

THE UNSETTLED ROLE OF EU COMPETITION LAW IN ADDRESSING INJUNCTIONS FOR STANDARD-ESSENTIAL PATENTS

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ABSTRACT

Injunctions for standard-essential patents (SEPs) have been at the center of the antitrust debate for more than a decade. Yet the limits that EU competition law poses on the SEP holder's right to request an injunction remain unsettled. In 2015, the CJEU said that an SEP holder's request for an injunction shall not trigger a liability under Article 102 TFEU if, before requesting an injunction, the SEP holder satisfied specific requirements. However, courts in member states of the European Union have adopted divergent interpretations of those requirements. Consequently, an SEP holder's request for an injunction might trigger a liability under Article 102 TFEU in one member state but be perfectly legal in a different state. In November 2017, the European Commission issued a *Communication on SEPs* that sought to reduce the divergences across member states in addressing the SEP holder's use of injunctions. However, because the *Communication* provides no guidance for the interpretation of Article 102 TFEU, it might have little ability to mitigate the differences in the antitrust scrutiny that arose after *Huawei*. Therefore, even after a long-lasting debate, the circumstances in which an SEP holder's request for an injunction violates Article 102 TFEU remain yet to be defined.

I. INTRODUCTION

Injunctions against infringers of standard-essential patents (SEPs)—patents that are essential for practicing an industry standard—have been at the center of the antitrust debate for more than a decade. Despite the long-lasting debate, there seems to be little agreement about the limits (if any) that competition law poses on the SEP holder's use of injunction.

The concern typically raised with the SEP holder's use of an injunction is that the threat of such a remedy could permit the SEP holder to gain bargaining power over the infringer that could permit the SEP holder to extract from the infringer unfair license terms.¹ Led by that concern over an SEP holder's opportunism, antitrust agencies around the globe have used provisions of competition law to challenge the SEP holder's use of injunctions.² In 2014, for example, the European Commission faulted Motorola, a

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1. See, e.g., Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEX. L. REV. 1991, 1991 (2007); Carl Shapiro, *Injunctions, Hold-Up, and Patent Royalties*, 12 AM. L. & ECON. REV. 280 (2010); see also Jorge Contreras, *Patents, Technical Standards and Standards-Setting Organizations: A Survey of the Empirical, Legal and Economics Literature*, in 2 RESEARCH HANDBOOK ON THE ECONOMICS OF INTELLECTUAL PROPERTY LAW: ANALYTICAL METHODS (Peter S. Menell & David Schwartz eds., Edward Elgar forthcoming 2017) (providing a survey of the existing literature on the concerns related to the licensing of SEPs).

2. See, e.g., Press Release, U.S. Dep't of Justice, Statement of the Department of Justice Antitrust Division on Its Decision to Close Its Investigation of Samsung's Use of Its Standards-Essential Patents (Feb. 7, 2014) [hereinafter DOJ Closes Its Samsung Investigation], http://www.justice.gov/atr/public/press_releases/2014/303547.pdf; European Commission Press Release IP/14/489, Antitrust: Commission Finds That Motorola Mobility Infringed EU Competition Rules by Misusing Standard Essential Patents (Apr. 29, 2014) [hereinafter Commission Finds That Motorola Mobility Infringed EU Competition Rules], http://europa.eu/rapid/press-release_IP-14-489_en.htm; Michael Han & Kexin Li, *Huawei v. InterDigital: China at the Crossroad of Antitrust and Intellectual Property, Competition and Innovation*, COMPETITION POL'Y INT'L, Nov. 28, 2013, at 1.

holder of patents essential to the General Packet Radio Service (GPRS) standard, for seeking and enforcing an injunction in Germany against Apple, a manufacturer of a device that practiced the GPRS standard.³ The Commission said that an SEP holder that has committed to license its SEPs on fair, reasonable, and nondiscriminatory (FRAND) terms cannot request an injunction against an infringer that “is willing to enter into a license agreement on such FRAND terms.”⁴ It reasoned that “seeking of injunctions can distort licensing negotiations and lead to unfair licensing terms, with a negative impact on consumer choice and prices.”⁵ Because the infringer of Motorola’s SEPs—Apple—was willing to have a court determine the FRAND royalty for the use of Motorola’s SEPs, the Commission found that Motorola was seeking an injunction against a “willing licensee”⁶ and thus violated Article 102 of the Treaty on the Functioning of the European Union (TFEU), the provision of EU competition law that prohibits a dominant company from abusing its market position.⁷

However, in July 2015, the Court of Justice of the European Union (CJEU) issued a decision in *Huawei Technologies Co. v. ZTE Corp.*, in which it rejected the European Commission’s interpretation of Article 102 TFEU.⁸ The CJEU confirmed that, in exceptional circumstances, an SEP holder’s request for an injunction might constitute an abuse of a dominant position.⁹ Nonetheless, the CJEU said that an SEP holder’s request would *not* trigger antitrust liability under Article 102 TFEU if, before requesting an injunction, the SEP holder (1) has notified the potential licensee about the infringement, (2) has offered to license its SEPs to the infringer on fair, reasonable, and nondiscriminatory (FRAND) terms, and (3) has specified in the offer the royalty amount.¹⁰ In other words, the CJEU found that an SEP holder that has committed to license its SEPs on FRAND terms might request an injunction against a “willing” licensee without such request violating Article 102 TFEU.¹¹

3. Commission Finds that Motorola Mobility Infringed EU Competition Rules, *supra* note 2.

4. *Id.*

5. Policy Brief, European Commission, Standard-Essential Patents (June 4, 2014) [hereinafter Commission’s Policy Brief on SEPs], http://ec.europa.eu/competition/publications/cpb/2014/008_en.pdf.

6. The Commission said that an infringer could demonstrate its willingness to enter into a license on FRAND terms by agreeing to have “a court or a mutually agreed arbitrator adjudicate” the license terms for the use of the SEPs. European Commission, Antitrust Decisions on Standard Essential Patents (SEPs)—Motorola Mobility and Samsung Electronics—Frequently Asked Questions (Apr. 29, 2014) [hereinafter SEPs—Frequently Asked Questions], http://europa.eu/rapid/press-release_MEMO-14-322_en.htm. See also Damien Geradin, *European Union Competition Law, Intellectual Property Law and Standardization*, in 1 CAMBRIDGE HANDBOOK OF TECHNICAL STANDARDIZATION LAW: ANTITRUST AND PATENTS (Jorge L. Contreras ed., Cambridge Univ. Press forthcoming 2017) [hereinafter 1 CAMBRIDGE HANDBOOK OF TECHNICAL STANDARDIZATION LAW] (providing an analysis of the European Commission’s actions in applying competition law in the context of SEPs).

7. *Id.* The Commission adopted a similar approach in the investigation brought in the same year against Samsung. European Commission Press Release IP/14/490, Antitrust: Commission Accepts Legally Binding Commitments by Samsung Electronics on Standard Essential Patent Injunctions (Apr. 29, 2014) [hereinafter Commission Accepts Samsung’s Commitments], http://europa.eu/rapid/press-release_IP-14-490_en.htm. The Commission ended its investigation after Samsung entered into a commitment decision, which identified a licensing framework for negotiating the license terms for Samsung’s SEPs. Specifically, Samsung agreed to forego the use of injunctions against licensees that agree to (1) a negotiation period of up to 12 months; (2) if the parties reach no agreement within that time, “a third-party determination of FRAND terms by a court if either party chooses, or by an arbitrator if both parties agree on this.” *Id.* See also Damien Geradin, *European Union Competition Law, Intellectual Property Law and Standardization*, in 1 CAMBRIDGE HANDBOOK OF TECHNICAL STANDARDIZATION LAW: ANTITRUST AND PATENTS (Jorge L. Contreras ed., Cambridge Univ. Press forthcoming 2017) [hereinafter 1 CAMBRIDGE HANDBOOK OF TECHNICAL STANDARDIZATION LAW] (providing an analysis of the European Commission’s actions in applying competition law in the context of SEPs).

8. Case C-170/13, *Huawei Techs. Co. v. ZTE Corp.* (July 16, 2015).

9. *Id.* ¶ 53.

10. *Id.* ¶¶ 60–63. The *Huawei* judgment triggered numerous comments both in the European Union and internationally.

