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Global FRAND Patent Licensing Disputes:
How Can Courts and/or ADR Offer
FRAND Dispute Resolution Mechanisms ?

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Outline

- I. Introduction
- II. Dispute resolution mechanisms
 - A. Court proceedings
 - B. Arbitration / ADR
- III. Conclusion

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I. Introduction


Why does FRAND patent licensing matter ?

- Everyone uses ICT and thus depends on the availability of ICT technologies (=> FRAND licensing)
- FRAND disputes as a case study for global dispute settlement mechanisms

Introduction

Technological standards

- Standards (of compatibility/interoperability): define how technologies (such as a mobile phone and a mobile network) interact with one another
- Not perfect (yet)...



Introduction

Standards and IP (patents)

- Standards integrate *patented* technologies (owned by many companies)
- Compliance with the standard = use of the patents
- Patents = Standard Essential Patents (SEPs)

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Introduction

Antitrust – competition law scrutiny

- Risk of anticompetitive behaviour of owners of SEPs
- Risk of “patent holdup” for “implementers” (= companies using SEPs in their products)

=> Obligation to license SEPs on FRAND (Fair, Reasonable and Non-Discriminatory) terms and conditions

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Introduction

Who is involved ?

- Owners of SEPs
 - Implementers (users of SEPs)
- and**
- Standard Setting Organisations (SSO)
e.g. European Telecommunications Standards Institute (ETSI)



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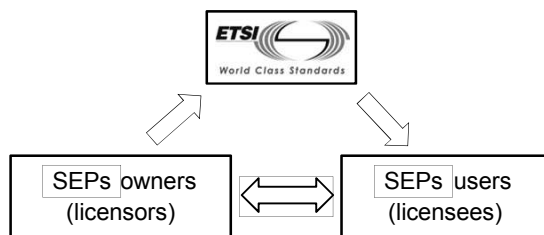
Introduction

How does the FRAND system work ?

- Owners make a declaration to SSOs by which they agree to license their SEPs to willing licensees on FRAND terms
- ETSI: « irrevocable undertaking in writing that it is prepared to grant irrevocable licenses on fair, reasonable and non-discriminatory (“FRAND”) terms and conditions [...] »

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Introduction



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Introduction

Worldwide « battlefield » for FRAND disputes China

- Huawei v. InterDigital (Shenzhen intermediate People’s Court, 2011; Guangdong High People’s Court, October 2013)
- Qualcomm investigation: settlement with China’s National Development and Reform Commission (February 2015)

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Introduction

Worldwide « battlefield » for FRAND disputes (2) Europe (EU)

- Samsung v. Apple: Decision of the European Commission of 29 April 2014 (case AT.39939 – Samsung – Enforcement of UMTS standard essential patents)
- Huawei v. ZTE: decision of the CJUE of July 16, 2015 (case C-170/13) « opens door for litigation » (IP Magazine, July 16, 2015)

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Introduction

Worldwide « battlefield » for FRAND disputes (3) US

- In re Motorola Mobility LLC, and Google Inc., decision and consent order of the Federal Trade Commission (July 23, 2013)
- Many court proceedings and decisions

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Introduction

Worldwide « battlefield » for FRAND disputes (4)

Australia, Japan (etc.)

- Apple vs Samsung

e.g. decision of the Japanese Intellectual Property High Court, Special Division of May 16, 2014

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What dispute resolution mechanisms for solving global FRAND disputes ?

- Court proceedings and/or arbitration/ADR?

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II. Dispute resolution mechanisms

Hypothesis

- Multi-territorial dispute between

an owner of SEPs

ApSUNG

and an implementer

SAMple

in the mobile phone industry

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Dispute resolution mechanisms

SAMple

- Validity of the patents (SEPs)?
- Infringement of the SEPs (by the implementer)?
- Essentiality: are SEPs really *essential* (for using the standard)?
- Definition of FRAND terms and conditions?

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Dispute resolution mechanisms

A. Court proceedings

- Jurisdiction for validity of SEPs ?
- Principle of territoriality (IP)
- Art. 24 para. 4 of EU Regulation 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters

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Dispute resolution mechanisms

A. Court proceedings

- Choice of court ?

"[t]he venue for the court adjudication procedure will be the Patent Court, High Court of England and Wales (or any successor court), or the UPC" [i.e. the Unified Patent Court as instituted by the Agreement on a Unified Patent Court of February 19, 2013] (EC Samsung Commitments)

- Choice of court if invalidity of the SEPs is raised ?

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Dispute resolution mechanisms

A. Court proceedings

- What law shall apply ?
- Territoriality: multiplicity of governing laws in multi-territorial patent (IP) infringement disputes
- Art. 8 of EU Regulation 864/2007 on the law applicable to non-contractual obligations (Rome II): « 1. The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed » N.B. no contractual choice of law (Art. 8 para. 3)

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Dispute resolution mechanisms

A. Court proceedings => atomization

- Multiple local proceedings before national courts (for disputes about the validity of SEPs)
- Multiple governing laws (even for disputes about the infringement of SEPs)

=> Is this efficient and time and cost-effective (« too domestic, too slow» (etc.) syndrom) ?

