and public authorities on a worldwide basis have periodically signalled the need to improve the licensing environment for standard essential patents and to define more balanced or clearer policies.<sup>15</sup> Various aspects regarding SEP licensing negotiation processes have been identified as deserving a more careful and effective scrutiny: from the preliminary information to be provided on SEP exposure (e.g., through easily accessible and high-quality SDO databases), to the methodologies embraced to define FRAND royalties (e.g., bottom-up v top-down approaches); from the scope of collective licensing initiatives (e.g., patent pools and licensing negotiation groups), to the enforcement mechanisms available for SEP owners (i.e, litigation, arbitration, mediation). SDOs have seldom taken a clear stance or provided detailed guidance on these complex legal and policy matters, mainly in light of their willingness to avoid potential tensions with involved stakeholders.<sup>16</sup>

### *The EU Commission's Approach to SEPs*

In the EU, the Commission has in the past considered the importance of setting out key principles in order to foster a robust and effective licensing framework for SEPs, with the aim of promoting the inclusion of the best technologies in standards and ensuring a wide diffusion of these standardised technologies on fair access terms.<sup>17</sup> At the same time, and after remarking on the pivotal role of the involved parties that must negotiate in good faith without neglecting the reciprocal expectations, the EU authority has also expressed its concerns over the effectiveness of the fuzzy FRAND concept; the latter indeed has often led to divergent views and litigation, delaying both SDOs' processes and the uptake of disruptive technologies. In order to address such concerns, the EU Commission has identified a number of criteria that should guide FRAND determinations, provided that there is no one-size-fits-all solution applicable to all sectors and business models. With this regard, for

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<sup>15</sup> E.g., see U.S. Department of Justice (DOJ), U.S. Patent and Trademark Office (PTO) and National Institute of Standards and Technology (NIST), *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, (December 2019) 1; UK Government (IPO), *Standard Essential Patents and Innovation: Call for Views*, (December 2021) 1; European Commission, *Setting Out the EU Approach to Standard Essential Patents*, COM(2017) 712 final, 29 November 2017, 2.

<sup>16</sup> As an exception, see Institute of Electrical and Electronics Engineers - Standards Association (IEEE-SA), *Standards Board Bylaws*, (2021). Notably, IEEE-SA has referred in its IP policy to practical methodologies to quantify a reasonable royalty, as well as to alternatives to a FRAND commitment (i.e., a not-to-exceed licence ceiling).

<sup>17</sup> See, for instance, European Commission, *Setting Out the EU Approach to Standard Essential Patents*, COM(2017) 712 final, 29 November 2017, 2-3.

instance, it has pointed to the need of setting licensing terms having a clear relationship to the economic value of the patented technology, irrespective of the market success of the standardised final product. Further, it has stated that good faith negotiations should also preserve SEP owners' incentives to contribute their technologies to standards, while at the same time taking into proper account and limiting royalty stacking – i.e., the risk of excessive cumulative rates for all patents essential to the standard.<sup>18</sup> Lastly, and in line with the efficiency considerations emerged in the *Unwired Planet* case, the Commission has also endorsed the practice of SEP portfolio licensing for standardised goods having global circulation, in view of the fact that country-by-country licensing strategies might not be efficient and could run counter to recognised commercial practices in ICT industries. Nevertheless, as specified in its 2017 Communication, FRAND royalties should be determined in a manner that licensees willing to “develop a product for a specific and geographically limited area are not placed at a disadvantage”.<sup>19</sup> These licensing principles, in the European Commission's holistic perspective, should effectively support a sustainable and efficient standardization ecosystem.<sup>20</sup>

The last observations could perhaps be interpreted as meaning that implementers may legitimately refuse – without being injuncted - to accept licences for standard essential patents that are not strictly necessary to sell or produce in the geographical markets where they are currently active. In fact, imposing a worldwide licence to willing licensees only active in a limited number of countries may in principle amount to a form of patent misuse<sup>21</sup> or to an anticompetitive practice - i.e. abusive tying or bundling - contrary to antitrust provisions.<sup>22</sup> Similar conclusions could be drawn if patentees insisted on non-FRAND licences bundling SEPs with non-SEPs.<sup>23</sup> This does not mean that global IP holders, in the initial phases of negotiations, could not propose a worldwide licence or

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<sup>18</sup> European Commission, *Setting Out the EU Approach to Standard Essential Patents*, COM(2017) 712 final, 29 November 2017, 6-7.

<sup>19</sup> European Commission, *Setting Out the EU Approach to Standard Essential Patents*, COM(2017) 712 final, 29 November 2017, 7.

<sup>20</sup> European Commission, *Setting Out the EU Approach to Standard Essential Patents*, COM(2017) 712 final, 29 November 2017, 13.

<sup>21</sup> See D. Lim, “Misconduct in Standard Setting: the Case for Patent Misuse”, (2011) 51(4) IDEA 557.

<sup>22</sup> See for instance U.S. Department of Justice and Federal Trade Commission, *Antitrust Guidelines for the Licensing of Intellectual Property*, (2017). As stated in the guidelines, package licensing may amount to a form of abusive tying arrangement if the licensing of one IPR is made subject to the acceptance of a licence of a different separate IPR.

<sup>23</sup> On the point, see P. Picht, “Unwired Planet v Huawei: a Seminal SEP/FRAND Decision from the UK”, (2017) 12(10) *Journal of Intellectual Property Law & Practice* 867. See also J. Padilla, D.H. Ginsburg and K.W. Wong-Ervin, “Antitrust Analysis Involving Intellectual Property and Standards: Implications from Economics”, (2019) 33(1) *Harvard Journal of Law and Technology* 2.

even suggest the inclusion of non-SEPs. However, final FRAND offers by the patentee should take into proper consideration the specific commercial needs and the territorial ambit of the licensees.