11. *Huawei* triggered numerous comments both in the European Union and internationally. For comments on the CJEU decisions in *Huawei*, see Torsten Körber, *Abuse of a Dominant Position by Legal Actions of Owners of Standard-Essential Patents: Huawei Technologies Co. Ltd v. ZTE Corp.*, 53 CMLR 1107-1120 (2016); Miguel Rato & Mark English, *An Assessment of Injunctions, Patents, and Standards Following the Court of Justice’s Huawei/ZTE Ruling*, 7 J. COMPETITION L. & PRAC. 103 (2016); J. Gregory Sidak, *Evading Portfolio Royalties for Standard-Essential Patents Through Validity Challenges*, 39 WORLD COMPETITION 191 (2016); Stephan Barthelmeß, Maurits Dolmans & Ricardo Zimbron, *Enforcing Standard-Essential Patents—The European Court of Justice’s Judgment in Huawei v. ZTE*, 27 INTELL. PROP. & TECH. L.J. 12 (2015); Douglas H. Ginsburg, Koren W. Wong-Ervin & Joshua D. Wright, *The Troubling Use of Antitrust to Regulate FRAND Licensing*, CPI ANTITRUST CHRON., Oct. 2015, at 1; Sean-Paul Brankin, Salomé Cissal de Ugarte & Lisa Kimmel, *Huawei: Injunctions and Standard Essential Patents—Is Exclusion a Foregone Conclusion?*,

I explain in this article that, although the CJEU’s decision in *Huawei* sought to address the divergences in the interpretation of Article 102 TFEU, it ironically increased, rather than decreased, the differences among member states. National courts have adopted divergent interpretations of the CJEU’s decision, particularly with respect to the relevance that the SEP holder’s compliance with the requirements enumerated in *Huawei* has for establishing a violation of Article 102 TFEU. For example, German courts said that only an SEP holder that has complied with the requirements that the CJEU enumerated in *Huawei* is not abusing its dominant position and, consequently, is entitled to an injunction. In contrast, the UK Patents court has adopted a more flexible approach. It found that compliance with the *Huawei* requirements will provide a safe harbor for scrutiny under Article 102 TFEU. However, the SEP holder’s failure to comply with the *Huawei* requirements will neither establish a violation of Article 102 TFEU nor necessarily support the rejection of an injunction. Thus, after the *Huawei* decision, SEP holders face a different scrutiny under Article 102 TFEU across various states of the European Union.

The European Commission has taken some steps to reduce the divergences across member states in addressing the use of injunctions for SEPs that arose after *Huawei*. Specifically, in November 2017, the Commission issued a *Communication Setting out the EU Approach to Standard Essential Patents*, which provided, among other things, suggestions regarding the interpretation of the requirements that the CJEU enumerated in *Huawei*.¹² However, the Commission made no references to the divergences in the interpretation of Article 102 TFEU. In fact, the *Communication* provides little, if any, reference to Article 102 TFEU or EU competition rules more generally. It is thus questionable whether the *Communication* will have any role in addressing the differences in the interpretation of Article 102 TFEU that exist after *Huawei*. Therefore, even after a decade-long debate, the circumstances (if any) in which an SEP holder’s request for an injunction amounts to an abuse of a dominant position remain yet to be defined.

In Part II of this article, I analyze the CJEU’s decision in *Huawei*. In Part III, I examine how courts in the member states of the European Union have interpreted the *Huawei* criteria when facing an SEP holder’s request for an injunction. In Part IV, I analyze the Commission’s actions after *Huawei* and explain why they are unlikely to decrease the differences in the interpretation of Article 102 TFEU

II. THE *HUAWEI* DECISION

Article 102 TFEU prohibits “any abuse . . . of a dominant position.”¹³ The article specifies that an abuse practice might include the following:

- (a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
- (b) limiting production, markets, or technical development to the prejudice of consumers;

30 ANTITRUST 80 (2015). For an analysis of the SEP holder’s ability to request and obtain an injunction in the European Union before *Huawei*, see also Alison Jones, *Standard-Essential Patents: FRAND Commitments, Injunctions, and the Smartphone Wars*, 10 EUR. COMPETITION J. 1, 10 (2014); Peter Camesasca, Gregor Langus, Damien Neven & Pat Tracy, *Injunctions for Standard-Essential Patents: Justice Is Not Blind*, 9 J. COMPETITION L. & ECON. 285, 291–300 (2013); see also Pierre Larouche & Nicolo Zingales, *Injunctive Relief in Disputes Related to Standard-Essential Patents: Time for the CJEU to Set Fair and Reasonable Presumptions*, 10 EUR. COMPETITION J. 551 (2014); Nicolas Petit, *Injunctions for FRAND-Pledged SEPs: The Quest for an Appropriate Test of Abuse Under Article 102 TFEU*, 9 EUR. COMPETITION J. 677 (2013).

12. European Commission, *Communication from the Commission to the European Parliament, the Council, and the European Economic and Social Committee, Setting out the EU Approach to Standard Essential Patents*, COM (2017) 712 final at 2 (Nov. 29, 2017).

13. Consolidated Version of the Treaty on the Functioning of the European Union Art. 102, May 9, 2008, 2008 O.J. (C 115) 89 [hereinafter TFEU].

- (c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- (d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations, which, by their nature or according to commercial usage, have no connection with the subject of such contracts.¹⁴

The list of conducts specified in Article 102 TFEU is not exhaustive, and a dominant company might abuse its dominant position by engaging in a conduct not explicitly listed in the text.

In *Huawei*, the CJEU examined the circumstances in which an SEP holder's request for an injunction against an infringer could violate Article 102 TFEU. Through this decision, the CJEU sought to address the discrepancies between the interpretation of Article 102 TFEU that the European Commission has adopted in its investigations and the interpretation of Article 102 TFEU that some national courts—Germany, in particular—have adopted in scrutinizing the SEP holders' use of injunctions.

A. The Divergent Interpretations of Article 102 TFEU before *Huawei*

The CJEU's decision in *Huawei* arose from a patent infringement dispute between two Chinese companies in front of the Düsseldorf Regional Court.¹⁵ In 2009, Huawei—the owner of several patents declared essential to the Long-Term Evolution (LTE) standard—notified the European Telecommunications Standards Institute (ETSI), the standard-setting organization (SSO) that developed the LTE standard, that some of its patents might be or might become essential to practice the LTE standard and committed to license those patents on FRAND terms.¹⁶ In November 2010, Huawei invited ZTE—a Chinese manufacturer of mobile devices that implement the LTE standard—to negotiate a license for the use of Huawei's portfolio of SEPs included in the LTE standard. However, the parties failed to reach an agreement, and in April 2011, Huawei brought an action for patent infringement against ZTE before the Düsseldorf Regional Court.¹⁷ Huawei asked the court to issue an injunction against ZTE and award damages for patent infringement.¹⁸

The Düsseldorf Regional Court found that to determine whether Huawei was entitled to an injunction, it had to establish first whether Huawei's request for an injunction was abusive—that is, if it violated Article 102 TFEU and the equivalent national provision.¹⁹ Section 139(1) of the German Patent Act (GPA) provides that a patent holder may request an injunction against an infringer. German courts have interpreted that provision as requiring the court to issue an injunction after finding that the defendant has infringed the patent in suit.²⁰ Nonetheless, in the 2009 *Orange Book Standard* decision (concerning nonessential patents), the Bundesgerichtshof—the German Federal Court of Justice—ruled that an infringer could avoid an injunction if it showed that the patent holder's request for such a remedy is abusive.²¹ Consequently, if the court found that Huawei's request for an injunction against ZTE was abusive, it would have to deny such a remedy.

The Düsseldorf Regional Court noted that in the *Orange Book Standard* decision, the German Federal Court of Justice said that an infringer could prove that the request for an injunction was abusive only if it satisfied two requirements: (1) it made an unconditional, binding licensing offer to the patent holder that

14. *Id.*

15. *See, e.g.*, Opinion of Advocate General Wathelet, Case C-170/13, *Huawei Techs. Co. v. ZTE Corp.* (Nov. 20, 2014), ¶ 3 [hereinafter Advocate General's Opinion in *Huawei v. ZTE*].

16. *Id.* ¶ 5.

17. *Id.* ¶ 6.

18. *Id.*

19. Case C-170/13, *Huawei Techs. Co. v. ZTE Corp.* (July 16, 2015), ¶ 28.

20. *See, e.g.*, Ansgar Ohly, *Three Principles of European IP Enforcement Law: Effectiveness, Proportionality, Dissuasiveness*, in *TECHNOLOGY AND COMPETITION* 262 (Josef Drexel et al. eds., 2009).

21. Bundesgerichtshof [BGH] [Federal Court of Justice] May 6, 2009, 180 BGHZ 312, 2009 (Ger.).

the patent holder “could not reject,” and (2) it informed the patent holder about the number of infringing devices and provided an adequate security for those devices, typically by placing a royalty payment into an escrow account.²² The Düsseldorf Regional Court found that ZTE neither presented an unconditional offer to Huawei nor provided a security for the alleged infringing devices.²³ It consequently found that under *Orange Book Standard*, Huawei’s request for an injunction would not be considered in violation of Article 102 TFEU.

The Düsseldorf Regional Court observed, nonetheless, that the European Commission had adopted a different approach in determining whether an SEP holder’s request for an injunction is abusive.²⁴ In the Statement of Objection that the Commission issued in its investigation against Samsung, for example, the Commission said that the SEP holder’s request for an injunction is abusive if the SEP holder has committed to license its SEPs on FRAND terms and the infringer is willing to negotiate a FRAND license.²⁵ The Düsseldorf Regional Court found that ZTE was willing to negotiate a license agreement with Huawei on FRAND terms. It consequently found that under the Commission’s interpretation, Huawei’s request for an injunction would be considered in violation of Article 102 TFEU.²⁶

Because of the divergent interpretations of Article 102 TFEU, the Düsseldorf Regional Court stayed the proceeding at the national level and, based on Article 234 TFEU, referred a question to the CJEU. Article 16 of Regulation 1/2003 provides that when ruling in a case involving a question that the European Commission had previously addressed, a national court cannot apply Article 102 TFEU in a way that would contradict the Commission’s interpretation.²⁷ However, Article 234 TFEU permits the national court to stay a national proceeding and petition the CJEU to provide guidance on the correct interpretation of the provision of the EU treaty in question.²⁸ Therefore, the Düsseldorf Regional Court asked the CJEU to clarify the circumstances in which an SEP holder’s request for an injunction would violate Article 102 TFEU.