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Dispute resolution mechanisms

B. Arbitration / ADR

- Centralization
- Expertise
- Flexibility
- Confidentiality (but need for transparency ?)

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Dispute resolution mechanisms

Arbitration / ADR

for solving global FRAND disputes

- « ADR is likely to be most useful where the dispute involves a multitude of patents and spans several jurisdictions - both factors are characteristic of patent disputes in the ICT industry. Most national courts would decline jurisdiction to determine infringement of, or set royalty rates for, foreign patents, leading to costly patent-per-patent, country-by-country serial and parallel litigation »

(ICC Reply to the European Commission's public consultation on Patents and Standards, Feb. 15, 2015)

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Dispute resolution mechanisms

Arbitration / ADR for solving global FRAND disputes

- Viewed as an alternative to litigation by antitrust / competition bodies
- Accepted in the EU (EC Samsung Commitments) and in the US (in re Motorola FTC case)

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Dispute resolution mechanisms

FRAND disputes: *unusual* licensing disputes

- « "Binding Arbitration" means arbitration to establish a License Agreement » (FTC Order)
= *pre-contractual* dispute
- Goal of the proceedings: establish the content of a license agreement (not decide on a breach of contract, contract interpretation, etc.)

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Dispute resolution mechanisms

Choice for institutional arbitration

- « the dispute shall be finally settled under the rules of arbitration of the ICC, unless the Parties mutually agree that the arbitration tribunal will be the patent mediation and arbitration centre as established under Art. 35(1) of the Agreement on a Unified Patent Court » (EC Samsung Commitments)
- « Qualified Arbitration Organization » (FTC Order)

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Dispute resolution mechanisms

Unusual arbitration proceedings

Confidentiality vs transparency (non-discrimination)

- « [a] non-confidential version of the arbitral decision shall be published within 90 days following the issuance of such decision »
- « [t]he non-confidential version of the arbitral decision may disclose the methodology relied upon by the arbitral panel to arrive at specific FRAND terms, but shall in no event disclose specific terms » (applies only to royalty calculation?) (EC Samsung Commitments)

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Dispute resolution mechanisms

Unusual arbitration proceedings (ct'd)

Two-tier arbitration proceedings

- “de novo appeal on issues of fact and law” against an arbitral award before another arbitral tribunal (“appeal shall be treated as a separate arbitration”)
- Seat of the arbitration: “will be in an EEA jurisdiction in which national laws permit Parties to agree to make an arbitration decision subject to appeal to a second arbitral tribunal” (EC Samsung Commitments)

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Dispute resolution mechanisms

Limits of arbitration?

- Arbitrability of patent (IP) disputes ?
- Justification: territoriality of IPRs ? Exclusive power (sovereign power) of national IP bodies / courts (risk of « private ordering »)?

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Dispute resolution mechanisms

Limits of arbitration?

- Has an arbitral tribunal the power to decide on the validity of patents (*erga omnes*) ?
- « Non-arbitrable matters include criminal prosecutions, [...], and certain types of dispute concerning intellectual property such as whether or not a patent or trade mark should be granted. These matters are plainly for the public authorities of the state » (Supreme Court of New South Wales, *Larkden Pty Limited v Lloyd Energy Systems Pty Limited* [2011] NSWSC 268 (1 April 2011), § 64)

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Dispute resolution mechanisms

Limits of arbitration?

- Power to decide issues between the parties (*inter partes*) ?
- « There is, however, no impediment to the parties investing in the arbitrator power to resolve a dispute as between themselves as to their rights in and entitlements to a patent application, or for that matter an invention » (Larkden, § 67)

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III. Conclusion

Where are we going ?

- Huawei vs. ZTE case (CJUE, July 16, 2015)
« where no agreement is reached on the details of the FRAND terms [= royalties?] following the counter-offer by the alleged infringer, the parties may, by common agreement, request that the amount of the royalty be determined by an independent third party, by decision without delay » (§ 67)
 - « independent third party » = court and/or arbitration ?
 - « without delay » (// « just, quick and cheap » ?) ?³¹

Conclusion

FRAND patent licensing disputes

- Global phenomenon calling for global solutions
=> Procedural and substantive justice

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Conclusion

Global **substantive** rules (« substantive justice »)

- **Substantive** FRAND licensing terms and conditions (CJUE: « absence of a public standard licensing agreement », § 64):
 - Royalties
 - Other licensing terms (reps and warranties ?, risk of invalidity of the licensed SEPs ?)

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Conclusion

Global **procedural** rules (« procedural justice »)


- Fair, Reasonable and Non-Discriminatory global dispute resolution mechanisms (FRAND-DRM)
 - Fairness: « choice » of courts (UK courts?)/ arbitration institutions
 - Reasonableness: two-tier arbitration proceedings (time and cost)?
 - Non-Discriminatory: transparency of awards (?)

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Conclusion

A lot to be (further) explored...

....also from/in Geneva

- WIPO Arbitration and Mediation Center
WIPO ADR for FRAND Disputes
<http://www.wipo.int/amc/en/center/specific-sectors/ict/frand/>
- International Telecommunications Union 
- University of Geneva Conference:
www.internet-disputes.ch

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Global FRAND dispute resolution toolkit

Ideally...



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