In more recent initiatives (i.e., the ‘IP Action Plan’), the Commission has further confirmed its intention to stimulate transparency and legal certainty in patent licensing negotiations, while continuing to highlight the key function of patents and standards in affecting investment decisions across all industrial sectors.<sup>24</sup> In 2022, what is more, it has launched a call for evidence for an impact assessment in the standardization environment, with the ultimate goal of presenting a legislative proposal that should complement existing EU policy instruments for a fair and balanced SEP licensing framework.<sup>25</sup> A similar intervention, in the Commission’s standpoint, would be particularly desirable in light of the persisting uncertainty and inefficiency of patent licensing dynamics. On the one hand, the current trend of increased number of declared SEPs and increased number of stakeholders taking part in SDOs does not seem facilitate the shaping of a more sustainable SEP environment. On the other, in the EU authority’s words, the insufficient level of transparency in SEPs disclosure, as well as the ambiguity of FRAND terms and inefficient enforcement mechanisms, may ultimately slow the pace of innovation and hamper critical technological development. As a result of such a problematic scenario, it is further noted, national courts more and more often end up adopting divergent interpretations of both the FRAND concept and of the optimal negotiation process to be endorsed.<sup>26</sup>

In brief, this new complementary initiative, aimed at encouraging clarity on SEPs disclosure or FRAND negotiations and at supporting efficient enforcement, will be implemented at the EU level in order to: promote uniformity; foster single-market solutions; and achieve the best balance of interests among all parties, eventually dissolving the intrinsic tension between patents (which are territorial) and standardization (which is global).<sup>27</sup>

### *Recent Initiatives of the UK Intellectual Property Office*

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<sup>24</sup> European Commission, *Making the Most of the EU’s Innovative Potential. An Intellectual Property Action Plan to Support the EU’s Recovery and Resilience*, COM(2020) 760 final, 25 November 2020, 1.

<sup>25</sup> European Commission, *Call for Evidence for an Impact Assessment (Intellectual Property - New Framework for Standard Essential Patents)*, 14 February 2022, 1.

<sup>26</sup> European Commission, *Call for Evidence for an Impact Assessment (Intellectual Property - New Framework for Standard Essential Patents)*, 14 February 2022, 3. The document explicitly mentions as examples the recent judgments of the UK Supreme Court in *Unwired Planet v Huawei* and of the German Federal Court of Justice in *Sisvel v Haier* (Case KZR 36/17, 5 May 2020).

<sup>27</sup> European Commission, *Call for Evidence for an Impact Assessment (Intellectual Property - New Framework for Standard Essential Patents)*, 14 February 2022, 3.



Other remarkable initiatives have been similarly adopted by various public bodies and authorities. For instance, the UK Intellectual Property Office (IPO) - the official UK government body responsible for IP rights - has recently launched a call for views on the intersection between SEPs, competition and innovation, with the aim of understanding whether the current patent regime creates a fair global market and whether the existing SEPs framework works efficiently, by offering the right balance for all parties involved.<sup>28</sup> In line with the described EU Commission's remarks, the UK agency has first emphasised the central role that standards and patents play in innovative processes and in the development of the Internet of Things (IoT) ecosystem. At the same time, and from a more general standpoint, the UK authority has also recognised ‘the need to ensure its own domestic legislative and policy framework keeps pace with global developments and challenges for SEPs licensing’;<sup>29</sup> this may require the UK government's direct intervention and global collaboration with other international governmental bodies.

Unsurprisingly, it has then identified a number of highly controversial conducts, from SEP over-disclosure to hold-up and hold-out strategies, still faced by the current licensing framework. In this regard, and in order to further improve how the market functions and to overcome the cited challenges, the UK IPO has underlined the importance of promoting higher transparency of and increased access to SEPs portfolios.<sup>30</sup> This may even entail clarifying on the scope of a global or territorially limited licence portfolio. As the authority has pointed out, indeed, implementers are often concerned about having to licence a wider SEPs portfolio than that needed for their production activities and consider that SEPs owners should not be entitled to bundle unnecessary patent licences. In recognizing the relevance of the issue, which has attracted the interest of various industry stakeholders, the UK IPO has ultimately encouraged the submission of comments about the benefits or drawbacks of national courts setting global licensing rates.<sup>31</sup> A similar approach, perhaps, seems to signal that setting worldwide licensing fees for SEPs may not always be advisable or reflect the most desirable outcome, at least when considering the position of potential licensees.

### *The Views of U.S. Agencies on SEP Licensing Negotiations*

Lastly, further interesting insights on optimal licensing principles have been recently developed by the U.S. Department of Justice (DoJ), the U.S. Patent and Trademark Office (PTO), and the U.S.

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<sup>28</sup> UK Government (IPO), *Standard Essential Patents and Innovation: Call for Views*, (December 2021) 1.

<sup>29</sup> UK Government (IPO), *Standard Essential Patents and Innovation: Call for Views*, (December 2021) 1.

<sup>30</sup> UK Government (IPO), *Standard Essential Patents and Innovation: Call for Views*, (December 2021) 1.

<sup>31</sup> UK Government (IPO), *Standard Essential Patents and Innovation: Call for Views*, (December 2021) 1.

National Institute of Standards and Technology (NIST), which have released a ‘Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments’.<sup>32</sup>

After recalling the benefits of the patent system and of interoperability standards in boosting innovation, dynamic competition and economic growth to the advantage of consumers, the policy statement highlights the specific role of good faith in SEPs licensing negotiations. As argued, by encouraging more effective and widespread licensing between patentees and implementers, good faith negotiations contribute ‘to promote technology innovation, further consumer choice, and enable industry competitiveness’.<sup>33</sup> Good faith licensing is particularly critical in limiting the risk of gamesmanship or opportunistic strategies by SEP holders (hold-up) and licensees (hold-out), which may eventually lead to multiple harms – e.g., exorbitant royalties, higher prices, litigation costs, reduced investments in innovation and delayed introduction of standardised products.<sup>34</sup> In the U.S. agencies’ views, furthermore, voluntary FRAND commitments may similarly benefit the standardization ecosystem and promote licensing efficiency.

The policy statement, unfortunately, does not provide further insights into the meaning and scope of a FRAND licence. For instance, no clarification is given by the agencies as to whether the offer of a worldwide licence for SEP portfolios should always be considered as fair and reasonable, or whether national judges should be normally allowed to determine the terms of global licences without both parties’ agreement.

