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6C Copyright Law, Competition & Trademark Law Session. FRAND

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Session 6C

Emily C. & John E. Hansen Intellectual Property Institute

**TWENTY-NINTH ANNUAL CONFERENCE
INTERNATIONAL INTELLECTUAL PROPERTY
LAW & POLICY**

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**SESSION 6: Copyright Law & Competition Law
6C. FRAND**

Moderator:

Cordula Schumacher

ARNOLD RUESS, Düsseldorf

Panelists:

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Steven Geiszler

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Session 6C

CORDULA SCHUMACHER: Welcome everybody to this year's FRAND session. Again, like in the other years we have a lot of topics to discuss. The ASI and ASI bettors have reached a political level with the draft defending American courts act WTO complaint by the European Commission. We have various surveys from political bodies on SAP licensing and FRAND and we have further interesting developments on the national case level for the cases.

Continental was launched here and Nokia. Optus in the US. Optus was Apple in the UK and others. New license agreements have been concluded and disputes have been settled like Nokia and Daimler and others. Well, other disputes are now pending before the courts with global battles ongoing between Ericsson and Apple and Nokia and Oppo and there is litigation being pending against fraud and obviously many more.

We see there's a lot of movements and a lot of things happening and I would like to discuss these issues with you. In particular, I would like to address the following issues, anti-suit injunctions, of course, is still a hot topic, but also the broader topic of jurisdictional challenges and initiatives how to solve this. I'm just getting a message that my audio is-- Okay, thank you. Then arbitration, is that a solution to all the problems we're facing?

Coming to FRAND itself and the application of FRAND, what is willingness? What does that require? How can we approach rand, and how to deal in that context with confidentiality and NDAs? Maybe hold out over this hold-up. If time allows, I would also like to go into the specific question of the licensing level. Before we start, of course, I would like to welcome my esteemed panelist. Let's do a quick round of introductions. May I please ask everybody to do a quick introduction of himself? Just name and affiliation and I'll go in alphabetical order. First, David, please.

DAVID POR: Hello. Good morning, good afternoon, everybody. My name is David Por, I'm a partner at Allen & Overy in Paris, France.

CORDULA SCHUMACHER: Perfect. Thank you, Jorge, please.

JORGE CONTRERAS: I am Jorge Contreras. I'm a professor of intellectual property law at the University of Utah in the US.

CORDULA SCHUMACHER: Welcome Jorge. Jhy-An, and I hope I pronounced your name correctly. Otherwise, please let me know.

JHY-AN LEE: That is correct. Thank you, Cordula.

CORDULA SCHUMACHER: Jhy-An, perfect.

JHY-AN LEE: I am a Jhy-An Lee. I am a professor of intellectual property at the Chinese University of Hong Kong.

CORDULA SCHUMACHER: Welcome, Jhy-An. Steve, please.

STEVE AKERLEY: All right, we're different this year, Steve and Steven. I'm Steve Akerley, I am the Vice President and head of intellectual property and litigation at InterDigital.

CORDULA SCHUMACHER: Steven?

STEVEN GEISZLER: I am Steven Geiszler. I'm in Dallas, Texas, and I'm the Chief IP counselor for Huawei for the United States.

CORDULA SCHUMACHER: Welcome back Steven. Wolrad, last but not the least, my former colleague. [laughs]

WOLRAD PRINZ ZU WALDECK: Hello, my name is Wolrad Prinz zu Waldeck. I'm a partner at Freshfields based in Dusseldorf and Munich, Germany.

CORDULA SCHUMACHER: Thank you. Welcome, all and of course also, welcome to the audience. You see we have a board panel covering views from in-house, academic, and private practice. I also expect my panelists to express quite a variety of opinions. Please do not hold back let's make it an interesting and lively discussion. Also, the request goes to the audience please do put in any questions in the Q&A. I'm looking forward to receiving your comments and questions. So, with that, let's jump into the discussion.

Let's start with the jurisdictional issues and the topics of the ASI and AASI. Very much the first question, is this really still a topic, or have we already passed the peak? Has it been kind of a fashion thing and now things are being sorted out or will this continue? Maybe the question first goes to our litigators, Wolrad and then David, what do you see in your daily practice? Is there a tendency?