B. The CJEU’s Interpretation of Article 102 TFEU in *Huawei*

In a decision rendered in July 2015, the CJEU provided guidance for the correct interpretation of Article 102 TFEU.²⁹ The CJEU did not endorse the Commission’s or the German Federal Court of Justice’s approach, but instead adopted an interpretation of Article 102 TFEU that, in the CJEU’s words, sought to achieve an appropriate balance between the need to protect market competition and the need to protect the SEP holder’s rights, including its right to “effective judicial protection.”³⁰

The CJEU first emphasized that the SEP holder’s right to request an injunction is not immune from scrutiny under EU competition law. The CJEU reiterated the long-established principle that a dominant company typically does not abuse its position when it exercises its intellectual property right (IPR).³¹ However, it added that it is also “settled case-law that the exercise of [a dominant company’s] . . . exclusive right . . . may, in exceptional circumstances,” constitute a violation of Article 102 TFEU.³² In making that statement, the CJEU cited cases such as *Magill* and *IMS Health* in which the court found that a company

22. *Id.* ¶ 32.

23. Case C-170/13, *Huawei Techs. Co. v. ZTE Corp.* (July 16, 2015), ¶ 33.

24. *Id.* ¶ 34.

25. *Id.* (citing European Commission, MEMO 12/1021: Samsung—Enforcement of ETSI Standards Essential Patents (SEPs) (Dec. 21, 2012), http://europa.eu/rapid/press-release_MEMO-12-1021_en.htm).

26. *Huawei Techs. Co. v. ZTE Corp.*, ¶¶ 35–36.

27. Council Regulation (EC) No 1/2003, art. 16, O.J. (L1) (2003).

28. TFEU Art. 234.

29. *Huawei Techs. Co. v. ZTE Corp.*, ¶ 42.

30. *Id.*

31. *Id.* ¶ 46.

32. *Id.* ¶ 47.

abused its dominant position by refusing to license its IPR.³³ In those cases, the CJEU held that a dominant company's refusal to license an IPR constitutes an abuse of a dominant position if four conditions are met: (1) access to the IP is "indispensable," (2) the refusal to license prevents the "emergence of a new product for which there was a potential consumer demand," (3) the refusal to license is not "objectively justified," and (4) the refusal to license is likely to exclude "all competition in the secondary market."³⁴

The CJEU alluded to the *Magill* requirements in the *Huawei* decision. The CJEU observed that by refusing to grant a license, an SEP holder could "prevent products manufactured by competitors from appearing or remaining on the market" and thereby "reserve to itself the manufacture of the products in question."³⁵ The CJEU said that because the SEP holder's FRAND commitment "creates legitimate expectations on the part of third parties" that the SEP holder will "grant licences on such terms," an SEP holder's "refusal . . . to grant a licence . . . may constitute an abuse within the meaning of Article 102 TFEU."³⁶ In other words, the CJEU suggested that when the *Magill* criteria are satisfied, an SEP holder's refusal to license its SEPs on FRAND terms might violate Article 102 TFEU.

However, in defining the circumstances in which an SEP holder's request for an injunction (rather than a refusal to license) could constitute an abuse of a dominant position, the CJEU did not refer to the four *Magill* factors. Instead, it said that when the parties failed to reach an agreement regarding the FRAND terms for the use of the portfolio of SEPs, the SEP holder must take specific steps to prevent its request for an injunction from being considered abusive.³⁷ Specifically, the CJEU said that the SEP holder must notify the infringer about the infringement and clarify how the product in question infringes the SEPs.³⁸ Next, "after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms," the SEP holder must present to the infringer "a specific, written offer for a licence" that complies with the obligations arising from the FRAND commitment that the SEP holder made to the SSO.³⁹ The SEP holder must specify in its offer "the royalty and the way in which it is to be calculated."⁴⁰ The CJEU said that an SEP holder's request for an injunction will not constitute an abuse of a dominant position if the SEP holder had satisfied those requirements before requesting an injunction against the infringer.

Curiously, the CJEU said that an infringer that wishes to avoid an injunction must also comply with specific requirements, although it did not clarify whether competition law, patent law, contract law, or some other body of law was the basis on which to impose such obligations on the infringer. The CJEU said that an infringer must first diligently respond to the SEP holder's offer "in accordance with recognized commercial practices in the field and in good faith."⁴¹ If the infringer does not accept the SEP holder's offer, it should present to the SEP holder a prompt, written counteroffer "that corresponds to FRAND terms."⁴² If the SEP holder rejects that counteroffer, the infringer must provide then an "appropriate security" for the use of the infringed SEPs "in accordance with recognised commercial practices in the field."⁴³ The CJEU said that the infringer might, for example, provide a bank guarantee for the amount specified in the counteroffer or deposit the offered amount in an escrow account.⁴⁴ The CJEU emphasized that the infringer

33. *Id.* (citing Case C-418/01 *IMS Health GmbH v. NDC Health GmbH* (2004); Joined Cases C-241/91 P and C-242/91 P *RTE and ITP v. Commission* (1995) ECR I-743 ("Magill")).

34. *See, e.g., IMS Health*, ¶¶ 35–38 (2004). The cases in which the CJEU developed the refusal-to-license doctrine did not concern a refusal to license a patent but rather a refusal to license a copyright. Several scholars have questioned whether the refusal-to-license doctrine applies at all to cases involving patent rights. For a detailed analysis, see URŠKA PETROVČIČ, *COMPETITION LAW AND STANDARD ESSENTIAL PATENTS: A TRANSATLANTIC PERSPECTIVE* 55–56 (Wolters Kluwer 2014).

35. *Id.* ¶ 52 (emphasis added).

36. *Id.* ¶ 53.

37. *Id.* ¶¶ 54–55.

38. *Id.* ¶¶ 60–61.

39. *Id.* ¶ 63.

40. *Id.*

41. *Id.* ¶ 65.

42. *Id.* ¶ 66.

43. *Id.*

44. *Id.* ¶ 67.

that wishes to avoid an injunction must also avoid delaying practices in negotiating the license for the SEPs at issue.⁴⁵

In sum, the CJEU's decision clarified that even after committing to license its SEPs on FRAND terms, an SEP holder may request an injunction against the infringer, including an infringer that is willing to have a court or an arbitrator adjudicate the FRAND term without such request triggering liability under Article 102 TFEU. Nonetheless, to avoid liability under Article 102 TFEU, an SEP holder should take specific steps before requesting an injunction.

III. NATIONAL COURTS' INTERPRETATION OF THE *HUAWEI* REQUIREMENTS

Following the CJEU's decision in *Huawei*, courts in member states of the European Union have applied the *Huawei* criteria when scrutinizing an SEP holder's request for an injunction under Article 102 TFEU.⁴⁶ However, some courts have found that only an SEP holder that complies with the *Huawei* requirements is not abusing its dominant position and, consequently, is not violating Article 102 TFEU. Other courts have adopted a more flexible approach; they found that although an SEP holder that complies with the *Huawei* requirements will not face a liability under Article 102 TFEU, the SEP holder's failure to comply with the *Huawei* requirements is in itself insufficient to establish an abuse of a dominant position. Thus, the CJEU's decision did not eliminate the differences in the interpretation of Article 102 TFEU. Rather the contrary: even after the CJEU's decision in *Huawei*, there is no agreement regarding the circumstances in which an SEP holder's request for an injunction would trigger a liability under Article 102 TFEU.

A. German Courts' Interpretations of the *Huawei* Requirements

In Germany, the interpretations of *Huawei* criteria have evolved gradually. In the earlier decisions, German courts focused their analyses on the infringer's behavior and issued an injunction whenever they found that the infringer had failed to satisfy the requirements listed in *Huawei*. The SEP holder's compliance with the *Huawei* requirements was rarely considered to determine whether the request for an injunction was abusive. However, the Düsseldorf Court of Appeals reversed that interpretation in January 2016 when it said a court should first determine whether the SEP holder has complied with the requirements set forth in *Huawei* and only thereafter examine the infringer's behavior.⁴⁷ Although the Düsseldorf Court of Appeals' decision was not binding on courts in other regions, other German courts have followed that approach.⁴⁸ In addition, in May 2016, Karlsruhe, the Mannheim Appellate Court, said that a court must determine whether the SEP holder has extended a FRAND offer before deciding whether to issue an injunction.⁴⁹ Subsequent judgments have reiterated the holding that an SEP holder has satisfied the *Huawei* requirements only if it had informed the implementer about the infringement and had extended to that implementer a FRAND offer. Therefore, under the interpretation of the *Huawei* requirements adopted by German courts, only an

45. However, the CJEU said that the infringer may challenge the patent's validity or essentiality, and it may preserve its right to do so in the future. *Id.* ¶ 69. In that respect, the CJEU endorsed the approach that the Commission adopted in its infringement decision against Motorola Mobility, confirming that the infringer's refusal to accept a termination clause would not be considered a delaying practice and would not justify the SEP holder's request for an injunction. European Commission, Case 39985-Motorola-Enforcement of GPRS Standard Essential Patents, ¶ 322 (Apr. 29, 2014).