Overall, the examined communications, policy statements and public consultations share many perspectives and conclusions, especially in detecting the benefits of patents and standards for the societal welfare, in highlighting the need to further promote legal certainty in the SDOs

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<sup>32</sup> U.S. Department of Justice (DoJ), U.S. Patent and Trademark Office (PTO), U.S. National Institute of Standards and Technology (NIST), *Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, (December 2021) 1; see also U.S. Department of Justice (DOJ), U.S. Patent and Trademark Office (PTO) and National Institute of Standards and Technology (NIST), *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, (December 2019) 1. The 2019 policy statement, however, has been recently (June 2022) withdrawn by the issuing authorities, in order to ‘best serve the interests of innovation and competition’. It remains to be seen how the withdrawal of the 2019 statement will impact on the adoption of future U.S. guidelines on the intersection between IPRs, antitrust and standards.

<sup>33</sup> U.S. Department of Justice (DoJ), U.S. Patent and Trademark Office (PTO), U.S. National Institute of Standards and Technology (NIST), *Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, (December 2021) 1.

<sup>34</sup> U.S. Department of Justice (DoJ), U.S. Patent and Trademark Office (PTO), U.S. National Institute of Standards and Technology (NIST), *Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, (December 2021) 2.

environment, and in signalling the main threats deriving from opportunistic business strategies. Some of them have the merit of explicitly recognizing the relevance and potential risks posed by IP strategies based on global SEP negotiations.<sup>35</sup> The next section will therefore be devoted to discuss in detail those litigated disputes where the scope of a global licensing approach has been explored.

## **Global Licences in FRAND Litigation**

A number of landmark decisions, adopted in the last few years by UK, EU, U.S. and Chinese courts, have addressed the legitimacy of defining the scope of global licences for SEPs, ultimately opening a Pandora box of forum shopping strategies.

### *The Unwired Planet Saga and Other EU Disputes*

In this regard, the UK case *Unwired Planet v Huawei* can be interpreted as the first example where a national court has adopted a fully comprehensive approach in tackling the legal complexities of FRAND negotiations, and has fixed SEP royalties on a global scale despite the licensee's dissent.<sup>36</sup> In that dispute, which has in fact emphasised the significance of global FRAND licensing, Huawei had warned that Unwired Planet's insistence on a worldwide license was unreasonable or unjust and that the court should only determine royalties for sales in the UK. As the Chinese firm stated, setting global fees would have been an indirect determination of the validity of foreign sovereign rights contrary to the comity principle. Nevertheless, Birss J of the High Court of Justice had eventually noted that global portfolio licensing was common industry practice and that it had the advantage of cutting all those transactions costs that would have arisen from patent-by-patent negotiations.<sup>37</sup> In the judge's words, both companies were active globally and the SEP portfolio concerned was

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<sup>35</sup> See also Japan Patent Office (JPO), *Guide to Licensing Negotiations Involving Standard Essential Patents*, (June 2018) 31-32. As the document highlights, "[t]here is also a view that global licensing agreements allow easier and more efficient license management, as for example they do not require agreements to be amended if the implementer expands its business geographically. Others argue that an implementer may well conclude a licensing agreement covering only those countries or regions where it is operating or has a concrete plan to operate".

<sup>36</sup> *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2017] EWHC 711 (Pat); *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2018] EWCA Civ 2344; *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2020] UKSC 37.

<sup>37</sup> *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2017] EWHC 711 (Pat). Similar considerations had also emerged in the German case *Saint Lawrence Communications v. Vodafone*, District Court of Düsseldorf, Case n. 4a O 73/14, 4a O 126/14, 4a O 127/14, 4a O 128/14, 4a O 129/14, 4a O 130/14, 31 March 2016. Here, the patent owner had

“sufficiently large and had sufficiently wide geographical scope that a licensor and licensee acting reasonably and on a willing basis would have agreed on a worldwide licence and would have regarded country-by-country licensing as madness.”<sup>38</sup>

Even Huawei’s argument according to which the offer of unwanted SEPs from certain countries constituted illicit tying arrangements had been dismissed, due to the alleged absence of a foreclosure effect on competition. The same judge had further argued that a similar approach did not raise tensions from a jurisdictional perspective, as the validity of SEPs would still remain a matter falling under the sole jurisdiction of the authorities of the country granting the patents.<sup>39</sup> The ruling was ultimately upheld by both the Court of Appeal and the UK Supreme Court (UKSC), which confirmed that national judges are entitled to set the terms of a global FRAND licence and grant injunctive relief in case of unwilling licensees. The UKSC first argued that the national nature of patents makes it generally difficult for a patentee to protect an invention that is used in products assembled in another country, and later sold and used by consumers on a worldwide basis.<sup>40</sup> This aspect of patent law, in the court’s view, may give rise to holdout strategies through which implementers avoid or delay paying SEP holders the appropriate price for using their inventions globally.<sup>41</sup> As the UKSC then argued:

“we recognise that Birss J has gone further than other courts have done thus far in his willingness to determine the terms of a FRAND licence which the parties could not agree, but that does not involve any difference in principle from the approach of courts in other jurisdictions. Otherwise, his approach is consistent with several judgments in other jurisdictions [...]. The principles stated in

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indeed offered a global license to the implementer, which requested instead a national license. In evaluating the conduct under the *Huawei v. ZTE* framework, the German court argued that a worldwide license offer was FRAND compliant.

<sup>38</sup> *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2017] EWHC 711 (Pat), par. 543.

<sup>39</sup> On the *Unwired Planet v Huawei* litigation, see also J.L. Contreras, “A New Perspective on FRAND Royalties: *Unwired Planet v Huawei*”, (2017) *Utah Law Faculty Scholarship* 42; and GRUR Editorial Office, “Jurisdiction of UK Courts on FRAND Disputes Regarding Global Licences of Multinational Patent Portfolios”, (2021) 70(2) *GRUR International* 174. Beyond examining the global scope of a licence, the judgement also gave further insights about: the legal nature of a FRAND declaration; whether FRAND is a range or a single set of licensing terms; the scope of hard-edged vs. soft-edged discrimination tests; the role of comparable licences for FRAND calculation; and the anti-competitiveness of offering a mixed portfolio of both SEPs and non-SEPs.

<sup>40</sup> *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2020] UKSC 37, par. 4.