WOLRAD PRINZ ZU WALDECK: Yes, I can report that ASIs respectively, AASIs are granted quite frequently. At present, we can still observe them in particular in the Munich court where AASIs are most often applied for, and regularly granted - often pre-emptive, i.e., without a prior application by the patent holder for an ASI. AASIs are often served on foreign defendants by means of public service. I think that is still a practice as many of you may know how the Munich protects approach that if you do not in ongoing negotiations, agree or clearly state that you're not going to request an anti-suit injunction then as an SEP holder, you are entitled to request an AASI in preliminary injunction proceedings.

There are also other indications that are considered to provide basis for a patent owner's application for an AASI. Past behavior - e.g. if any entity of the group of companies has requested an AASI in the past, or starting a rate-setting litigation in a country where ASIs are available, entitle the patent owner to obtain an anti-anti-suit injunction. We've seen recently that the Düsseldorf Court of Appeal has taken a different approach and requires more concrete evidence of actual attempts to start an ASI, so it sets a different - higher - bar. However, at present in Munich, we still see them granted regularly.

CORDULA SCHUMACHER: Are they just preemptive ASIs or are they necessary to fend off actual ASIs?

WOLRAD PRINZ ZU WALDECK: That is not always apparent because--

CORDULA SCHUMACHER: Are ASIs as attractive as they were beforehand?

WOLRAD PRINZ ZU WALDECK: That is not always apparent. I just see at the moment regularly every week or every other week announcements of the public service of decisions in ASI/AASI proceedings without the actual decision becoming public. It's not fully clear to see. But from these indications, I would assume that the majority will be preemptive applications.

CORDULA SCHUMACHER: David, what is your experience? Do you see a lot of ASIs or AASIs in your daily business any longer?

DAVID POR: We don't see that many in France. However, as long as there's going to be differences between the ways in which things are decided in

different countries, one or the other party will have an interest to go to a specific jurisdiction and try to protect the jurisdiction of that particular country. It's inherent in the system we have with different case law in different parts of the world, that there will be competition between the different courts and that will translate notably in these kinds of measures, I guess which to stretch our legal systems quite a bit certainly the continental legal systems quite a bit. That's fair to say as well.

CORDULA SCHUMACHER: Yes, well, you would think that as long as there are AASIs flying around, ASIs become pointless, and then it's kind of running out of fashions, but that doesn't seem to be the case for the moment. What we do see is that, I don't know whether anybody has a different view on that ---

STEVE AKERLEY: I'm surprised to hear about the regularity that route is still seen mainly because well, I just apparently don't know about those decisions. I haven't seen an anti-suit injunction that is one that attempts to prohibit a patent owner from proceeding with litigation since the Samsung Ericsson ASI in Wuhan, which followed the Jami Interdigital ASI out of Wuhan. My experience at least has been that following the Munich regional courts anti-anti-suit injunction in the Xiaomi Interdigital disputes that, that decision really made as you said to use your phones.

The court left a few minutes ago made anti-suit injunctions far less attractive because of the Munich courts interpretation of what that meant in terms of a party's willingness. I just haven't seen one and I know that in the-- Again, looking at activity in Nokia, in their ongoing disputes against Oppo I believe that the issue came up in India, where Nokia had filed a preemptive type anti-anti-suit injunction in the response. My understanding is the response to that from OPPO was an undertaking that it would not seek an anti-suit injunction and it resolved the issue. I haven't seen an anti-suit injunction since December of 2020.

CORDULA SCHUMACHER: Similarly, in the Ericsson and OPPO litigation, I think after that was taken to the Dutch court Eva said, "Well, I don't even intend to file for an ASI."

STEVE AKERLEY: Fair.

WOLRAD PRINZ ZU WALDECK: Maybe to clarify that, Steve. The point is there are anti-anti-suit injunctions, which are granted ex parte and which patent owners regularly apply for partially even before filing main proceedings and without any anti-suit injunction having being applied for elsewhere. We see still a practice of anti-anti-suit injunctions being granted, but I agree with you. I haven't seen the request (or grant) of an anti-suit injunction from an implementer for quite a while.