46. See Pierre Larouche & Nicolo Zingales, *Injunctive Relief in FRAND Disputes in the EU? Intellectual Property and Competition Law at the Remedies Stage* (Tilburg Law School Legal Studies Research Paper No. 01/2017).

47. *Sisvel v. Haier Grp.*, 15 U 65/15 ¶ 4 (Oberlandesgericht Düsseldorf Jan. 13, 2016) [hereinafter *Sisvel v. Haier Grp.*, Court of Appeals].

48. See, e.g., 7 O 96/14 (Mannheim Jan. 8, 2016) (Ger.) [hereinafter *Phillips v. Acer*].

49. 6 U 55/16 ¶¶ 2–4 (OLG Karlsruhe May 31, 2016) (Germany) [hereinafter *Pioneer v. Acer*, Karlsruhe]. The Düsseldorf Court of Appeals adopted a similar approach during the hearing in *Sisvel v. Haier* when it said that to comply with the *Huawei* requirements, the SEP holder must extend a FRAND offer. I 15 U 66/15 ¶16 (Oberlandesgericht Düsseldorf Nov. 17, 2016).

SEP holder that has satisfied the *Huawei* requirements has not violated Article 102 TFEU and thereby is entitled to an injunction. I examine below some of the most relevant decisions adopted by German courts when interpreting the *Huawei* requirements.

1. *Saint Lawrence v. Deutsche Telekom*

In November 2015, the Mannheim Regional Court applied the *Huawei* test in *Saint Lawrence v. Deutsche Telekom*.⁵⁰ The court focused its analysis on the infringer's conduct and found that because the infringer failed to meet the *Huawei* requirements, the issuance of an injunction was appropriate.

Saint Lawrence was a subsidiary of Acacia Research, a U.S. company whose business focused on patent assertion. The company held FRAND-committed patents essential to the Adaptive Multi-Rate-Wideband (AMR-WB) standard.⁵¹ In 2014, Saint Lawrence brought a patent infringement suit against Deutsche Telekom, the German telecommunications company and distributor of mobile devices that implemented the AMR-WB standard, and asked the Mannheim Regional Court to enjoin the infringement.⁵² In response, Deutsche Telekom argued that Saint Lawrence's request for an injunction was abusive and should be denied. Deutsche Telekom also notified its suppliers of its infringing devices about the litigation, and some suppliers expressed their willingness to execute a license agreement with Saint Lawrence.⁵³ For example, HTC said that it was willing to enter into a FRAND license agreement with Saint Lawrence and intervened in the litigation in support of Deutsche Telekom.⁵⁴ In March 2015, before the CJEU's ruling in *Huawei*, the Mannheim Regional Court rejected Deutsche Telekom's defense and issued an injunction that prohibited Deutsche Telekom from selling the infringing devices.⁵⁵ However, one month later, Karlsruhe stayed the injunction, reasoning that pending the CJEU's decision in *Huawei*, it was unclear in which circumstances an SEP holder's request should be considered abusive.⁵⁶

In November 2015, the Mannheim Regional Court rendered its opinion on remand, this time applying the newly determined *Huawei* criteria.⁵⁷ The court did not determine whether Saint Lawrence had a dominant position or whether it had complied with the *Huawei* criteria.⁵⁸ Instead, it found that both defendants failed to show that Saint Lawrence's request for an injunction was abusive. Specifically, the court found that Deutsche Telekom had never expressed its willingness to obtain a license but merely argued that the manufacturers of the infringing devices (and not Deutsche Telekom) should enter into a license agreement with Saint Lawrence.⁵⁹ The court found that given Deutsche Telekom's unwillingness to enter into a license agreement with Saint Lawrence, it was irrelevant whether Saint Lawrence had complied with

50. *Saint Lawrence v. Deutsche Telekom II*, ¶¶ 93–95.

51. U 44/15, ¶¶ 4, 6 (OLG Karlsruhe Apr. 23, 2015) (Ger.) [hereinafter *Saint Lawrence v. Deutsche Telekom I*].

52. *Id.* ¶ 5.

53. *Id.*

54. *Id.* ¶ 7.

55. *Saint Lawrence v. Deutsche Telekom I*, ¶ 9.

56. *Id.* ¶ 24. Karlsruhe criticized the district court for failing to analyze whether Saint Lawrence had offered a FRAND license to HTC. Deutsche Telekom argued that Saint Lawrence failed to offer to license its SEPs to HTC and that its request for an injunction was consequently abusive. However, the court dismissed Deutsche Telekom's argument, reasoning that it was irrelevant whether Saint Lawrence failed to extend a FRAND offer to HTC—one of Deutsche Telekom's suppliers—because the legal suit was directed toward Deutsche Telekom and not HTC. *Id.* ¶ 9. The court said that a patent holder may seek an injunction against any infringer and not only against a manufacturer of the infringing devices. *Id.* Karlsruhe disagreed. It said that although patent law allows the SEP holder to enforce its patent against a distributor rather than a manufacturer, competition law might preclude that practice. *Id.* ¶ 25. Karlsruhe observed that SEP holders typically license their SEPs to manufacturers and added that unless the manufacturer is unwilling or unable to enter into a license agreement, the SEP holder might not have an objective justification for seeking to license its SEPs at the distributor's level. *Id.* Karlsruhe remanded the decision and directed the Mannheim Regional Court to examine the negotiating conduct between Saint Lawrence and HTC to determine whether the request for an injunction was abusive. *Id.*

57. *Saint Lawrence v. Deutsche Telekom II*.

58. *Id.* ¶¶ 251–52.

59. *Id.* ¶ 258.

the *Huawei* requirements.⁶⁰ It reasoned that an SEP holder's request for an injunction cannot be abusive if directed toward an infringer that categorically refuses to enter into a license agreement.⁶¹

The court also found that HTC failed to raise a valid defense against Saint Lawrence's request for an injunction, because it failed to reply to Saint Lawrence's offer (which was presented during the litigation) within a reasonable time.⁶² The court observed that it took HTC more than three months to confirm that it was willing to execute a license.⁶³ In addition, although HTC had made a counteroffer to Saint Lawrence, the court found that the offer was not FRAND.⁶⁴ In particular, the court criticized HTC's failure to specify a FRAND royalty in its counteroffer and, instead, left that determination to the High Court of England and Wales.⁶⁵ The court also criticized HTC for failing to provide a security for the infringing devices after Saint Lawrence rejected the counteroffer.⁶⁶ Because the court found that both defendants failed to meet the *Huawei* requirements, it issued an injunction that prohibited the sale of the infringing devices.⁶⁷

2. *Sisvel v. Haier*

In November 2015, the Düsseldorf Regional Court applied the *Huawei* test in *Sisvel v. Haier*.⁶⁸ Like the Mannheim Regional Court, the Düsseldorf Regional Court focused its analysis on the infringer's conduct. On appeal, however, the Düsseldorf Court of Appeals rejected that interpretation and said the court must analyze the *Huawei* criteria sequentially by first examining the SEP holder's conduct and only thereafter focusing on the infringer's behavior.

In August 2014, Sisvel, the holder of several patents essential to practice the standards developed by the ETSI, brought a patent infringement suit against Haier, a Chinese consumer electronics and home appliance manufacturer of devices that practiced Sisvel's SEPs,⁶⁹ asking the court to issue an injunction and award damages for patent infringement. In response, Haier argued that Sisvel's request for an injunction was abusive and should be rejected.⁷⁰ Like the Mannheim Regional Court in *Saint Lawrence v. Deutsche Telekom*, the Düsseldorf Regional Court found that it was unclear whether Sisvel held a dominant position.⁷¹ Nonetheless, the court found that even assuming that Sisvel was dominant, its request for an injunction was not abusive.⁷²

The court found that in 2012, Sisvel notified Haier's parent company about the infringement and extended several license offers.⁷³ Haier's parent company rejected those offers⁷⁴ and presented its first counteroffer in October 2013.⁷⁵ The court found that after Sisvel rejected the counteroffer, Haier failed to provide a security for the infringing devices within a reasonable time, as it provided a security only at the hearing in September 2014—almost a year after Sisvel's rejection of Haier's counteroffer. The court said

60. *Id.*

61. *Id.*

62. *Id.* ¶ 262.

63. *Id.* ¶ 264.

64. *Id.* ¶ 267.

65. *Id.* ¶¶ 94, 282.

66. *Id.* ¶ 284.

67. *Id.* ¶ 293.

