

# FRAND Licensing of Global Portfolios – Who Gets to Set Worldwide Rates?

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A key issue in the licensing of standard essential patents (SEPs) is whether national courts have jurisdiction to determine what constitutes a *global* fair, reasonable, and non-discriminatory (FRAND) license rate. The Court of Appeal in England recently held that its patent courts have such jurisdiction. In *Huawei Technologies Co. Ltd. v Conversant Wireless Licensing SARL*, the Court of Appeal affirmed the jurisdiction of the High Court of Justice to try a claim for the infringement of UK-designated European SEPs against Chinese as well as English defendants and to issue an injunction for the unauthorized use of the SEPs at issue. In the process, it also affirmed the High Court's jurisdiction to determine a worldwide FRAND rate.

### The *Huawei* Dispute Before the High Court of Justice

Conversant sued Huawei and ZTE (each comprising both Chinese and UK companies) for infringement of the UK designations of four of its European patents. Conversant also sought a determination of the FRAND licensing terms for its global patent portfolio—a portfolio that comprised a large proportion of Chinese patents. Huawei and ZTE countered that English courts do not have jurisdiction to determine global licensing terms. They argued that by asking an English court to determine the licensing rate for a global patent portfolio, Conversant was effectively seeking an infringement determination with respect to foreign patents, over which English courts have no jurisdiction. They argued that the jurisdiction of the English courts is limited to deciding the validity and infringement of UK patents, and have no authority to determine a worldwide FRAND rate for the use of Conversant's patents.

Huawei and ZTE also argued that the UK was a *forum non conveniens*, and that China was the more appropriate forum for the determination of Conversant's claims, including the determination of the terms of a global FRAND license.

The High Court rejected both of the jurisdictional challenges brought by Huawei and ZTE. The defendants appealed, but only on *forum non conveniens* grounds<sup>1</sup> in light of the Court of Appeal's decision in *Unwired Planet v. Huawei*, which issued while Conversant's case against Huawei and ZTE was pending. *Unwired Planet* held that the scope of a FRAND license to a global patent portfolio should itself be global.

### The *Huawei* Appeal

The Court of Appeal dismissed the jurisdictional challenge on the grounds that the dispute between the parties was about questions of the infringement, validity, and essentiality of the patents at issue—all UK patents. It held that a UK forum was the most appropriate—indeed, the only viable—forum in which the dispute could be heard. Article 24(2) of the Regulations governing the European Union provides that “[i]n proceedings concerning the registration or validity of patents, the courts of the member state in which the registration was applied for have exclusive jurisdiction.” As such, the High Court has jurisdiction to adjudicate the infringement and validity of UK patents, and to issue an order providing relief, including by issuing an injunction and awarding damages.

The Court of Appeal went on to explain that Conversant had alleged that its UK patents were essential to the standard set by the European Telecommunications Standards Institute (ETSI), and that it had complied with its obligation under the ETSI standard to make an offer on FRAND terms. Since the court's determination of what constitutes a FRAND rate was central to its adjudication of whether Conversant had complied with its obligations under the ETSI standard, that determination necessarily fell under the court's jurisdiction to hear the infringement action.

Of course, decisions by English courts regarding the infringement, validity, and essentiality of UK patents cannot and will not preclude the courts in other jurisdictions, such as China, from determining the infringement, validity, and essentiality of patents falling under their own jurisdiction. Nor can it preclude them from determining a different worldwide FRAND rate for the same global SEP portfolios. How such disparate outcomes will be addressed and resolved remains an open question.

[1] Huawei and ZTE have preserved their other jurisdictional challenge for a possible later appeal to the Supreme Court.

## Authors



**Michael T. Renaud**, Member / Chair, Intellectual Property Division

Michael T. Renaud is an intellectual property litigator and patent strategist who helps Mintz clients protect and generate revenue from their patent holdings. Clients rely on Mike's counsel on sensitive licensing agreement negotiations, acquisitions, and other technology transactions.



**James Wodarski**, Member

James Wodarski is a Mintz trial attorney who concentrates his practice on intellectual property litigation. Jim represents clients in federal district and appellate courts. He handles disputes involving smartphones, core processor circuits, digital imaging software, and other technologies.



**Sandra J. Badin**, Special Counsel

Sandra J. Badin is a Mintz attorney who litigates patent matters before the Court of Appeals for the Federal Circuit, the US International Trade Commission, and federal district courts. Sandra represents clients in a wide range of technology fields and maintains an active pro bono practice with a focus on domestic violence issues.