CORDULA SCHUMACHER: Well, nevertheless it may be with a bit of delay after the course have already found a solution, now the political level is picking this up, for whatever motive to resolve the matter or to make oneself heard in the political game. On the one hand, we are seeing the WTO complaint, or I think it's not even formally a complaint, but well, request by the European Commission that seems to be directed mainly against China. Jhy-An, how is that perceived in China? Is there any talk about that or is that flying under the radar?

JHY-AN LEE: I think people in China actually are pretty much look forward to the decision by WTO. They are actually different perspective. Some people feel just more like a political issue. Others tend to believe that China actually establish new legal author, especially with regard to a FRAND extender essential patent. But I would say still even in China, it is very controversial.

CORDULA SCHUMACHER: On ASIs, we have seen that China maybe smartly has taken lessons of what has been done in the UK and the US and, has taken the ASI to a different level. Is that also discussed controversial in China? Is that seen rather as a maybe necessary means to protect the home industry?

JHY-AN LEE: That is actually also discussed. I know that George had written a number of papers on ASI. I also had the papers, we had a very fruitful discussion last year. Let me see, I actually prepared a couple of PowerPoint slides, probably I can show here so it's easier to illustrate the point.

CORDULA SCHUMACHER: You won't have more time than any other of the panelists [laughs]

JHY-AN LEE: Okay.

CORDULA SCHUMACHER: Just your way.

JHY-AN LEE: I think I will just not go-- [crosstalk]

CORDULA SCHUMACHER: I'll give you two minutes [laughs].

JHY-AN LEE: Not get into the details but since you asked about China. The unique thing about the Chinese ASI is that it actually provides very broad scope. Which is actually having that global application. Which is to prevent any litigation in any jurisdiction. I would say that ASI might be increasingly common in different jurisdiction, but this global ASI is actually pretty rare. I would say internationally and also in China. Whether the scope of ASI can be that broad, that is still under debate but it seems that the supreme people's court has been pretty in support of that broad application of ASI. I know that we have a meeting, I'm not going to go to these slides.

CORDULA SCHUMACHER: Perfect. Thank you. Thank you for sticking to that. I guess we might even see more ASIs potentially if applied for, from China unless of course, the WTO makes a very Solomonian ruling on that. Another initiative is the defending American courts act. I have to say with European ears, the title already sounds quite American. Maybe Jorge, can you briefly explain the background of that and what's the status, I understand it's currently just a draft, and what's your view on that?

JORGE CONTRERAS: Absolutely. This is a case of you ask for something and you get more than you expected. With the ASIs being issued by Chinese courts, certain political groups in the US have turned this very much into a political issue involving the US and China trade war that was very heated over the last several years and view the Chinese ASIs as some aggressive tactics that need to be countered in the US.

To do that, legislation is introduced in the judiciary committee of the US Senate called this Defending American Courts Act that would basically create a nationwide anti-anti-suit injunction in the United States. Going up even a level from the courts issuing AASIs as the Texas court did in Ericsson and Samsung in 2020. The act would create a set of penalties for any company who tried to

enforce foreign ASI in the United States patent litigation, including creating a presumption that the infringement is willful. If infringement is found designating it as an exceptional case for purposes of cost recovery, which is quite unusual in US cases.

I think most importantly, making the user of the ASI or the enforcer of the foreign ASI ineligible to challenge the asserted patents at the Patent Trial and Appeal Board, PTAB which as you know is a very common route for challenging patents these days and is often done in parallel with district court litigation. These are some relatively serious penalties. In addition, of course, you can still apply for your AASI in the district court like you could before. It's unclear what will happen to this. Most bills introduced in committee don't emerge as laws but this one is still alive and there's talk that the draft will be modified somewhat now that people are responding to it, but it's definitely an escalation that I think could have some quite unanticipated results.