68. *Sisvel v. Haier Grp.*, Düsseldorf Regional Court; see also Christa Brown-Sanford & Bethany R. Ford, *Post-Huawei FRAND Licensing of Standard-Essential Patents*, BAKER BOTTS (June 2016), <http://www.bakerbotts.com/ideas/publications/2016/06/ip-report-post-huawei-frand-licensing>; Rufus Pichler & Holger Kastler, *First German Decisions Applying the ECJ's Huawei v. ZTE Framework on Injunctions for Standard Essential Patents*, MORRISON & FOERSTER (Feb. 2016).

69. *Sisvel v. Haier Grp.*, Düsseldorf Regional Court, ¶¶ 40–42, 187.

70. *Id.* ¶¶ 64–65.

71. *Id.* ¶¶ 52, 178.

72. *Id.*

73. *Id.* ¶ 44.

74. *Id.* ¶ 64.

75. *Id.* ¶¶ 44–45.

that the delay in providing a security for the infringing devices demonstrated that Haier was engaging in the type of delaying tactics that *Huawei* prohibits.⁷⁶ Notably, the court refused to examine whether Sisvel's offers were FRAND. It reasoned that providing security in a timely manner is a minimum requirement that the infringer must meet, regardless of whether the SEP holder's offer is FRAND.⁷⁷ Because Haier failed to meet the requirements set forth in *Huawei*, the court found that it was unnecessary to determine whether Sisvel's offer was FRAND. The court consequently rejected Haier's FRAND defense and issued an injunction.⁷⁸

Haier appealed the decision, and in January 2016, the Düsseldorf Court of Appeals stayed the injunction, finding that the regional court incorrectly applied the *Huawei* criteria.⁷⁹ The Düsseldorf Court of Appeals said that the *Huawei* criteria need to be applied sequentially. In other words, it ruled that the court should first assess whether the SEP holder notified the defendant about the infringement and whether the SEP holder made a FRAND offer.⁸⁰ Only then should the court examine whether the infringer has satisfied *Huawei* criteria such as extending a FRAND counteroffer, providing an account of the infringing devices, and providing security in a timely manner.⁸¹

In November 2016, the Düsseldorf Court of Appeals provided guidance regarding the steps that the SEP holder should take to satisfy the *Huawei* requirements.⁸² It reiterated that the SEP holder must notify the infringement about the infringement, although it said that the "infringement notice" does not need to include claim charts.⁸³ The infringer should then clarify without delays whether it is willing to execute a license agreement on FRAND terms: the court said a simple statement will typically satisfy this requirement.⁸⁴ The SEP holder must then extend a FRAND offer in a written form.⁸⁵ In extending the offer, the SEP holder must clarify the methodology that it applied to determine the royalty fee and must provide all information necessary to determine that the offer is FRAND. The court also said that to comply with the nondiscrimination requirement, the SEP holder must offer comparable license conditions to its licensees; if the SEP holder treats some licensees differently, it should provide an explanation for the different treatment.⁸⁶ To demonstrate compliance with the nondiscrimination requirement, the SEP holder might have to submit license agreements executed with third parties.⁸⁷ The court said that although the SEP holder should typically extend the offer before filing a lawsuit against the infringer, a FRAND offer made during litigation might be sufficient to satisfy the *Huawei* criteria.⁸⁸

In March 2017, the Düsseldorf Court of Appeals examined Sisvel's offer and found that it failed to comply with the FRAND requirement. In particular, the court found that the offered terms were discriminatory and that the SEP holder was unable to justify the difference in license terms included in the offer to the infringer and the license terms contained in the agreements it executed with third parties.⁸⁹ The

76. *Id.* ¶¶ 214–15.

77. *Id.* ¶ 202.

78. *Id.* ¶ 176.

79. *Sisvel v. Haier Grp.*, Court of Appeals, ¶ 4; *see also* Press Release, Sisvel, Düsseldorf Court of Appeal Hands Down First Decision on FRAND (Jan. 22, 2016).

80. *Sisvel v. Haier Grp.*, Court of Appeals, ¶ 35.

81. *Id.*

82. I 15 U 66/15 ¶¶ 16–17 (Oberlandesgericht Düsseldorf Nov. 17, 2016) (Ger.) [hereinafter *Sisvel v. Haier Court of Appeals Guidelines*].

83. *Id.* ¶ 7.

84. *Id.* ¶¶ 11–12.

85. *Id.* ¶ 17.

86. *Id.* ¶ 19.

87. *Id.* ¶ 32.

88. *Id.* ¶ 17. *See also* I-15 U 66/15 (Oberlandesgericht Düsseldorf Mar. 3, 2017), ¶322 (stating that the action should be dismissed if the SEP holder does not fulfil its FRAND obligations by the end of the "last oral factual hearing").

⁸⁹ ¶ 268; *see also id.* ¶¶ 270–316.

court consequently concluded that Sisvel’s request for an injunction was abusive and refused to grant such a remedy.⁹⁰

3. *Saint Lawrence v. Vodafone*

In March 2016, the Düsseldorf Regional Court applied the *Huawei* criteria again in a dispute between Saint Lawrence and Vodafone, a German mobile operator, for the alleged violation of Saint Lawrence’s patents essential to the AMR-WB standard.⁹¹ The case resembled the lawsuit that Saint Lawrence brought against Deutsche Telekom before the Mannheim Regional Court. As in the case against Deutsche Telekom, HTC was a supplier of the infringing devices and intervened in the litigation to support the defendant in the case against Vodafone. On this occasion, the Düsseldorf Regional Court applied the *Huawei* criteria sequentially, although it examined only in a cursory manner whether Saint Lawrence’s offer was FRAND.

The Düsseldorf Regional Court first analyzed the SEP holder’s conduct. It said that it was unclear whether Saint Lawrence had a dominant position but added that even if one were to assume that Saint Lawrence was dominant, its request for an injunction could not be considered abusive.⁹² The court first observed that Saint Lawrence failed to notify Vodafone and HTC about the infringement before filing a legal action.⁹³ Nonetheless, because Saint Lawrence filed the action in 2014 before the *Huawei* judgment, the court said it would be inappropriate to impose *Huawei*’s notification requirement on Saint Lawrence.⁹⁴ The court said that in such “transitional cases,” it was sufficient for Saint Lawrence to file the infringement action and thereafter notify Vodafone about the infringement.

Next, the Düsseldorf Regional Court found that Saint Lawrence extended a FRAND offer to the defendant.⁹⁵ The court did not examine in detail what a FRAND royalty would be for the use of Saint Lawrence’s SEPs, but it said there was no evidence to conclude that Saint Lawrence’s offer to Vodafone was not FRAND or that the offered royalty was excessive.⁹⁶ In reaching its conclusion, the court relied on the information about the license agreements that Saint Lawrence executed with other companies and found that the offer to Vodafone and HTC comported with Saint Lawrence’s established licensing practice.⁹⁷ The court also found that, as required by *Huawei*, Saint Lawrence provided sufficient information regarding the way in which it calculated the proposed royalty.⁹⁸ The court said that to satisfy this requirement, it is sufficient to present the basic considerations that the SEP holder took into account when determining the offered royalty.⁹⁹ In addition, the court rejected the claim that Saint Lawrence violated its FRAND commitment by offering a worldwide license rather than a license only for Germany. It reasoned that license agreements for SEPs are typically concluded on a worldwide basis, and therefore, Saint Lawrence’s practice comported with the industry practice.¹⁰⁰

90. See *First Decision on the Merits of a German Higher Regional Court on FRAND Since Huawei v. ZTE*, TAYLOR WESSING (Mar. 30, 2017), <https://united-kingdom.taylorwessing.com/en/insights/transceiver/first-decision-on-the-merits-of-a-german-higher-regional-court-on-frand-since-huawei-v-zte-30-march-2017-sisvel-v-haier>.

91. 4a O 73/14 ¶ 83 (Landgericht Düsseldorf Mar. 31, 2016) (Ger.) [hereinafter *Saint Lawrence v. Vodafone*].

92. *Id.* ¶ 212.

93. The court said that an SEP holder could satisfy the notification requirement in two ways: (1) it could notify the infringer about the infringement before filing the lawsuit, or (2) it could first file the patent infringement action but delay the advance payment of the court fee—which in Germany is a precondition for the submission of the complaint to the defendant—until it notified the defendant about the infringement. The court found that Saint Lawrence fulfilled neither of those requirements. *Id.* ¶¶ 229–32.

94. *Id.* ¶¶ 238–51.

95. *Id.* ¶ 268.

96. *Id.* ¶ 273.

97. *Id.* ¶ 280.

98. *Id.* ¶ 322.

99. *Id.*

100. *Id.* ¶ 274.

The court next found that both Vodafone and HTC failed to meet the *Huawei* requirements and were consequently unable to raise a valid defense against an injunction. The court found that Vodafone failed to reply to Saint Lawrence’s offer in a timely manner, given that it gave its response five months after receiving the offer.¹⁰¹ The court also found that Vodafone neither made a counteroffer nor provided security for the infringing devices.¹⁰² With respect to HTC, the court observed that HTC made a counteroffer but found that its offer was insufficient to meet *Huawei*’s requirements because it was limited to the infringing devices sold in Germany.¹⁰³ In addition, HTC neither rendered account of the infringing devices nor provided security in a timely manner.¹⁰⁴ Because both defendants failed to meet the *Huawei* requirements, the court issued an injunction.¹⁰⁵ In sum, the Düsseldorf Regional Court applied the *Huawei* criteria sequentially and found that the issuance of an injunction was appropriate.