<sup>41</sup> On the scope of holdout strategies, see also B. Heiden and N. Petit, “Patent Trespass and the Royalty Gap: Exploring the Nature and Impact of Patent Holdout”, (2018) 34(2) *Santa Clara High Technology Law Journal* 179. The authors explore delaying tactics adopted by multi-national implementers; as the argument goes, the latter “may offer negotiation terms that are not industry practice, whereby: the SEP implementer insists to discuss a license on a patent-by-patent basis, where portfolio licensing is the industry norm; the SEP implementer requests a country specific license, whilst the technology is the same worldwide and it is a multi-national corporation [...]”.

those judgments contemplate that, in an appropriate case, the courts in the relevant jurisdictions would determine the terms of a global FRAND licence.”<sup>42</sup>

More generally, the Supreme Court recognised the effectiveness of certain accepted principles which encourage considering: the usual negotiation practices in relevant industries when fixing the scope of FRAND licences; the adoption of FRAND licences at a worldwide level under appropriate circumstances (e.g. when patentees have sufficiently large and geographically diverse portfolios and implementers are active globally); the global nature of licensing contracts as envisaged in the SDOs IPR policies; and the grant of injunctions against SEPs infringements if the infringers have rejected FRAND licensing offers.<sup>43</sup>

The track set out by the UK courts in fixing global FRAND rates has later been followed by other courts at the international level, which have felt progressively entitled to establish SEPs fees on a worldwide basis. Such a trend, as commentators have argued, has led to tangible implications for global commercial relationships, considering that “high stakes patent litigation today is an inherently global enterprise with parallel actions brought in a dozen or more jurisdictions”.<sup>44</sup> In the EU, for instance, French judges have already affirmed their jurisdiction to hear legal claims concerning the calculation of a FRAND rate at the worldwide level in *TCL v Philips*<sup>45</sup> and *Xiaomi v Philips*<sup>46</sup>, showing readiness to play a prominent role in SEPs disputes with a global dimension—provided that at least one national SEP is valid, essential and infringed. Similarly, Dutch courts have followed the same path in the dispute *Vestel v Philips*.<sup>47</sup>

### *The U.S. Approach in TCL v Ericsson*

On the other side of the Atlantic, U.S. judges have generally set FRAND rates and awarded damages to patent owners on the basis of the asserted U.S. patents only.<sup>48</sup> However, in the case *TCL v Ericsson*, the U.S. District Court of California determined for the first time worldwide FRAND

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<sup>42</sup> *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2020] UKSC 37, par. 67.

<sup>43</sup> *Unwired Planet International Ltd v Huawei Technologies Ltd*, [2020] UKSC 37, par. 84.

<sup>44</sup> J.L. Contreras, “Private Law, Conflict of Laws, and a Lex Mercatoria of Standards-Development Organizations”, (2019) 27(2) *European Review of Private Law* 245.

<sup>45</sup> Tribunal of Paris, Case No RG 19/02085, *TCL v. Koninklijke Philips NV* (2020).

<sup>46</sup> Tribunal of Paris, Case No RG 20/12558, *Xiaomi v. Koninklijke Philips NV* (2021).

<sup>47</sup> Court of The Hague, Case No C/09/604737 / HA ZA 20-1236, *Vestel v. Koninklijke Philips NV* (2022).

<sup>48</sup> See for instance *Microsoft v. Motorola*, 2013 U.S. Dist. LEXIS 60233 (W.D. Washington, 2013); *In Re Innovatio IP Ventures LLC*, 2013 U.S. Dist. LEXIS 144061 (N.D. Illinois, 2013); *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1225–29 (Federal Circuit, 2014); *Optis v. Huawei*, No. 2:17-cv-123-JRG-RSP, 2018 WL 476054 (E.D. Texas, 2018). In those cases, indeed, U.S. courts have focused on the scope and value of U.S. intellectual property rights.

rates, i.e. royalties for an entire SEP portfolio.<sup>49</sup> The long-standing dispute was centred around Ericsson's patents for 2G, 3G and 4G mobile standards, published by the European Telecommunications Standards Institute (ETSI).<sup>50</sup> TCL had initially filed a contract claim against the patent owner, arguing that Ericsson had breached its obligation to licence under FRAND conditions; it then demanded the U.S. judge an anti-suit injunction in order to prevent Ericsson from continuing infringement actions in a number of foreign jurisdictions.

The case differed from the UK *Unwired Planet* litigation on a number of key aspects. Firstly, and more importantly, both litigants had decided to accept the judicial adjudication of licensing terms for a global portfolio license. In other words, unlike *Unwired Planet*, the involved parties had agreed to binding court adjudication of FRAND licensing terms for a worldwide license, following their unsuccessful negotiations, and had accepted that the U.S. action would result in a global resolution of all their legal claims.

Secondly, in determining a global FRAND rate on the basis of a top-down approach benchmarked against comparable licences, the U.S. court had divided the world into three regions (U.S., Europe and Rest of the World), establishing discounts for non-U.S. regions in light of Ericsson's higher patent strength in the United States.<sup>51</sup> As the U.S. judge argued under its alleged fine-grained reasoning, "a global patent rate that does not account for differences in national patent strength provides the SEP owner a royalty based on features that are unpatented in many jurisdictions".<sup>52</sup>

### *The Xiaomi v InterDigital Chinese Litigation*

On a last note, judicial authorities in China have expressed their willingness to vie for jurisdictional authority and act as global licensing tribunals in the context of litigated disputes concerning SEPs.<sup>53</sup>

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<sup>49</sup> *TCL Communication Tech. Holdings Ltd. v. Telefonaktiebolaget LM Ericsson*, Case n. SACV 14-341 JVS(DFMX), (C.D. California 2018).

<sup>50</sup> J.L. Contreras, "TCL v Ericsson: the First Major U.S. Top-Down FRAND Royalty Decision", (2017) *Patently-O Blog*.

<sup>51</sup> In *Unwired Planet v Huawei*, instead, the UK court had divided the world into two categories, i.e. Major Markets (Japan, Korea, India, U.S. and various European countries) and all other countries (including China).

<sup>52</sup> *TCL Communication Tech. Holdings Ltd. v. Telefonaktiebolaget LM Ericsson*, Case n. SACV 14-341 JVS(DFMX), (C.D. California 2018) par. 44.