CORDULA SCHUMACHER: It seems we're living in terms of escalation [laughs] everywhere, not only regarding ASIs. But it's a remarkable penalty to say that then you can't attack the ability of the patent. I would think of other potential penalties, but I don't know. Steven, do you think that this the defending American courts act, does that do any good? Is that helpful?

STEVEN GEISZLER: I shared a bit of Jorge's, his comment of you asked for something and you get a lot more than what you asked for. It may be well-intentioned. However, I think there are two aspects of it that have concerned me. Number one, just the political commentary, not necessarily academic, but political commentary very pointed toward China. I'm not trying to be an apologist for China, just because I work for Huawei, represent Huawei. But the reality is ASIs were not invented by China, that's not the only source of them. The political commentary, I think is a little bit off the mark in terms of the true context here.

The other concern I have is, it has very strong penalties against foreign ASIs, but there's no prohibition whatsoever against American courts issuing ASIs. If we're going to be principled about it and say that ASIs are against the principle of justice, which I believe is one of the political commentaries, then should the American courts be granting ASIs because of course they have or should they not? We're either all going to be in the same boat or else, maybe this is something that's more provocative than curative. That's my concern, but certainly, I live in Dallas, not in DC. I'm somewhat removed, but yes, I'm happy that people like Jorge are monitoring this because I just not sure that the full context is appreciated within the halls of DC.

CORDULA SCHUMACHER: Well, with my European background, I think just get rid of ASIs completely. I never quite understood the point of that, but well, I don't know Steven and Steve, do you have a different view on this act?

STEVE AKERLEY: Well, I'm not certain that all of the relief in that act is necessary but I do think it's a legitimate legislative response that mirrors, if not the substance certainly the sentiment of virtually every anti-anti-suit injunction that has issued which have all had rather strong condemnation of anti-suit injunctions. I don't want to make a distinction between what I consider a true

anti-suit injunction which are the two Wuhan well, I guess three, Sharp Oppo which I still haven't seen that decision but it's out there.

Certainly, the two Wuhan decisions in Samsung - Ericsson and InterDigital - Xiaomi, were broadly prohibitive of a patent owner asserting its patents in another jurisdiction or proceeding with pending litigation. All of the decisions that preceded that that have been called anti-suit injunctions really I think are misnomer those are anti-enforcement or anti- injunction, Microsoft, Motorola, Huawei and Samsung were both of that variety as was the Huawei Optus SPC decision.

I think those are far narrower and I think the difficulty that foreign non-Chinese courts have had and that the US congress is having, are the broad strokes and the penalties frankly. What everyone considering anti-anti-suit injunctions have considered to be excessive penalties from the true anti-suiting injunctions that have issued from the two from Wuhan and I forget if Sharp Oppo was Shenzhen or a different court. Those I don't think, and it's possible that I'm missing one but I don't think there has been any anti-suit injunction of that scope that has issued outside of China.

CORDULA SCHUMACHER: You're right, my personal opinion is also that something needs to be done whether through AASIs or some political statement whether the defending American courts act is the right measure, we will see. The background of this battle is, of course, in the end, the battle about the right forum. We all know the litigating parties are striving to get the best forum and you would think some quotes are more favorable to others.

Whenever you have a broad anti-suit injunction that means that all other litigations have to stop that, that's the intention. One court says I'm the only one to decide that. Maybe to Jyh-An especially with the board and anti-suit injunction, we've seen from China that seems that the message behind that is China saying I am the only court that should decide on this issue. Can that be justified?

JHY-AN LEE: Many people believe so. I also want to respond to Steven's viewpoint which is about China is not the inventor of AASI. Of course, that is true. In Chinese history, there actually has not been that kind of system. We did have one very similar AASI decision in maritime law but never in IP. That was pretty surprising in the past two years that China started to issue a number of ASIs, and those most people would say ASI is like a common law idea.

China is a civil law country. That is another not very common thing that we see in the Chinese legal system, but we do see that China was actually doing something similar to what the US has been done with regard to aggressively claiming jurisdiction over this patent proceeding. Interesting to see that from a comparative perspective as well. Of course, some panelists already mentioned so different kind of AASIs were issued in different jurisdictions like Germany, France, and India.