4. *Pioneer v. Acer*

In January 2016, the Mannheim Regional Court granted an injunction to Philips, the holder of FRAND-committed patents essential to the DVD standard, in a legal action against Acer, a Taiwanese manufacturer of electronic devices.¹⁰⁶ On appeal, however, Karlsruhe stayed the injunction, reasoning that the court did not determine whether the SEP holder’s offer was FRAND. Karlsruhe ruled that a mere superficial analysis of the offer was insufficient to determine that the SEP holder satisfied the *Huawei* requirements. Instead, Karlsruhe said the court should examine whether the SEP holder’s offer was actually FRAND.

On the first instance, the Mannheim Regional Court said that it was unclear whether the SEP holder held a dominant position but found that it was nonetheless evident that the request for an injunction was not abusive.¹⁰⁷ In particular, the court said that Pioneer extended an offer to the infringer and found no evidence to conclude that the offer failed to comply with the FRAND commitment. It found that notifying about the infringement and extending a FRAND offer during the litigation was sufficient to satisfy the *Huawei* requirements.¹⁰⁸ In addition, the court said that the SEP holder must present to the infringer an offer that is sufficiently specific so the infringer can accept the offer.¹⁰⁹ It added, however, that *Huawei* did not require the court to determine whether the SEP holder’s offer was FRAND. It added that such a requirement would impose on the courts a complex and time-consuming task.¹¹⁰ The court said it was sufficient instead to determine that the SEP holder’s offer did not clearly contradict the FRAND requirements.¹¹¹ The court found that in the dispute between Pioneer and Acer, there was no evidence that the SEP holder’s offer was not FRAND.¹¹² It thus concluded that the SEP holder satisfied the requirements that the CJEU set forth in *Huawei*.

The court proceeded to examine the infringer’s behavior and found that the infringer failed to meet the *Huawei* criteria. The court found that Acer’s counteroffer was not FRAND. Specifically, it faulted Acer for limiting its offer to Germany. The court said that Acer’s offer did not comport with the existing business practice in which the parties typically execute licensing agreements that are worldwide in scope.¹¹³ The

101. *Id.* ¶¶ 260, 329.

102. *Id.* ¶ 336.

103. *Id.* ¶¶ 275, 382–86.

104. *Id.* ¶¶ 389–403.

105. *Id.* ¶ 83.

106. *Pioneer v. Acer*, 7 O 96/14 (LG Mannheim Jan. 08, 2016) (Ger.) [hereinafter *Pioneer v. Acer*].

107. *Id.* ¶ 89.

108. *Id.*

109. *Id.* ¶ 95.

110. *Id.*

111. *Id.*

112. *Id.* ¶ 130.

113. *Id.* ¶¶ 89, 152.

court also faulted Acer for limiting its offer to the patent in suit rather than the entire portfolio of SEPs.¹¹⁴ In addition, it found that Acer failed to provide security for the infringing devices.¹¹⁵ The court concluded that Acer failed to raise a valid defense and issued an injunction.¹¹⁶

However, in May 2016, Karlsruhe rejected the regional court's decision, reasoning that a mere superficial assessment of whether the SEP holder's offer is FRAND is insufficient to determine whether the SEP holder complied with the *Huawei* requirements.¹¹⁷ Karlsruhe said that the first *Huawei* criterion explicitly requires the court to determine whether the SEP holder's offer is FRAND and that the infringer's obligations are triggered only after the SEP holder has complied with such obligation.¹¹⁸ Put differently, the implementer has no duty to extend a counteroffer, provide an account or the infringing devices, or provide security for those devices until it has received a FRAND offer from the SEP holder.¹¹⁹

B. The UK Patents Court's Decision in *Unwired Planet v. Huawei*

The UK Patents Court adopted a different interpretation of the *Huawei* criteria than the German courts did. In April 2017, Justice Colin Birss rendered his opinion in *Unwired Planet v. Huawei* (currently under appeal), in which he examined, among other things, whether the SEP holder's request for an injunction violated Article 102 TFEU.¹²⁰ He said that an SEP holder that fails to satisfy the *Huawei* requirements does not necessarily abuse its dominant position. He reasoned that *Huawei* merely offers a safe harbor to those SEP holders that comply with the requirements enumerated by the CJEU. Yet he said that the failure to satisfy the *Huawei* requirements neither automatically shows an abuse of a dominant position nor necessarily supports the rejection of an injunction. Thus, an SEP holder that requests an injunction against an infringer faces a more lenient antitrust scrutiny in the United Kingdom than in Germany.

1. *The SEP Holder's Dominant Position, a Request for an Injunction, and an Above-FRAND Offer*

The legal dispute arose in 2014, when Unwired Planet—the holder of several patents essential to practice the Global System for Mobile (GSM) communication, Universal Mobile Telecommunications Service (UMTS), and LTE standards—brought an action for patent infringement against several manufacturers of mobile devices, including Huawei.¹²¹ Unwired Planet asked the UK Patents Court to award, among other things, an injunction against Huawei.¹²² In response, Huawei argued that Unwired Planet's SEPs were

114. *Id.* ¶ 139.

115. *Id.* ¶¶ 89, 154.

116. *Id.* ¶ 56.

117. *Pioneer v. Acer*, Karlsruhe, ¶¶ 2–4.

118. *Id.* ¶ 31.

119. *Id.* ¶ 26. Karlsruhe agreed nonetheless with the regional court that in cases in which the SEP holder filed a suit before *Huawei*, the SEP holder's failure to notify the defendant about the infringement before bringing the legal action does not imply that the SEP holder had abused its dominance. Karlsruhe emphasized that before the CJEU issued the *Huawei* decision, SEP holders were not aware of such a requirement, and it would consequently be inappropriate to punish them for the failure to follow that requirement. *Id.*

120. *Unwired Planet Int'l Ltd v. Huawei Techs. Co.* [2017] EWHC (Pat) 711 (Eng.). For an analysis of the *Unwired Planet* decision, see Jorge L. Contreras, *A New Perspective on FRAND Royalties: Unwired Planet v. Huawei*, ANTITRUST SOURCE (forthcoming 2017); Sophie Lawrence & Francion Brooks, *Unwired Planet v. Huawei: The First UK FRAND Determination*, 8 J. EUR. COMPETITION L. & PRACTICE (forthcoming 2017); Marco Lo Bue, *The High Court Judgment on Unwired Planet vs. Huawei Narrows the Scope of Competition Law Defence in SEP Litigation*, 4 ITALIAN ANTITRUST REV. 70 (2017); Damien Neven & Pierre Régibeau, *Unwired Planet v. Huawei: A Welcome Clarification of the Concept of FRAND and of the Role of Competition Law Towards SEP Licensing*, 8 J. EUR. COMPETITION L. & PRACTICE 1 (forthcoming 2017); see also Mark R. Patterson, *Teasing Through a Single FRAND Rate*, PATENTLY-O (Apr. 20, 2017), <https://patentlyo.com/patent/2017/04/patterson-teasing-through.html>.

121. *Id.* ¶ 1.

122. *Id.* ¶ 680.

invalid, nonessential, and not infringed, and that Unwired Planet’s negotiating conduct violated Article 102 TFEU.¹²³

In addressing allegations about abusive behavior, Justice Birss first analyzed Unwired Planet’s market power and found that Unwired Planet had a dominant position in the market “for licensing each SEP individually.”¹²⁴ He found that Unwired Planet had a 100 percent market share in the relevant market.¹²⁵ He said that (1) Unwired Planet’s contractual obligations arising from its FRAND commitment and (2) the implementer’s refusal to enter into a voluntary license agreement (a practice that he defined as patent holdout) constrained Unwired Planet’s ability to exercise its market power in the relevant market.¹²⁶ Nonetheless, he found that neither of those circumstances was sufficient to rebut the presumption that a company that holds 100 percent of the relevant market is dominant.¹²⁷

Justice Birss next examined whether Unwired Planet abused its dominant position and found that it did not. He rejected the argument that Unwired Planet violated Article 102 TFEU by engaging in “premature” litigation—that is, by requesting an injunction before satisfying the requirements that the CJEU enumerated in *Huawei*.¹²⁸ He acknowledged that Unwired Planet failed to fulfill the *Huawei* requirements before initiating a legal action against Huawei, but found that that failure was insufficient to prove an abusive behavior.¹²⁹

Justice Birss reasoned that *Huawei* had only two definitive implications for an SEP holder’s antitrust liability under Article 102 TFEU. First, if an SEP holder complies with its requirements set forth in *Huawei* before requesting an injunction, then the request for an injunction will not violate Article 102 TFEU.¹³⁰ Second, an SEP holder’s request for an injunction might be abusive under *Huawei* if directed against an infringer that had received no notice about the existence of the SEPs in suit.¹³¹ Justice Birss found that Unwired Planet’s request for an injunction did not fall under any of the two scenarios. When Unwired Planet filed a legal action before the UK Patents Court, Huawei had “sufficient notice” about Unwired Planet’s SEPs, given that it had previously licensed those same SEPs from Ericsson, which later transferred the SEPs to Unwired Planet.¹³² Thus, Unwired Planet’s request for an injunction could not automatically be considered in violation of Article 102 TFEU.¹³³ However, because Unwired Planet’s conduct “did not comply with every aspect of the [*Huawei*] scheme,” Unwired Planet’s request could not “automatically be immune from an allegation of abuse.”¹³⁴ Justice Birss said that for cases that fall outside the two clear scenarios, the CJEU decision in *Huawei* did not provide clear guidance regarding the scope of Article 102 TFEU.¹³⁵ He added that in those cases, the court must examine the specific circumstances of each case to determine whether there has been an abuse of a dominant position.¹³⁶

123. *Id.* ¶ 5.