<sup>53</sup> *Xiaomi Communication Technology Co Ltd v Inter Digital Inc*, Case E 01 Zhi Min Chu No 169 (Hubei Province - Wuhan Intermediate People's Court, 2020); *Guangdong OPPO Mobile Telecommunications Corp Ltd v Sharp Corp*, Case Yue 03 Min Chu No 689 (Intermediate People's Court of Shenzhen City of Guangdong Province, 2020); *Sharp Corp. v Guangdong OPPO Mobile Telecommunications Corp Ltd*, Case Zui Gao Fa Zhi Min Xia Zhong No 517 (Supreme People's Court of the People's Republic of China, 2021); *Samsung v Ericsson*, Case E 01 Zhi Min Chu No 743 (Hubei Province - Wuhan Intermediate People's Court, 2020). In particular, in *Sharp v Guangdong OPPO*, the Chinese Supreme Court had identified a number of factors to be considered in order to determine whether a Chinese

*Xiaomi v InterDigital* can be considered as one of the first cases where a Chinese court has been asked to fix worldwide FRAND royalties for a SEPs portfolio. In responding to Xiaomi's request to determine worldwide rates for InterDigital's global portfolio, the Wuhan court ultimately issued a broad anti-suit injunction against the patentee, preventing the latter from (i) both requesting injunctive relief in China or in any other jurisdiction for the 3G/4GSEPs under review before the Chinese court and (ii) demanding any other Chinese or foreign court to determine worldwide FRAND royalties for the patents at issue.<sup>54</sup>

The *Xiaomi v InterDigital* litigation could be probably seen as one of the most complex and conflictual scenarios for SEPs disputes, encompassing judicial interventions by German, Chinese and Indian courts, all involved in exploring the legitimacy of anti-suit injunction requests and related countermeasures.<sup>55</sup>

#### *From Race to the Courthouse to Race to the Bottom*

Overall, the recent trend of demanding judicial determination of global royalties has encouraged patentees and licensees to even request in parallel ASIs, AASIs, AAASIs and AAAASIs, eventually unleashing a 'race to the courthouse' or bizarre inter-jurisdictional ping-pong whereby litigants resort to the jurisdiction most favourable to their positions without persisting in license negotiation or settlement. The described mechanism, in other words, seems to have distorted the parties' incentives to conclude a licence agreement. As one commentator has correctly stated, "if there is no theoretical limit to the procedural machinations to which parties can go in such disputes, it may indeed be injunctions all the way down".<sup>56</sup> The phenomenon has also incentivized an unproductive 'race to the bottom' among overlapping jurisdictions, whereby national courts may intentionally mould their substantive and procedural rules to increasingly attract litigants.

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court has jurisdiction to settle worldwide terms for SEPs portfolios: (i) the willingness of the litigants to agree on a global licence; (ii) the proportion of essential patents to be licensed having been granted in any one country, in particular China; (iii) the principal place of business of the manufacturer; (iv) the place where licensing negotiations have been conducted; and (v) the location of property available for seizure or enforcement of the licence.

<sup>54</sup> See H. Tsilikas, "Anti-suit Injunctions for Standard Essential Patents: the Emerging Gap in International Patent Enforcement", (2021) 16(7) *Journal of Competition Law and Practice* 729; J.L. Contreras and Y. Yu, "Will China's New Anti-suit Injunctions Shift the Balance of Global FRAND Litigation?", (2020) *Patently-O Blog*.

<sup>55</sup> See District Court (LG) of Munich, Case No 7 O 14276/20 (2021), *InterDigital Inc v Xiaomi Communication Technology Co Ltd*; High Court of Delhi, Case IA 8772/2020 in CS(COMM) 295/2020 (2021), *InterDigital Technology Corp v Xiaomi Corp*.

<sup>56</sup> J.L. Contreras, "It is Anti-Suit Injunctions All the Way Down – the Strange New Realities of International Litigation Over Standards Essential Patents", (2020) 26(4) *IP Litigator* 1.

## Against a Global Licensing Approach

As previously clarified, the *Unwired Planet v Huawei* litigation decided by the UK courts has opened a new chapter in the resolution of global SEP disputes, whereby setting worldwide FRAND rates has been interpreted as a legitimate step in the attempt to settle the existing frictions between patentees and licensees. As one author has pointed out, in international ICT markets, worldwide licences are much more efficient than country-by-country licences; as the argument goes, “by requesting national licenses, implementers increase the litigation and monitoring costs of SEP holders, which they can leverage into lower royalty rates.”<sup>57</sup> From this standpoint, patent owners should be well entitled to offer global FRAND licences, and in case of dispute with the licensee national courts should follow the same line of reasoning and fix worldwide rates. Nevertheless, a number of considerations cast doubts on the robustness or soundness of the legal narrative developed in *Unwired Planet*.

In that case, indeed, the UK courts had defined the licence terms for both UK and foreign patents included in the SEPs portfolio, without the licensee’s consent. At the same time, the courts had recognised that such a determination did not amount to a judgment on the validity of those foreign SEPs, and that the involved parties could still adjust the fee levels depending on subsequent determinations of invalidity and according to unspecified mechanisms to be established.<sup>58</sup> A similar argument implicitly recognizes the precariousness and uncertainty of determining global SEP royalties and thus defining the scope of (sort of) *interim* licences. It has the ultimate effect of postponing the resolution of the core problem to future litigated scenarios, whereby the implementer will bear the onus of challenging SEPs validity or essentiality on a country-by-country basis. Perhaps in perceiving such uncertainty, and in order to address the case where he was wrong in his conclusion that only a global licence was FRAND, Birss J had also set the licensing terms of a UK-only licence covering *Unwired Planet*’s UK SEP portfolio.<sup>59</sup>

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<sup>57</sup> G.A. Gabison, “Worldwide FRAND Licensing Standard”, (2019) 8(2) *American University Business Law Review* 139.

<sup>58</sup> On this point, see V. Diaz Marta, “UK Courts’ Determination of Global FRAND Rates: There is a Will but is There a Way? UKSC Judgement in *Unwired Planet v Huawei*, *Huawei v Conversant*, and *ZTE v Conversant*”, (2021) 70(2) *GRUR International* 153.

<sup>59</sup> GRUR Editorial Office, “Jurisdiction of UK Courts on FRAND Disputes Regarding Global Licences of Multinational Patent Portfolios”, (2021) 70(2) *GRUR International* 174.