We can see probably there are two different groups. One group is more aggressively issuing ASI. Most of the ASIs have been issued in the US and China. The other group is actually trying to defend their judicial sovereignty, probably in a more passive way not ASI type but AASI.

WOLRAD PRINZ ZU WALDECK: If I may, I just want to make one comment and point to the recent decision in the Netherlands in the Ericsson v. Apple litigation. The preliminary injunction judge distinguished between performance ASI and preventive ASIs. He dismissed an AASI application against what he considered a performance ASI, e.g. an ASI which was based on contractual basis which prohibits the other side, for example, to bring certain actions. The court held that there may be such circumstances an ASI might be appropriate. I think that is a fair point, and you cannot say ASIs are per se "evil". There are decisions acknowledging that ASIs as such can be admissible and also adequate and appropriate to be granted.

The second point and I think the key issue is what you, Cordula pointed to. It is generally put that the Chinese courts are the ones essentially assuming jurisdictions with full right to determine FRAND rates globally. I think the key issue what spurred ASIs, AASIs and AA..SIs are national court decisions decisions which have essentially a global effect and not merely a territorial one.

It was spurred by the UK Huawei v. Unwired Planet decision where the courts set a global FRAND rate and granted conditional injunctive relief. While it was clad in stating that the UK court assumed only only jurisdiction for the UK patents and only decided on infringement in the UK, the injunction was granted conditional on the implementer not accepting the global licence terms established by the court. That is, it decided only on infringement in the UK but if you want to avoid it, then you have to take a global license at terms just established.

This is similar in Germany where an implementer has to make a global FRAND offer as a counteroffer in order to preserve a FRAND defense in case of a finding of infringement. If the German court decides an implementer didn't make a FRAND offer on a global basis, then he/she is enjoined from the German market.

All the decisions which I think are at the heart of anti-suit and anti-anti suit injunctions are decisions which essentially lead to one court deciding a case which then has a global impact. This is why the battle is being fought. If that were not the case, then I believe the whole saga of anti-suit injunctions and anti-anti-suit injunction wouldn't have arisen.

CORDULA SCHUMACHER: Of course, it's the well-known tension which patents perceiving national and licensed agreements in practice being global although of course at least for the German example and I think it also applies to the UK example, in the end, there's always a choice to just stay away from infringing the German patent and then you're out. There's no obligation to accept a certain FRAND offer.

It's just the ruling basically just says do not infringe German patents. I think that is maybe not something that we can solve right now here, but maybe a solution leading over to the next topic could be arbitration if the right forum can't be solved. Maybe first starting with the practical experiences, mostly to Steven and Steve what is your practical experience? How many times do you arbitrate? Is that good means or is it rather a performer option? Do many parties on the other side accept that means?

STEVE AKERLEY: I'm happy to start. Well, let me start by saying InterDigital relatively publicly certainly in certain cases, we've represented not only to other parties but to various courts that we are in any normal circumstance that is if there's a reasonable arbitration agreement and body, InterDigital is always willing to take disputes to binding arbitration. The company preceding my time at the company certainly has engaged with some customers, licensees, in arbitrations. I would say that I don't think that's occurred since 2015. In our experience, it's not an offer that's taken up. I was going to say frequently, but ever really in the last good number of years.

CORDULA SCHUMACHER: The point is it's an option, but it's not obligatory.

STEVE AKERLEY: It's certainly not obligatory. We would hope that licensees, potential licensees, would say yes because then we're going to one forum, it's going to resolve the issue, I think ultimately faster. I think there are ways to structure arbitration that are undeniably fair on their face but there is, I'll say undeniable, again, I think there's a resistance on the implementer side to engaging in binding arbitration, that's been our experience.

CORDULA SCHUMACHER: Is that also you experienced, Steven, in practice?

STEVEN GEISZLER: Yes, so ours we're a little bit different, although certainly not at the other end of the spectrum from Steve and InterDigital. Huawei, sometimes we've agreed to and participated in arbitration, many times we don't. Number one, sometimes it just depends on who the other party is to the contract. There are somewhere we have just more expectation that the arbitration would be fruitful and would be efficient and would be something that would be a good way of resolving any future disputes.

