



FRAND: a brave new post-*Unwired Planet* world

“The FRAND landscape will continue to develop considerably over the course of the next year in the UK and Europe”. That was the conclusion in last year’s Review on litigation over the fair, reasonable and non-discriminatory (“FRAND”) terms of the licensing of standard essential patents (“SEPs”). It certainly has. In 2023 two weighty FRAND judgments were handed down in the UK Patents Court, the European Commission’s proposed SEP Regulation has gathered pace and attention, and the English Court’s list remains packed with FRAND cases. This article provides a whistle-stop tour of the 2023 landscape.

InterDigital v Lenovo [2023] EWHC 539 (Pat); and Optis v Apple [2023] EWHC 1095 (Ch)

Move over, *Unwired Planet*. There are new FRAND judgments in town.

In March and May 2023, respectively, Mr Justice Mellor and Mr Justice Marcus Smith handed down their judgments in *InterDigital* and *Optis*. Each develops the UK’s jurisprudence for determining global FRAND portfolio rates beyond that of Lord Justice Birss (as he now is) in the seminal 2017 *Unwired Planet v Huawei* case. They are distinct and individual judgments – unsurprising given the contrasting methodologies and factual and expert evidence presented in each case. Indeed, it is telling of their independence that neither refers to the other.

In *InterDigital*, Mellor J used a single comparable cellular licence agreement – InterDigital’s 2017 licence with LG – to arrive at a rate that Lenovo should pay InterDigital. LG was said to be similarly situated to Lenovo, although the Judge adjusted the LG rate to account for differences between LG and Lenovo in their geographic markets and devices sold. The adjusted rate payable by Lenovo was determined to be US\$0.175 per unit, or \$138.7m as a lump sum based on Lenovo’s unit sales over the determined 17-year term. Although this rate was closer to Lenovo’s offer in negotiations than InterDigital’s last offer, the Judge ruled neither party had made a FRAND offer. InterDigital was therefore an “unwilling licensor”. Lenovo, in contrast, was not an “unwilling licensee” because it provided reasonable basis for its offers, and was right to reject InterDigital’s non-FRAND offers.

In *Optis*, Marcus Smith J developed a more universally-applicable framework from which a FRAND rate could be arrived at for any potential licensee. Using primarily Apple’s comparable licences and multiplying those licences’ annual value by the licensor’s declared share of the 4G stack (i.e., the many thousands of patents that make up cellular standards), the Judge arrived at a yearly price payable for the 4G stack: US\$1.35bn. Apportioning that amount to Optis (who has a relatively small stack share of 0.38%) resulted in an annual payment of \$5.13m from Apple to Optis (\$56.43m over 11 years). This was substantially closer to Apple’s negotiation offer than Optis’s. Although Optis’s negotiation conduct was heavily criticised, the Judge made no finding of abuse of a dominant position.

So, what areas of common ground were there in the judgments? First is the use of comparable licences, one way or another, to arrive at a FRAND rate. To do so, of course, one must be satisfied that the comparable licences used are in fact themselves FRAND. This is a second area of consistency: both Judges dismissed certain licences put forward by the licensors as 'comparable' because they were negotiated with small players who could not properly bargain for a FRAND rate against the SEP owner, and who therefore agreed too high rates.

New and ongoing cases

Although the two determinations have certainly not sparked the resolution of other FRAND claims, there is a feeling that the direction of wind is changing. First, in how FRAND matters are conducted. Second, as more jurisdictions indicate willingness to determine global FRAND rates, races to court are heating up.

Panasonic v Xiaomi & Oppo (HP-2023-000025) has seen Panasonic bring a claim for a global FRAND determination in the UK, whilst also bringing individual patent actions in Germany, the UPC, and China. In line with current trends of the UK Patents Court – and Mr Justice Meade particularly – the parties came under some pressure to agree to conduct the FRAND trial first. That is, on the assumption that there is at least one valid and infringed SEP in the portfolio (which was traditionally the jurisdictional 'hook' needed for an English Court to determine a global FRAND licence), the significant cost and effort of technical patent trials can be deferred or even avoided. In November 2023 both parties committed to enter into the future UK Court-determined licence, though Panasonic did not go as far as to commit to not seeking and enforcing injunctions in their parallel German and UPC actions in the interim. The Judge expedited the FRAND trial to be heard first, in October 2024.

Additionally, 2024 will see FRAND trials for *Philips v Oppo* (January 2024, HP-2022-000010), *InterDigital v Oppo* (February 2024, HP-2021-000047), and *Kigen v Thales* (April 2024, HP-2022-000011). Another still – *Nokia v Oppo* (HP-2021-000022/23) – was moved out of the Court's diary to allow for an Oppo 'leapfrog' application to the UK Supreme Court to determine whether it must commit, or not, to take the UK Court-determined licence. The application is yet to be granted at the time of writing and follows the withdrawal of the *Optis v Apple* 'Trial F' appeal at the Supreme Court on a similar point. Oppo argues that its situation is distinguishable from Apple's: it should not have to commit to the UK Court's licence in circumstances where it has already committed to take the licence determined by the Chinese court in parallel proceedings.

Of the new cases filed this year, one to look out for is Lenovo's claim against InterDigital (HP-2023-000031). Lenovo, as a potential licensee, is itself arguing for a determination of FRAND terms, which it says is owed by InterDigital. There are also interesting claims that, because it has undertaken to enter the Court-determined licence, Lenovo is effectively 'already licensed', and so InterDigital should be barred from pursuing injunctive relief.

FRAND beyond the UK

The EU Commission's SEP Regulation proposal is covered elsewhere in this review as part of the European Regulatory reforms.

As for the UPC, it is not yet clear how it will deal with FRAND cases – perhaps as part of a defence to an infringement claim – and it is also unclear how the UPC's jurisdiction would interact with the Commission's proposed Competence Centre under the proposed Regulation.

Conclusion

Despite calls for FRAND to be dealt with by ADR mechanisms and outside the realm of national court litigation, FRAND litigation is showing no signs of letting up. All eyes on 2024.

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