Even more interestingly, in a case decided before *Unwired Planet*, the same judge had dismissed the argument according to which failure to agree on a global license would consequently signal the licensee's unwillingness. As he had noted, "just because it may be so that the global portfolio offer is a FRAND offer, it does not follow that the global portfolio licence on offer is the only set of terms which could be FRAND".<sup>60</sup> In other words, as the UK judge had further clarified,

"I accept, as Vringo urges on me, that global portfolio licences are the kinds of licences industry normally enters into. However, this is very different from saying that somehow the fact that a global licence on a portfolio of patents is FRAND necessarily means that a defendant in one jurisdiction faced with one patent is forced to take a global portfolio licence in order to stave off a national injunction on that one patent."<sup>61</sup>

Overall, the above observations seem to suggest that national courts should be extremely cautious when exploring the territorial scope of licensing offers, provided that also national licences – as recognised by Birss J in *Vringo*- may under certain circumstances be FRAND, and should be entitled to set worldwide royalties only in case of previous consensus of the interested parties.

In fact, the determination of global SEP fees by a national judge, without detailed knowledge about validity and infringement of foreign patents, may result in rates not reflecting the real value of a SEP portfolio. It is not uncommon, for instance, that declared standard essential patents are eventually found invalid or not infringed after proper scrutiny by a court of the jurisdiction where those patents were initially granted.<sup>62</sup> In other words, a national court should not compel implementers to take a global licence including foreign rights that potentially may not exist.

Secondly, and going beyond the specific issue of SEP validity or infringement, commentators have pointed out that national judges settling worldwide, as opposed to national, licences for SEPs may commit errors in the definition of royalties and other licensing terms. This is because of the wider

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<sup>60</sup> *Vringo Infrastructure Inc v ZTE Ltd*, [2015] EWHC 214 (Pat), par. 107. See also *TQ Delta, LLC v. ZyXEL Communications UK Limited and ZyXEL Communications A/S*, [2019] EWCA Civ 1277, par. 14, stating that "[d]epending on the facts, a global licence may be FRAND, and a purely national licence may not be FRAND, because it may be wholly impractical to negotiate licences on a country-by-country basis. What is FRAND in any individual case depends on what a willing licensor and willing licensee would agree in those circumstances. In the case where a purely national licence is FRAND, the SEP owner who wins on validity and infringement may be granted an injunction if the implementer refuses to take a licence on those national terms. The same regime applies in the case where a global licence is FRAND. In that case, the SEP owner may be granted an injunction if the implementer does not agree to take a licence on those global terms."

<sup>61</sup> *Vringo Infrastructure Inc v ZTE Ltd*, [2015] EWHC 214 (Pat), para. 107-108.

<sup>62</sup> See R. Nazzini, "Global Licences under Threat of Injunctions: FRAND Commitments, Competition Law and Jurisdictional Battles", (2022) Social Science Research Network 1. As the author explains, a significant number of patents (up to 70 - 90%) when tested in court are normally found to be invalid, not essential or not infringed.

scope of the judicial exercise, the likely poorer quality of the evidence relied on, and the lower expertise of the court for a similar extraterritorial task. These three factors – i.e, scope of the decisional exercise, evidence quality and court expertise –have been interpreted as having a significant impact on the risk of errors on the part of a court settling a global licence.<sup>63</sup>

On a third ground, national judges should refrain from evaluating foreign SEPs and setting themselves up as *de facto* worldwide licensing tribunals even in light of the international comity principle, which would suggest deferring the matter to the courts of the jurisdiction where those rights originated.<sup>64</sup> More specifically, issues of comity may arise as there would be interferences with the IPRs regimes of other countries, which may likely embrace diverging approaches on SEP licensing and FRAND valuation. In addition, and leaving aside the comity principle or the *forum non conveniens* doctrine<sup>65</sup>, if we accepted that UK courts have the authority to fashion global licences without both parties' consent, on which basis should we then prevent jurisdictions like China or the United States from following the very same decisional path? In the end, conflicts would first occur between two or more national courts exercising global jurisdictions in FRAND licensing disputes; but tensions would also arise in case of one national court exercising global jurisdiction, on the one hand, and another court exercising national jurisdiction, on the other.<sup>66</sup>

Fourthly, it is uncontested that companies may voluntarily agree, in their own interests and in the context of global commercial negotiations, to define worldwide licensing conditions or to entrust a judge or arbitral tribunal to fix the terms of such a global licence. It is also undisputable that worldwide licences may potentially offer multiple advantages; from the negotiation efficiencies gained due to lower transaction costs, to the reduced expenses faced for monitoring and enforcing the licensing agreement. Downstream suppliers and customers, furthermore, might also be able to sell their equipment worldwide without having to constantly worry about patent infringement

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<sup>63</sup> R. Nazzini, "Global Licences under Threat of Injunctions: FRAND Commitments, Competition Law and Jurisdictional Battles", (2022) Social Science Research Network 1.

<sup>64</sup> See *Hilton v Guyot*, 159 U.S. 113 (1895). The notion of comity has been traditionally difficult to describe. Commentators have typically seen it as an elusive or complex concept. Comity should neither be interpreted as a matter of absolute obligation, nor of mere courtesy and good will. Rather, it should be considered as "the recognition which one nation allows within its territory to the legislative, executive, or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens, or of other persons who are under the protection of its laws."

<sup>65</sup> E.L. Barrett, "The Doctrine of Forum Non Conveniens", (1947) 35 *California Law Review* 380. *Forum non conveniens* is a common law legal doctrine, generally not recognised in civil law countries, according to which a national judge acknowledges that another court is a more appropriate venue or forum for resolving the dispute.

<sup>66</sup> R. Nazzini, "Global Licences under Threat of Injunctions: FRAND Commitments, Competition Law and Jurisdictional Battles", (2022) Social Science Research Network 1.

suits.<sup>67</sup> Nonetheless, the existence of all these benefits does not automatically mean that a national court or arbitrator may, without the litigants' explicit agreement, lose sight of the territorial nature of patent litigation and impose similar extraterritorial burdens.<sup>68</sup>

Lastly, the legitimacy of setting global rates judicially cannot be justified even when looking at the scope and wording of current SDOs IPR policies. Commentators have in the past pointed out that the FRAND commitment given to SDOs implies that patentees offer global licences, and that courts should accordingly be ready to shape worldwide rates in case of litigation.<sup>69</sup> In order to substantiate this argument, reference is made to the wording of certain SDOs IP policies, whereby it is stated that SEP owners must be ready to grant free of charge or FRAND licences to an unrestricted number of participants, on a worldwide basis.<sup>70</sup> However, similar policy statements cannot be mechanically interpreted as meaning that only global licences are FRAND and that patentees' offers must consequently be global. Rather, such rules merely imply that SEP holders must be prepared to licence without specific territorial restrictions. What is more, these SDOs rules do not make any sort of reference to the possibility that national courts act as global *fora* for determining worldwide fees of SEPs portfolios and grant injunctive remedies upon the implementer rejecting a global licence.<sup>71</sup> In brief, such IPRs policies should only be interpreted as incomplete contracts that have given rise to most of the uncertainties characterizing the sphere of global standardization.

