

KIRKLAND & ELLIS

Kirkland Alert

UK Supreme Court Case Tracker: *Unwired Planet v Huawei; Conversant v Huawei and ZTE* — Day 1 of 4

22 October 2019

Arguably the most significant FRAND hearing in history started on 21 October 2019 in the UK, with Huawei making its opening submissions to the panel of five UK Supreme Court Justices. Much of Huawei's opening submissions centred on the alleged inconsistency in the English Court ordering Huawei to take a global licence from Unwired Planet upon a finding of infringement of two of its UK patents upon threat of a UK injunction, whether or not the foreign declared SEPs underlying the global licence are valid, essential or infringed, and in circumstances where the English Court is only able to grant damages arising from infringement of the UK patents. It was emphasised that the English Court, as a matter of justiciability, cannot assess the validity of the foreign patents upon which it is requiring Huawei to take a licence. The inconsistency of this approach was said to be compounded by the fact that the UK represents an extremely small market for Huawei, constituting around 1% of its global sales, as against the 85% of those sales attributable to the Chinese market. This was said to have the effect of turning the UK into a *de facto* worldwide licensing tribunal for the telecommunications industry, in circumstances where other courts (such as those in the US) have appropriately confined themselves to national patents and royalty rates relating to national patents. Huawei accordingly expressed its willingness to take a UK-wide licence in respect of the patents-in suit, which it contended would be FRAND.

Many of the questions from the bench centred on the first-instance finding that it was common commercial practice for large companies in the relevant market to enter into global licences, such that a licence of this nature would in the circumstances be FRAND. To this, Huawei responded that while parties may from time to time voluntarily enter into such licences, this is not comparable to a legal dispute between such parties, which should be resolved by courts by reference to those parties' legal rights. Much of the afternoon focused on the nature of the contractual FRAND undertakings

that SEP-holders such as the respondents provide to ETSI. Huawei's main contention was that these undertakings are only in respect of valid and essential patent rights, and that while the establishment of ETSI served to limit a party's ability to obtain an injunction in respect of a SEP, it was not intended to override the normal course of jurisdictional patent litigation.

Key Points

Huawei's opening submissions centred on the following five points:

1. The English Court lacks jurisdiction to grant damages or set royalties for foreign patents, so it should not be able to say that those foreign patents must be licensed for a licence to be FRAND. Huawei emphasised that courts in a number of other jurisdictions, including the US, EU and Japan, have confined their FRAND decisions to national patents in issue and to royalties arising from the infringement of these patents. It stressed that a SEP-holder should not be able to use the infringement of a single national patent in a single jurisdiction as a 'golden ticket' by which to demand a global licence from an implementer, not least where the UK court has not assessed the validity, essentiality or infringement of those patents. On this point, it noted that a finding of validity of a patent family member in one jurisdiction is not indicative of the validity of that patent in another jurisdiction. In disregarding these jurisdictional considerations, the UK court has shown a lack of institutional comity, attempting to turn the UK into a worldwide licensing tribunal, even though the UK is neither the main manufacturing source of the technology in dispute nor the main commercial market for it.
2. The English Court cannot rely on non-payment of royalties in respect of foreign patents to show that Huawei's offer of a UK-only licence is not FRAND, in circumstances where the validity of those patents cannot be challenged in the English Court.
3. A SEP-holder's undertaking to ETSI merely limits the the patentee's ability to obtain an injunction, and does not fundamentally alter the nature of the assertion or enforcement of SEPs by allowing SEP-holders to obtain a global licence without needing to establish the validity, essentiality or infringement of these SEPs in the relevant national courts. It was also emphasised that a SEP-holder's ETSI commitment is in respect of *valid* patents, and that it is not FRAND to require the licensing of foreign patents without assessing their validity.

4. It is in any event, inappropriate, disproportionate and contrary to public policy to exclude Huawei from the UK market unless it agrees to take a global licence. Not only is this contrary to the public interest in allowing for challenges to patents so that royalties are not granted in respect of invalid patents, but it may also have distortionary market effects, by advantaging those implementers who are willing and able to withdraw from the UK market so as to avoid paying global rates set by the English Court.
5. Ultimately, given the fact that the vast majority of relevant sales occur in China (85%, as against the 1% occurring in the UK), China is the appropriate forum for these issues to be adjudicated. However, in other FRAND disputes, the appropriate forum may well be another jurisdiction, such as the US.

Questions from the Bench

Lord Reed: He noted that the primary judge made a finding of *fact* as to the typical global licensing practices in the relevant market, and to succeed in their appeal it would be necessary for the appellants to identify an *error of law*.

Lord Sales: He noted that while negotiators might not be able to definitively state which declared patents are true SEPs, there may nonetheless be some commercial sense in agreeing commercial licences, since it would be likely that some of the relevant patents may be valid and infringed.

Lady Black: She adopted a contractual approach to construing the nature of the undertaking to ETSI, focusing on the terms and conditions of the ETSI licence.

Lord Briggs: He showed an interest in Huawei's submission that a SEP-holder's undertaking to ETSI was not intended to give them a remedy that they could not otherwise obtain in national courts.

The bench asked quite a number of questions during Huawei's opening submissions, in particular Lords Reed, Sales and Briggs. However these were largely by way of clarification and follow-up, rather than showing a preference for either side's arguments/case.

Authors

[Nicola Dagg](#)

Partner / [London](#)

[Steven Baldwin](#)

Partner / [London](#)

[Katie Coltart](#)

Partner / [London](#)

[Brett Shandler](#)

Associate / [London](#)

Related Services

Practices

- [Intellectual Property](#)

This publication is distributed with the understanding that the author, publisher and distributor of this publication and/or any linked publication are not rendering legal, accounting, or other professional advice or opinions on specific facts or matters and, accordingly, assume no liability whatsoever in connection with its use. Pursuant to applicable rules of professional conduct, portions of this publication may constitute Attorney Advertising.