

CASE COMMENT

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FIRST FRAND DECISIONS BY THE UNIFIED PATENT COURT

Almost one and a half year after the Unified Patent Court opened its doors, the first two important decisions on FRAND have been handed down:

- [Panasonic v. Oppo \(Mannheim LD, Order of 22 November 2024, UPC CFI 210/2023\)](#) and
- [Huawei v. Netgear \(Munich LD, Order of 18 December 2024, UPC CFI 9/2023\)](#).

These decisions provide significant guidance on the application of the Huawei v. ZTE framework and how FRAND defences and counterclaims are handled by the UPC. Here are some key takeaways from the decisions.

FRAND Defence

The UPC may resolve FRAND issues based on antitrust law and/or contract law.

1. FRAND defence based on antitrust law.

Both UPC decisions applied the steps of the Huawei v. ZTE framework set by the European Court of Justice (C-170/13) for assessing whether or not the requests for injunctive relief and corrective measures were in line with EU antitrust law:

- Notice of infringement: There are no strict formal requirements and the sufficiency of the notice depends on the specifics of the case. Sending a claim chart is generally sufficient but a simple reference to a generalized website may not suffice (Panasonic v. Oppo, paragraph 194 and Huawei v. Netgear, section G.III.1.);
- Declaration of willingness to license: The seriousness of the declaration of willingness must not be assessed only based on the initial declaration but may take into consideration the parties' subsequent behaviour. Parties must act in good faith and in accordance with commercial practice to achieve a FRAND license. Parties are required to provide each other with sufficient information (Panasonic v. Oppo, paragraphs 196 to 202 and Huawei v. Netgear, sections G.III.2 and 3.);
- Offer of the SEP holder: A written offer ready to be signed is not required (Panasonic v. Oppo, paragraphs 203 and 213, and Huawei v. Netgear, section G.III.4.c.). If multiple offers are made, the last offer open for acceptance is decisive (Panasonic v. Oppo, paragraphs 221 and 222, and Huawei v. Netgear, section G.III.4.a.), or when several offers are still open for acceptance (e.g. an offer for a bilateral licence and an offer for a pool licence) at least one should be FRAND-compliant (Huawei v. Netgear, section G.III.4.b.);

- Counteroffer of the Implementer: If the implementer objects the FRAND character of the offer, it must submit a FRAND-compliant counteroffer without undue delay, provide adequate security matching the counteroffer and information on the scope of the acts of use. The security must include a commitment to pay the secured amount if the SEP holder's offer ultimately proves to be FRAND-compliant (Huawei v. Netgear, section G.III.5.c.). The two decisions seem to diverge slightly in assessing the SEP holder's offer after an implementer submits a non-FRAND counteroffer or fails to provide security: the Mannheim LD indicated that the SEP holder's offer must always be thoroughly examined for FRAND compliance and that this step must not be omitted or only carried out very cursorily (Panasonic v. Oppo, paragraph 198) while the Munich LD indicated that the SEP holder's offer may not be reviewed or only cursorily (Huawei v. Netgear, section G.III.5.a.).

In both cases the FRAND defence was dismissed as the Court found that the Defendants failed to comply with their obligations:

- in Panasonic v. Oppo, (i) the Defendants' counteroffer did not prove to be FRAND compliant, (ii) they did not behave in good faith according to the customs of a user seriously interested in a license, (iii) the security was insufficient and (iv) their procedural conduct was characterised by self-contradictory conduct (firstly, Oppo's challenge of the jurisdiction of the UPC was in contradiction with their request for determination of a FRAND rate by submitting a FRAND counterclaim and secondly, the FRAND counterclaim was being territorially limited in contradiction with their argumentation that FRAND is solely the determination of a global FRAND rate. Here, Oppo's counteroffer was not in line with the approach of an implementer in good faith intending to conclude a license agreement and complicating the situation by bringing FRAND rate determination proceedings for sub-regions of the world before different courts);
- in Huawei v. Netgear, (i) the Defendants did not signal a sufficient willingness to take a licence after an unobjectionable infringement notice, (ii) they delayed the negotiations, (iii) they did not provide any security or sufficient information after rejection of their counteroffer, (iv) they have not provided any substantive information as to why the pool licence offered by Huawei in addition to a bilateral licence did not satisfy FRAND principles and (v) they have not conclusively argued that the patent gave Huawei a dominant market position.

2. IEEE LOA objection based on contract law

In Huawei v. Netgear, the implementer also relied on a contractual obligation for Huawei to grant a licence due to a Letter of Assurance (LOA) provided to the Institute of Electrical and Electronics Engineers (IEEE) containing the following clause:

"The Submitter will grant a license under reasonable rates to an unrestricted number of applicants on a worldwide basis with reasonable terms and conditions that are demonstrably free of unfair discrimination."

The Munich LD indicated that the question of how to prove procedurally that the terms and conditions are free of unfair discrimination is a negative characteristic. The patent holder can only fulfil its burden of presentation and proof if the defendants have previously presented circumstances that suggest unfair discrimination, e.g. the unequal treatment of comparable licensees or the equal treatment of dissimilar licensees without a justifiable reason. It is then up to the patent holder to either refute the unequal treatment or to provide justification on why the unequal treatment is "fair" (Huawei v. Netgear, section H.I.).

The objection was dismissed as the defendants (i) did not argue that a patentee cannot fulfil the obligations assumed by the LOA by offering a pool license and (ii) failed to argue that and explain why the pool license rate or the other conditions of the pool constitute unfair discrimination.



Counterclaim to a licence and setting of FRAND rates

Both decisions acknowledged that counterclaim for determination of a FRAND license is admissible before the UPC (Panasonic v. Oppo, paragraphs 237-241 and Huawei v. Netgear, section G.III.5.a.).

The UPC may set FRAND rates. The main guideline is that the parties comply with their obligations according to the Huawei v. ZTE framework. If both make an offer/counteroffer within the FRAND corridor, but cannot agree on overcoming the remaining difference (Panasonic v. Oppo, paragraph 249), the Court may set a FRAND rate.

The counterclaim was dismissed as the counteroffer was not FRAND-compliant, in particular because it was not calculated on the basis of the defendants' own acts of use.

