

JANUARY 2019

DEVOTED TO
LEADERS IN THE
INTELLECTUAL
PROPERTY AND
ENTERTAINMENT
COMMUNITY

VOLUME 39 NUMBER 1

THE *Licensing*
Journal

Edited by Gregory J. Battersby and Charles W. Grimes

Licensing Markets



Patent Licensing

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Licensing Patents Related to Infrastructure for Electric and Autonomous Vehicles

Recently, we have witnessed a proliferation of partnerships between companies in the automotive industry and technology providers. For instance, Volvo bought a stake in electric vehicle charging supplier FreeWire Technologies, and BMW Group, Daimler AG, Ford Motor Company, Volkswagen, Audi, and Porsche formed a joint venture, Ionity, with a desire to build a pan-European vehicle charging network. BMW has also signed a patent-licensing agreement with Avanci to gain access to a large number of patents related to the Internet of Things.

This move toward “connect- edness” is redolent of what hap- pened in the smartphone sector, which witnessed many legal bat- tles related to standard essential patents (SEPs) due to the need for huge volumes of interaction between mobile devices. One of the legal battles in the smartphone sector recently went before the English Court of Appeal (*Unwired Planet International Ltd & Anor v Huawei Technologies Co. Ltd & Anor* [2018] EWCA Civ 2344). In this case, the Court has provided some useful guidance to innova- tors and implementers, as they seek to come to agreement about

licenses to what promises to be an increasingly diverse pool of SEPs.

Licensing activity in the auto- motive sector is anticipated to rise substantially, as vehicles and the surrounding infrastructure become more entwined. The prin- ciples decided in *Unwired Planet* will be equally relevant to the automotive industry, as vehicles become more connected to infra- structure and SEPs take a more prominent role.

Standard Essential Patents—Guidance for the Automotive Industry

The dispute involved a number of patents relating to 2G, 3G, and 4G technology which were owned by Unwired Planet and declared to be essential to a telecommu- nications standard (*i.e.*, SEPs). Unwired Planet had under- taken to license those patents on Fair, Reasonable and Non- Discriminatory (FRAND) terms.

The Court of Appeal judg- ment focused on the non-tech- nical issues in this dispute and specifically the terms of the license between Unwired Planet (the owner of the patents) and Huawei, which was found to be infringing some of these patents.

The Court set out the following:

- Licenses to SEPs should be global, rather than by

individual territory—but this does not mean that patents are needed globally.

- There are a range of royalty rates that could be considered Fair, Reasonable and Non- Discriminatory (FRAND) in any particular negotiation.
- There’s no obligation on an owner of an SEP to agree to a license at the same rate as that granted to another party.
- Starting legal proceedings against an infringer who had not agreed to the terms of a license to an SEP is not neces- sarily an abuse of a dominant position (*i.e.*, the steps set out in *Huawei vs ZTE*, Case C-170/13 [2015] Bus LR 1261 were not mandatory).

It’s now possible that Huawei will push for a referral to the UK Supreme Court in this dispute.

What This Means for the Automotive Industry

The English Court of Appeal has marked itself out in this case as willing to take on the nuanced matter of FRAND negotiations relating to international pools of SEPs. Indeed, one of the key points made by the Court is that these disputes are not about the validity and/or infringement of patents across jurisdictions inside and outside of the UK, but rather the mechanics of licensing nego- tiations and the terms of a license.

This sends out the message that, while a global license is encouraged and seen to be more cost-effective, innovators don’t necessarily need to engage in the costly exercise of securing pat- ents in every jurisdiction in order to support a successful licensing program.

In confirming that a range of FRAND rates exist for any particular negotiation, the Court has assisted both innovators and implementers as it introduces flexibility, which is often necessary in such negotiations.

If the Court was to insist on a single FRAND rate, it may introduce an unnecessary level of complexity into negotiations. Innovators would not want to be found to be abusive because they haven't granted a license at the single FRAND rate—and implementers wouldn't want to find themselves exposed to unnecessary infringement risk just because they're seeking what they see as a fair rate as part of normal "arms length" negotiations, if that fair rate isn't the single FRAND rate.

The Court's confirmation that owners of SEPs can grant licenses at differing rates to different, similarly situated entities is also helpful. A Court's insistence on the same rate being granted to

different, similarly situated entities in order for the owner of an SEP to be described as non-discriminatory would neglect all other aspects of licensing negotiations and would seem to be at odds with a normal, commercial, common sense-based approach to contract interpretation.

Finally, the Court also appeared to suggest that the steps set out by the CJEU in *Huawei vs ZTE* were not mandatory in order to be found to be non-abusive of a dominant position. Rather, these steps form a set of guidelines.

Next Steps for Innovators and Implementers

The patent landscape in respect of vehicles and their related infrastructure is anticipated to become increasingly crowded, as protagonists in both the automotive and infrastructure sectors both seek

to protect their innovations. This means that the necessity to take out a license to an SEP becomes more likely. Therefore, this guidance from the Court should be heeded, as parties try to obtain a license on FRAND terms without years of litigation.

The first step for innovators is to protect their inventions. The first step for implementers is to carry out appropriate due diligence on the patent landscape surrounding the technology they wish to implement.

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