124. *Id.* ¶ 631.

125. *Id.* ¶ 670.

126. *Id.* ¶¶ 656, 665.

127. *Id.* ¶ 670. Justice Birss said that European case law and the opinion of Advocate General Wathelet in *Huawei* determined that, although there is a presumption that the holder of SEPs is dominant, that presumption could be rebutted. *Id.* ¶ 643.

128. *Id.* ¶ 672. In addition, Justice Birss examined whether Unwired Planet abused its dominant position by (1) making an offer that tied a license to SEPs to a license to non-SEPs, (2) making an offer to license its SEPs on a worldwide basis (as opposed to a license for each individual jurisdiction), (3) offering to license its SEPs for an above-FRAND rate, and (4) charging different royalties to similarly situated licensees. However, he found that none of the challenged conducts violated Article 102 TFEU.

129. *Id.* ¶ 676.

130. *Id.*

131. *Id.* ¶¶ 740, 744.

132. *Id.* ¶ 750.

133. *Id.* ¶ 747.

134. *Id.*

135. *Id.* ¶ 744.

136. *Id.*

After examining the facts of the case, Justice Birss concluded that Unwired Planet’s request for an injunction was not in violation of Article 102 TFEU.¹³⁷ Unwired Planet made an offer to Huawei a few weeks after initiating the litigation, which, in Justice Birss’s view, indicated Unwired Planet’s willingness to license its SEPs to Huawei.¹³⁸ Justice Birss acknowledged that Unwired Planet’s request for an injunction was “intended to apply pressure” in the negotiation with Huawei and other infringers.¹³⁹ However, he questioned whether such a request had the ability to have a significant effect in a negotiation with a sophisticated company like Huawei.¹⁴⁰ He emphasized that the infringer might be able to gain bargaining power through other litigation strategies such as challenging the validity and infringement of the SEPs in suit.¹⁴¹ He observed that Huawei’s main argument was that Unwired Planet’s request for an injunction was abusive because it was filed before Unwired Planet extended a FRAND offer to Huawei. He rejected such an argument, finding that it was based on a very narrow reading of *Huawei*.¹⁴²

Justice Birss also found that the offers that Unwired Planet ultimately extended to Huawei were above FRAND but did not find evidence of a violation of Article 102 TFEU. He reasoned that the “boundary of what is and is not a FRAND rate is different from the boundary of what is and is not an unfair price contrary to Art 102(a).”¹⁴³ He said that an offer that is FRAND will, by definition, not violate Article 102 TFEU, but that an offer that is above FRAND is not necessarily “excessive” within the meaning of Article 102 TFEU.¹⁴⁴ He added that “only an offer which is so far above FRAND as to act to disrupt or prejudice the negotiations themselves . . . will fall foul of Art 102(a).”¹⁴⁵ Justice Birss found that although the rates contained in Unwired Planet’s offers were several times higher than a FRAND rate, they could not “prejudice” the negotiation between the parties in such a way that the Unwired Planet’s negotiating conduct should be considered abusive.¹⁴⁶ He reasoned that Huawei was “a large and sophisticated organisation, used to negotiating telecommunications licences and not unfamiliar with patent litigation.”¹⁴⁷ Justice Birss thus rejected Huawei’s contention that Unwired Planet’s above-FRAND offer “involved an attempt to impose an unfair selling price” in violation of Article 102 TFEU.¹⁴⁸

2. A FRAND Injunction

Justice Birss determined the FRAND terms (including the FRAND royalty) for the use of Unwired Planet’s SEPs and concluded that the facts of the case supported the issuance of an injunction. He observed that Unwired Planet wished to execute a worldwide license with Huawei.¹⁴⁹ He found that such request was

137. *Id.* ¶ 755.

138. *Id.* ¶ 753.

139. *Id.* ¶ 749.

140. *Id.* ¶¶ 751–52.

141. *Id.*

142. *Id.* ¶ 755.

143. *Id.* ¶ 757.

144. *Id.*

145. *Id.* ¶ 765 (emphasis added).

146. *Id.* ¶ 774.

147. *Id.*

148. *Id.* ¶ 758; *see also Id.* ¶ 784. Justice Birss also rejected Huawei’s claim that Unwired Planet abused its dominant position by bundling or tying its SEPs with its non-SEPs. Huawei argued that bundling SEPs with non-SEPs could “eliminate competition on the merits” among non-SEPs. *Id.* ¶ 785. Justice Birss found Huawei’s argument persuasive. However, he emphasized that although the SEP holder cannot insist on licensing its SEPs together with its nonessential patents, such a license might be justified if voluntarily agreed upon by the parties. *Id.* ¶ 787. He observed that although Unwired Planet initially offered a license that included both SEPs and non-SEPs, it accommodated Huawei’s request to extend an offer covering only Unwired Planet’s SEPs. He said that Unwired Planet’s actions “[were] not the actions of a party trying to use its market power given by patents essential to a standard to tie in a further licence under its non-SEP portfolio.” *Id.* ¶ 790.

149. *Id.* ¶ 793.

reasonable, given that “portfolio licensing is [a] common industry practice.”¹⁵⁰ He also said that such request had “efficiency benefits” because it “saves transaction costs for both licensors and licensees and obviates the need to determine a royalty on a patent by patent basis.”¹⁵¹ (Justice Birss acknowledged that his conclusion contradicted the approach that the European Commission adopted against Motorola, where it criticized Motorola for insisting on a worldwide license with Apple.¹⁵² Nonetheless, Justice Birss refused to follow the Commission’s approach and said that licensing of a global basis was appropriate.) Justice Birss observed that Huawei was refusing to enter into a worldwide license and was insisting, instead, on a license limited to the United Kingdom. He said that in those circumstances, the court did not have the authority to set the terms for a worldwide license against Huawei’s will.¹⁵³ He emphasized, nonetheless, that Huawei was infringing on Unwired Planet’s SEPs and that it did not have a license for the use of Unwired Planet’s SEPs.¹⁵⁴ In those circumstances, “[a]n injunction ought to be granted,” Justice Birss said.¹⁵⁵

Justice Birss ultimately decided not to grant an injunction on the date he issued the judgment¹⁵⁶ and granted the remedy on June 7, 2017.¹⁵⁷ On that occasion, he reiterated that although “[t]he grant or refusal of an injunction is an exercise of the court’s discretion[,] . . . when the holder of an intellectual property right has established infringement and a threat and intention to infringe in [the] future, an injunction will normally be granted.”¹⁵⁸ Nonetheless, Justice Birss refused to issue a final injunction and granted instead what he called a “FRAND injunction,”¹⁵⁹ which “restrain[s] infringement of the relevant patent(s) but . . . will cease to have effect if the defendant enters into that FRAND license.”¹⁶⁰ In contrast to a final injunction, a FRAND injunction also would permit the parties to come back to the court after the license expires.¹⁶¹ Regardless of those differences, Justice Birss confirmed (as German courts did) that an SEP holder that has committed to license its SEPs on FRAND might be able to obtain an injunction against an infringer.

IV. THE EUROPEAN COMMISSION’S ROLE AFTER *HUAWEI*

The European Commission has remained involved in issues related to SEPs even after the CJEU decision in *Huawei*. Nonetheless, the Commission seems to have changed the tools that it uses in addressing issues related to SEPs. Importantly, the Commission seems to have taken a step back in using EU competition law

150. *Id.* ¶ 533.

151. *Id.* ¶ 526; *see also Id.* ¶ 543 (“Unwired Planet’s portfolio today is (and in 2014 it was) sufficiently large and has sufficiently wide geographical scope that a licensor and licensee acting reasonably and on a willing basis would agree on a worldwide licence. They would regard country by country licensing as madness. A worldwide licence would be far more efficient. . . . The real inefficiency of country by country licensing is the effort required to negotiate and agree so many different licences and then to keep track of so many different royalty calculations and payments. No rational business would do this if it could be avoided.”).

152. *Id.* ¶¶ 551–52.

153. *Id.* ¶ 794 (“Were it not for the fact that Huawei did not engage with the terms of the worldwide draft, I would have been able to hand down this judgment with the worldwide terms fully settled. That has not proved possible.”).

154. *Id.*

155. *Id.* ¶ 793.

156. *Id.* ¶ 794.