All this being said, it is also appropriate to distinguish the (problematic) judicial practice of setting global royalties in the absence of the parties' consent from the (more legitimate) judicial recognition that global rates could be FRAND. In other words, in appraising the litigants' conduct or licensing offers and counter-offers based on provided evidence, a national court may well evaluate a worldwide SEP license proposed by the patentee as being FRAND, and thus grant the latter an

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<sup>67</sup> G.A. Gabison, "Worldwide FRAND Licensing Standard", (2019) 8(2) *American University Business Law Review* 139.

<sup>68</sup> D. Geradin, "SEP Licensing After Two Decades of Legal Wrangling: Some Issues Solved, Many Still to Address", (2020) 3(2) *CPI Antitrust Chronicle* 24.

<sup>69</sup> G.A. Gabison, "Worldwide FRAND Licensing Standard", (2019) 8(2) *American University Business Law Review* 139. The author even argues that SDOs should modify the existing policy commitment and introduce a WFRAND (worldwide, fair, reasonable and non-discriminatory) concept; the same SDOs, as the argument goes, should also encourage national judges to consider the worldwide aspect of the licence as part of the FRAND promise.

<sup>70</sup> See International Telecommunications Union (ITU), International Electrotechnical Commission (IEC), International Standardization Organization (ISO), *Guidelines for the Implementation of the Common Patent Policy for ITU/ISO/IEC* (2018); Institute of Electrical and Electronics Engineers (IEEE), *IEEE-SA Standards Board Bylaws* (2020); European Committee for Standardization (CEN) and European Committee for Electrotechnical Standardization (CENELEC), *CEN-CENELEC Guidelines for Implementation of the Common Policy on Patents*.

<sup>71</sup> On the point, see R. Nazzini, "Global Licences under Threat of Injunctions: FRAND Commitments, Competition Law and Jurisdictional Battles", (2022) *Social Science Research Network* 1.

injunction against a licensee ultimately considered unwilling in light of the examined circumstances – e.g., a globally active implementer merely engaging in delaying tactics or hold-out strategies.<sup>72</sup> Nevertheless, beyond granting such injunctive relief for the infringement of a national patent and blocking the national market production of the infringing licensee<sup>73</sup>, the court should not go further than determining – if anything – damages for past infringements and FRAND rates for the national standard essential patents only.<sup>74</sup>

Put differently, a judge should apply judicial self-restraint<sup>75</sup> and focus only on those SEPs issued and asserted in its own jurisdiction, without embarking on a comprehensive analysis of the litigants' global business relationship.<sup>76</sup> By embracing a similar approach, indeed, the dangerous mechanism of ‘suing first’ in the most favourable or sympathetic jurisdiction for setting global fees would not be triggered, and the tactical ‘race to the courthouse’ to request ASIs, AASIs, AAASIs or even AAAASIs would be less appealing.<sup>77</sup> As one author has wisely noted,

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<sup>72</sup> See *Saint Lawrence Communications v Deutsche Telekom*, District Court of Mannheim, Case n. 2 O 103/14, 10 March 2015; *Saint Lawrence Communications v Deutsche Telekom*, Court of Appeal of Karlsruhe, Case n. 6 U 44/15, 23 April 2015; *Pioneer v Acer*, District Court of Mannheim, Case n. 7 O 96/14, 08 January 2016; *Pioneer v Acer*, Court of Appeal of Karlsruhe, Case n. 6 U 55/16, 31 May 2016. In these cases, the German courts interpreted the offered worldwide licences as being FRAND, and granted the patentee an injunction.

<sup>73</sup> On the scope of the remedy of injunctive relief in SEP litigation, see also D. Wilson, A. Moir, N. Ruisink-Brown, K. Fountoukakos, ‘CJEU Permits Standard Essential Patents (SEP) Injunctions Against Infringers Who Engage in Delaying Tactics or Do Not Respond Diligently With a Good Faith Counter-Offer’, (2015) 37(11) *European Intellectual Property Review* 741; and C. Graham, J. Morton, ‘Latest EU Developments in Standards, Patents and FRAND Licensing’, (2014) 36(11) *European Intellectual Property Review* 700.

<sup>74</sup> See *Motorola - Enforcement of GPRS Standard Essential Patents*, (Case AT.39985) EU Commission C(2014) 2892 final. In this investigation, for instance, the EU authority considered a national (i.e., German) licence as being FRAND, despite the fact that all involved parties were active on a worldwide basis.

<sup>75</sup> For a thorough analysis of the concept, see R.A. Posner, ‘The Meaning of Judicial Self-Restraint’, (1983) 59(1) *Indiana Law Journal* 1.

<sup>76</sup> See *Huawei Technology Co. v InterDigital Communications Inc*, Case Yue Gao Fa Min San Zhong Zi No. 305 (Guangdong High People’s Court, 2013). Here, the Chinese judge only enforced a national (instead of a global) licence.

<sup>77</sup> For a criticism of a judicial approach endorsing the patentee’s offer of a global licence under the threat of an injunction, see R. Nazzini, ‘Global Licences under Threat of Injunctions: FRAND Commitments, Competition Law and Jurisdictional Battles’, (2022) Social Science Research Network 1. In the author’s perspective, a patentee insisting upon a global licence under threat of an injunction against the implementer would, on the one hand, breach the FRAND contractual commitment typically given to a SDO, since the threat of injunctive relief and of the resulting losses for the implementer (i.e., the exclusion from the national market) would impede a fair licensing negotiation process to the advantage of the SEP holder. On the other, the patentee would even commit an exploitative and/or exclusionary abuse, in contrast to antitrust laws, as long as the conduct would lead to accept excessively onerous terms (i.e., a worldwide licence) and/or to foreclose a competitor – with this second scenario arising if the patentee is a vertically integrated firm operating downstream and in competition with the excluded implementer. In both circumstances, as Nazzini further notes, the anticompetitive effects would be the same: higher prices, lower output, and limited availability of standard compliant goods, to the ultimate detriment of societal welfare.