Many times though, it's very difficult to contract into an arbitration because if nothing else, many times, particularly if you're doing cross-border deals, many companies will insist that the arbitration be in their country and follow the rules that they most like. You'd be surprised how many companies just will not agree to even just a neutral arbitration location and body. Instead, they just want the homecourt advantage and they're very strident about that, and just will not move off of that issue.

So the realities are, that even where you might be amenable to arbitration provisions in some instances, it's just many times harder to get other companies to agree to it. In fairness, there are many instances where we think that the court system whether it's in a single nation, or whether it would be a multi-jurisdictional fight, that would be the preferable way of handling in the future disputes. As is so often the case, we are kind of somewhere in the middle, sometimes we would agree with Steve and InterDigital on arbitration, other times, we would be more on the traditional implementer view of the issue.

STEVE AKERLEY: Let me just follow that. I agree that that's some of the difficulties that Steven was listing can be on both sides, but where we're seeing it mostly is on the implementer side because we won't demand that it's-- Let me give you a crazy example. It's three arbitrators of our choice or it has to be in the US. We will readily agree to completely neutral jurisdictions, obviously, using

qualified bodies, whoever that may be, everyone knows whether it's ICC or AAA or another qualified body, and a selection process of arbitrators that is intended to be instructed to be completely fair and it's always, I was going to say surprising, it's not surprising because I have my views as to why implementers don't want to do arbitration but we see the rejection of those and it can't be based on a bias, it really is based on the last issue that Steven mentioned, which is the other side for whatever reason wants to be in court, typically in our cases, multiple jurisdictions.

CORDULA SCHUMACHER: Yes, I have to say lately, even more than previous I think it's really taking up the discussion of arbitration and it's being advocated as the solution. Just yesterday, just the switch at law was a very strong advocacy for arbitration. Jorge, I think you also have your opinion on that, should it be made mandatory maybe through standard-setting organizations and maybe the second question to that, under which rules, which law applies where and how? Because that seems to be where the discussion is?

JORGE CONTRERAS: Exactly. First off, I'll just say I believe I've probably been involved as an arbitrator in possibly some of the arbitrations that some of the other panelists have talked about and I can assure you that the arbitrators in these, no matter which party they're appointed by generally tried to be fair, and balanced in the decisions that they come up with. It is a myth that a party arbitrator generally just tries to rule for their party. Just in a standard bilateral ICDR type arbitration that we have today but that's just a footnote.

I'm all for party arbitration, the only drawback to it, even a drawback as compared to courts is that the results are usually confidential so they don't help the rest of the industry to get a sense of the benefit of the arbitrator's analysis that our arbitrators put a lot of work in and come up with some rate or calculation or even a methodology that is then secret to all but the parties, so the rest of the industry isn't helped all that much.

One method of trying to address that is to have arbitrations that are at least open as court proceedings are so the results are made open. Also, that would involve multiple parties, not just one implementer versus one, SEP holder, but the entirety of the parties with an interest as we see in judicial proceedings like interpleader where anyone with a financial interest in the outcome is invited to present evidence and then to have their say in what the outcome should be both implementers and SEP holders. The types of rate-setting proceedings that we have with copyright, where there are multiple content owners and multiple distributors and a neutral body, either a governmental body or nongovernmental body that helps to decide.

If you have that then the question of which bodies arbitral rules is less important and I honestly think with the age of Zoom, that the location is less important these days and I think there's some obvious locations. Whatever the location is, it's going to be cheaper, and more efficient than litigation in seven, eight, nine, different countries where they are definitely are paying for hotel rooms in multiple, very expensive cities. I do think that something like this could help and at least you just have to do it once, instead of multiple times all around the world.

WOLRAD PRINZ ZU WALDECK: Cordula, can I add a word to that?

CORDULA SCHUMACHER: Yes.