157. *Unwired Planet Int’l Ltd. v. Huawei Techs. Co.* [2017] EWHC (Pat) 1304 (Eng.).

158. *Id.* ¶ 25.

159. *Id.* ¶ 20.

160. *Id.*

161. *Id.* ¶ 21. Justice Birss reasoned that “in English law when the court grants final relief a party is not entitled to come back to court in [the] future even if circumstances change.” However, the situation ought to be different in the context of SEPs, Justice Birss said. *Id.* He observed that the license that Unwired Planet and Huawei were seeking to execute would expire in December 2020 before some of Unwired Planet’s SEPs expire. *Id.* ¶ 22. Justice Birss found that after the license expires, both parties should be able “to return to court in future to address the position at the end of the term of the FRAND license.” *Id.* ¶ 20. He said that there is no reason to assume at this point that Unwired Planet would be entitled to an injunction, but there is also no reason to assume that the injunction should be categorically rejected. *Id.* ¶ 21. Therefore, Justice Birss determined that a FRAND injunction should remain in place until the parties executed a license agreement but should have no force after that.

as a tool for addressing the SEP holder's use of injunction. After *Huawei*, SEP holders have continued to request injunctions against infringers. Yet the European Commission has not initiated any procedure against SEP holders under Article 102 TFEU. Rather, issues related to SEPs seem no longer to be among the Commission's priorities with respect to antitrust enforcement.¹⁶²

Nonetheless, the Commission has remained involved in the SEPs context through mechanisms. In April 2017, for example, the Directorate General for the Internal Market, Industry, Entrepreneurship and SMEs published a document that sought to "inform stakeholders about the Commission's work" related to SEPs.¹⁶³ The Commission said that it launched an initiative that seeks to offer (1) "best practices recommendations to increase transparency on SEP exposure," (2) "guidance on the boundaries of FRAND and core valuation principles," and (3) "guidance complementing existing jurisprudence on enforcement in areas such as mutual obligations in licensing negotiations before recourse to injunctive relief, portfolio licensing and the role of alternative dispute resolution mechanisms."¹⁶⁴ In November 2017, the Commission then issued a *Communication Setting out the EU Approach to Standard Essential Patents*—a document that, among other things, provides "additional guidance" regarding the interpretation of the requirements that the CJEU enumerated in *Huawei*.¹⁶⁵

In particular, the Communication provided recommendations for determining whether the SEP holder has complied with the *Huawei* requirements, including whether the SEP holder has extended an offer on FRAND terms. For example, the Communication suggests that when negotiating a license for SEPs, the infringer should receive from the SEP detailed information for determining both the relevance of the SEP portfolio and assessing whether the SEP holder's offer complies with the FRAND requirements.¹⁶⁶ The Communication acknowledges that "[t]he concrete requirements may vary according to the individual case," but suggests that the SEP holder provides to the infringer the necessary information for (1) assessing "the essentiality [of the SEPs] for a standard," (2) identifying "the allegedly infringing products," and (3) evaluating "the proposed royalty calculation and the nondiscrimination element of FRAND."¹⁶⁷

In addition, the Communication lists the "IP valuation principles" that, in the Commission's view, should be taken into account when defining the licensing terms for SEPs.¹⁶⁸ For example, the Communication states that the FRAND royalty should "bear a clear relationship to the economic value of the patented technology,"¹⁶⁹ "ensure continued incentives for SEP holders to contribute their best available technology to standard," and "avoid royalty stacking."¹⁷⁰ The Communication also says that a FRAND royalty "in principle should not include any element resulting from the decision to include the technology

162. See REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS ON COMPETITION POLICY 2016 (2017) [hereinafter ANNUAL COMPETITION POLICY REPORT 2016]; REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS ON COMPETITION POLICY 2015 (2016) [hereinafter ANNUAL COMPETITION POLICY REPORT 2015]; cf. REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS ON COMPETITION POLICY 2014, at 5 (2015) [hereinafter ANNUAL COMPETITION POLICY REPORT 2014]; REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS ON COMPETITION POLICY 2013, at 17 (2014) [hereinafter ANNUAL COMPETITION POLICY REPORT 2013].

163. See Communication from the Commission on Standard Essential Patents for a European Digitalised Economy, Directorate General for the Internal Market, Industry, Entrepreneurship and SMEs, Ares (2017) 1906931.

164. *Id.*

165. European Commission, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, Setting out the EU Approach to Standard Essential Patents, COM (2017) 712 FINAL (Nov. 29, 2017) [hereinafter Commission's Communication on SEPs].

166. *Id.* at 9.

167. *Id.* at 10.

168. *Id.* at 6.

169. *Id.*

170. *Id.* at 7.

in the standard,”¹⁷¹ a suggestion that contradicts the approach that Justice Birss adopted in *Unwired Planet*.¹⁷² In addition, the Communication determines that “[t]he non-discrimination element of FRAND indicates that right holders cannot discriminate between implementers that are ‘similarly situated,’”¹⁷³ although it does not clarify how that principle should be applied in practice.

However, the Communication provides little guidance (if any) for identifying the cases in which an SEP holder’s request for an injunction constitutes an abuse of a dominant position in violation of Article 102 TFEU. That is, the Communication does not clarify whether, once established, the SEP holder’s failure to comply with the *Huawei* requirements should automatically trigger a liability under Article 102 TFEU (as German courts have found) or whether a more flexible approach (as the one adopted in the United Kingdom) should be applied. In fact, the Communication provides no analysis of Article 102 TFEU or of EU competition law more generally. The Communication even explicitly states that it “does not bind the Commission as regards the application of EU rules on competition, and in particular Articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU).”¹⁷⁴ Thus, although the Communication might help to harmonize the courts’ approach in interpreting the individual requirements enumerated in *Huawei*, it might have little ability to address the differences in the interpretation of Article 102 TFEU that exist among member states after *Huawei*.

It is also worth noting that when discussing the SEP holder’s use of injunctions, the Communication makes no reference to competition law. Rather, it says that in deciding whether to issue an injunction, national courts must respect Article 3(2) of the Directive 2004/48/EC of the European Parliament and of the Council on the Enforcement of Intellectual Property Rights.¹⁷⁵ The article provides that remedies for patent infringement shall “be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”¹⁷⁶ The Communication states that “[g]iven the broad impact an injunction [for SEPs] may have on businesses, consumers and on the public interest, particularly in the context of the digitalised economy, the proportionality assessment needs to be done carefully on a case-by-case basis.”¹⁷⁷ Those statements clearly indicated the Commission’s intention to continue scrutinizing the SEP holder’s use of injunctions. However, the reference to the IPR Enforcement Directive suggests that the Commission would do so by invoking other legal tools than Article 102 TFEU.

In sum, although the Commission took some steps to harmonize the approach toward injunction SEPs, it did little to address the differences in the interpretation of Article 102 TFEU. Of course, the differences in the interpretation of Article 102 TFEU across member states are not in itself problematic. Regulation 1/2003 did not preclude member states from adopting in their territory stricter national laws regarding unilateral conducts.¹⁷⁸ Nonetheless, it is interesting that despite the long-lasting debate and a CJEU decision that sought to harmonize the divergences, the circumstances in which an SEP holder’s request for an injunction should trigger a liability under Article 102 TFEU remain yet to be defined.

171. *Id.* at 6.

172. *Unwired Planet Int’l Ltd v. Huawei Techs. Co.* [2017] EWHC (Pat) 711, ¶ 197 (Eng.) (“Prof Neven explained that he did not regard FRAND as a scheme which meant the patentee could not appropriate some of the value that is associated with the inclusion of his technology into the standard and the value of the products that are using those standards. Dr Niels agreed with that. Neither side disputed this and to the extent it is a matter for the economists, I accept their evidence. The economists’ opinions show that it is not necessary to deprive the patentee of its fair share of those two sources of value in order to eliminate hold up and fulfil the purpose of FRAND.”).

173. *Id.* at 7.

174. *Id.* at 3.

175. *Id.* at 10 (citing Directive 2004/48/EC on the Enforcement of Intellectual Property Rights, OJ L 195 (2.6.2004) [hereinafter Directive 2004/48]).

176. Directive 2004/48, Art. 3(2).

177. Commission’s Communication on SEPs, *supra* note 165, at 10.

178. Council Regulation (EC) No 1/2003 on the Implementation of the Rules on Competition Laid Down in Articles 81 and 82 of the Treaty (Dec. 16, 2002).

V. CONCLUSION

The limits (if any) that EU competition law poses on the SEP holder's right to request an injunction remain unsettled. The CJEU said in *Huawei* that an SEP holder's request will not trigger an antitrust liability if, before requesting an injunction, the SEP holder satisfies specific requirements. However, courts in member states of the European Union have adopted divergent interpretations of those requirements, and as a result, an SEP holder that requests an injunction will face a different antitrust scrutiny across member states of the European Union. In 2017, the European Commission issued a *Communication on SEPs* that sought to reduce the divergences across member states. However, because the Communication relies on tools other than competition law, it might have little ability (if any) to reduce the differences in the interpretation of Article 102 TFEU that exist after *Huawei*.