“[w]hile some predict that such a voluntary relinquishment of global rate-setting authority could result in FRAND rates that vary from jurisdiction to jurisdiction, this is not an undesirable result given that patent portfolios, substantive patent laws, and product markets also vary from country to country”.<sup>78</sup>

What is more, as another commentator has stated, country-by-country SEP litigation would not necessarily mean that the involved parties finally litigate in all possible jurisdictions in which they are active. As the argument goes, indeed, in the context of global patent litigation, the patentee or the licensee would typically sue the counterparty in a few major jurisdictions (e.g, the U.S., China, Germany or the UK, with Taiwan and Japan also being possible venues), and then, depending on the outcome of these key lawsuits, the litigants would bring the dispute to a regional or global resolution in light of more accurate information on the strength of the patent portfolio.<sup>79</sup>

## **Conclusive Remarks**

The FRAND licensing concept, in the last two decades, has represented a fertile ground for disputes, generating a considerable number of questions and frictions all relating to its different facets.<sup>80</sup> One view on which most parties have typically converged concerns the fact that relevant stakeholders are in the best position to define the most appropriate terms to apply to their transaction, having FRAND matters a contractual nature.<sup>81</sup> Nevertheless, in case of substantial and unresolved licensing tensions, judicial authorities on a worldwide basis have been promptly called to intervene. One area of intervention regarded the territorial scope of a FRAND licence, a matter on which patentees and licensees have harshly debated. Could a patentee condition the grant of a license to the licensee’s acceptance of a global SEP portfolio? And in case of parties’ disagreement,

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<sup>78</sup> J.L. Contreras, “Anti-Suit Injunctions and Jurisdictional Competition in Global FRAND Litigation: the Case for Judicial Restraint”, (2021) 11(2) *NYU Journal of Intellectual Property & Entertainment Law* 171.

<sup>79</sup> D. Geradin, “SEP Licensing After Two Decades of Legal Wrangling: Some Issues Solved, Many Still to Address”, (2020) 3(2) *CPI Antitrust Chronicle* 24.

<sup>80</sup> D. Geradin, “The European Commission’s Expert Group Report on SEP Licensing and Valuation: What Did We Achieve? What Did We Miss”, (2021) Social Science Research Network 1. The author examines the recent report prepared by the SEPs Expert Group, which was appointed in 2018 by the EU Commission in order to inform policy measures necessary to ensure a balanced framework for smooth and effective licensing of standard essential patents.

<sup>81</sup> See G. Colangelo and G. Scaramuzzino, “Unwired Planet Act 2: the Return of a FRAND Range”, (2019) 40(7) *European Competition Law Review* 306; and G. Colangelo and O. Borgogno, “Disentangling the FRAND Conundrum”, (2019) Deep-IN Research Paper.

may a national judge embark on the evaluation process of a worldwide licence, which the infringer has to accept on pain of injunctive relief?

After the UK *Unwired Planet* litigation, different national courts from the EU and Asia have declared their willingness to fashion global FRAND rates for SEPs portfolios. However, as argued in the previous sections, only in the presence of the parties' consent should national judicial authorities (or even arbitral tribunals) be allowed to consider comprehensive valuation exercises and exceed the scope of their jurisdiction. In the absence of such consensus, instead, numerous reasons suggest that courts should apply judicial self-restraint, circumscribing their review and continuing to adjudicate on validity, infringement and royalty level for national SEPs only - at least until a more efficient global system is adopted to determine FRAND terms on a comprehensive basis.<sup>82</sup> And if a country-by-country approach in fixing the value of SEP portfolios could be seen as 'madness', as previously stated by Birss J, it should not be forgotten that "whether it is madness or not, the point is that this is the result of the current public international law order whereby the world is divided into independent, sovereign states."<sup>83</sup>

The recent "race to the courthouse" and jurisdictional battles involving patentees and licensees, increasingly requesting ASIs, AASIs, AAASIs or AAAASI (the progeny of anti-suit injunctions), are the result of a judicial approach embracing the determination of worldwide FRAND royalties and introducing a form of "international coercion". Therefore, the potential benefits deriving from such a decisional practice or "one stop shop" mechanism- i.e. the purported reduction of substantial transaction costs for the involved litigants- are basically vain or neutralised when considering the litigation expenses that may likely follow in the context of strategic manoeuvring among competing jurisdictions.

In sum, and for all the reasons discussed, it is time to revert to a more predictable and principled system of national enforcement of FRAND promises concerning national SEPs, characterised by a pure territorial approach to jurisdictional issues, whereby - as in the U.S. case *TCL v Ericsson* - only the parties' consent may entitle a judge to explore the boundaries of worldwide portfolio licences.<sup>84</sup>

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<sup>82</sup> See J.L. Contreras, "Anti-Suit Injunctions and Jurisdictional Competition in Global FRAND Litigation: the Case for Judicial Restraint", (2021) 11(2) *NYU Journal of Intellectual Property & Entertainment Law* 171.

<sup>83</sup> R. Nazzini, "Global Licences under Threat of Injunctions: FRAND Commitments, Competition Law and Jurisdictional Battles", (2022) Social Science Research Network 1. As Nazzini further argues, "while convergence and harmonization are certainly desirable objectives, they cannot be achieved by unilateral solutions, which are bound to fail, but by cooperation and dialogue".

<sup>84</sup> R. Nazzini, "Global Licences under Threat of Injunctions: FRAND Commitments, Competition Law and Jurisdictional Battles", (2022) Social Science Research Network 1.

Perhaps, the calls for views and evidence recently launched by various agencies and governmental authorities might eventually represent the optimal context to better highlight the material risks or threats – e.g., waste of judicial resources and undermined trust in the court system - hanging like a sword of Damocles and arising from a judicial trend advocating extraterritoriality. Clarifications on the matter will be all the more important if we consider the rapid expansion of the Internet of Things ecosystem, which will bring a drastically increased number of implementers (i.e., potential litigants, often with limited licensing experience) on the standard setting scenario.