WOLRAD PRINZ ZU WALDECK: Thanks so much. Just to say, and I agree with much of what Jorge just said, in addition to the fact that confidential arbitration doesn't help the market, it also creates an information asymmetry for the benefit of repeat players and large players. This is at the detriment of well, typically, new entrants on the implementer side and SME innovators on the patentee side, which is probably not desirable. To address Jorge's question of the applicable law, of course, the response is French law, but that's obvious for everybody.

More seriously to that point: there is, I think, an interesting precedent which we could think of if we were ever to explore collectively this route of compulsory arbitration which is the investor-state dispute resolution mechanism, ISID. ISID does publish something like 95% of the decisions issued every year. They are published, commented upon, they're redacted. Well, we would love to see all the figures but we're not going to see all the figures and it's fair that we don't see all the figures.

On the other hand, seeing the methodology, what's a comparable? How do you unpack a comparable, what not? There's so many issues out there, that would actually be interesting and if you take a step back, it's quite amazing, I find, that we are having these discussions for a number of years now and you can literally count the number of precedents that actually talk about money on a single hand. It's just incredible, it's amazing. It doesn't advance the industry as a whole. Let's maybe have a look at how ISID does it, would be my suggestion of the day.

CORDULA SCHUMACHER: What type of laws then apply? If the parties just agree to arbitrate. What I've seen many times, the question of arbitration is also limited to the question of the weight, for example. Especially from the German perspective, we would consider FRAND to be a competition law issue and competition law obviously is something that is being applied nationally or regionally. I would wonder what law is being applied, if you make it mandatory? If parties agree on arbitration, it's up to them, what they do but if you make it mandatory, who would decide under which laws that should happen. Anybody?

JORGE CONTRERAS: I have a suggestion. I think some of the disputes become competition law issues, but at root, the FRAND commitment itself is created by the SDO policy. This isn't the essential facilities doctrine created by competition law in the abstract. It's created by policy documents, which are in fact governed by laws that are stated in the policies. As David of course indicates French law governs the Etsy policy, but there are numerous other SDOs out there who have different laws governing their policy. That should be the law, the same SDO that requires that their disputes will be adjudicated through some rate-setting arbitration tribunal would also say the law and then the parties don't have to fight about it. It would just be the rule that they agree to when they join the standard body and partake in standards development there.

CORDULA SCHUMACHER: Jyh-An, what do you think the Chinese Supreme Court would submit to that type of arbitration? Would it accept it or would it issue an anti-arbitration injunction, an AAI?

JHY-AN LEE: I would say they actually never say anything about arbitration, but I'm pretty sure that they are very confident to decide whether that is the global rate or any kind of ASI. I certainly agree with Jorge, modified arbitration system is ideal, but the main problem is still as Steven just said, different stakeholders here, they have different viewpoints and different interests are involved. How to implement that kind of ideal arbitration system, that is the main problem because everything is just already right there. You go to the court and if you want to have arbitration really implemented either through probably standard-setting organization or mandated by the law, how to start, that is the main issue.

CORDULA SCHUMACHER: Any further views on arbitration from any of the panelists here?

WOLRAD PRINZ ZU WALDECK: Just one point? I think beyond the transparency point, which I think is important to create a market. The litigating of the patents also brings out, of course, the strengths of the patents individually and leads to the revocation of invalid patents. That is something which thus far has been left out of the debate. It would be visible. I think that is pointing against referring standard essential patents to arbitration where studies have shown that only a fraction of those declared essential or held out as essential are indeed essential and valid. Doesn't that create an additional shield essentially for these portfolios to keep them alive because arbitration will not invalidate any patents? Or would we, at last have to, have to agree that any such decision should also lead to the public revocation of those patents which the arbitrators review and do not hold valid, or at least a published decision with the "verdict" on patents that the arbitrators did not deem essential so this becomes public knowledge?

STEVE AKERLEY: Cordula, can I address that? I thought that Justice Arnold dealt with that pretty well yesterday in supporting his arbitration proposal. In that, there's certainly no prohibition unless the parties would agree to it but there's no prohibition to attacking either the essentiality or validity of patents in an arbitration. Now, the revocation or invalidation that's absolutely right. The arbitral body could not do that, but even on the transparency issue, that is ultimately going to come out in the ultimate rates.

In any given decision and in any follow-on arbitration, I would have a hard time believing that comparable licenses, the one that was just determined, assuming there was the arbitral determination was that the patent portfolio in question was exceedingly weak, that would be reflected in the rate presumably. In the next arbitration, that rate would become available at least to the arbitrators. Certainly, you can state the transparency issue, but I don't think it's as big an issue as being suggested. Simply because the arbitrary body can't in fact invalidate the patents in question.

CORDULA SCHUMACHER: Thank you. Considering the time and that I still have a couple of topics on my list, I would like to move on and jump right into the middle of FRAND. First of all, in particular, the topic of willingness or unwillingness because it seems that that has been the focus of a number of recent decisions. In particular, whether someone who is unwilling is still entitled to a FRAND defense and as a shortcut to the whole FRAND issue. We've seen it in the

German Federal Court of Justice decisions, but we have also seen similar arguments in *Optis v Apple* in the UK and *Phillips v Wiko* in the Netherlands and in other instances. I think that is a hot topic. The question is how do you recognize an unwilling licensee. Maybe Wolrad, what do you think makes a licensee being unwilling?

WOLRAD PRINZ ZU WALDECK: I believe a licensee is unwilling if he/she doesn't engage in the discussion and does not work diligently towards entering it into a FRAND agreement. I think that is probably all courts have agreed on so far. There are certain obstacles to assessing that. In my view, you cannot look in isolation, you have to see both the behavior of the patent owner and of the licensee because sometimes a lack of information provided by the patent owner leads to a lack of possible responses for the implementer. There is a "dance" also between the two of them in the litigation but I think any party must diligently work and engage with the offers and respond to and comment on to the offers. I think there are some times where this causes German courts a misconception when they say, okay, they have now for one and a half years, and haven't reached an agreement so they are unwilling. At least from what I've seen in license negotiations that did not result in litigation but were agreed without, complex license agreements can sometimes take a couple of years.

In my view, this is a key point to take into consideration by the courts, and to look at the back and forth and the response times. The total duration is not so strong an indicator. Parties have to engage, have to be willing to reach an agreement and not take positions that cannot be held FRAND. There will often be different views of what rate is FRAND. It is in all cases that we see adjudicated - otherwise, there would not be litigation or a dispute, rather a license agreement would be negotiated, agreed and entered. However, sometimes questions cannot be overcome and will have to be resolved court or by arbitration. Nevertheless, working in good faith towards entering into license is what you need to do as an implementer.

CORDULA SCHUMACHER: That is at least a potential licensee has a much stronger interest in delaying than the patentee because the patentee is looking after the money and the longer he delays or if he would delay the later he gets the money. In principle, there seems to be a very strong interest for the licensee to delay things and drag things on. Would you agree?

WOLRAD PRINZ ZU WALDECK: I'm not sure about that. Let's assume for a moment that the implementer is solvent and the *ability* to pay the licence fee is not really a question - which is the case in many litigated cases. Delaying the conclusion of a licence agreement can lead to compounded interest for past use. Whereas if you agree on paid up licence - which I see quite often - implementers usually get discounts for the duration of the licence. If you are an implementer and negotiate three years for a licence with a six-year term, the licensor will have to give discounts for three years only; if you agree after one year, you have five years with a discount. So I do not believe, that there is a per se interest for the implementer to drag the licence negotiations while I acknowledged that there may be implementers who have such an interest, and likewise patent owners who have such an interest, particularly in the early stage of a standard in order to observe

how the market will develop, and get further patents to grant. I believe both sides will have an interest to reach the right result. That may lead the implementers and patent owners to say, "Okay, we are not there yet." That's taken longer, while we are there and come to a quicker resolution. I don't think that dilatory tactics are something that is always (or only) in the interest of the licensee.

CORDULA SCHUMACHER: So you guess to how much you can get for the past, the more the time flies by. Maybe David, in France is unwillingness also a factor. Is that being judged?

DAVID POR: It would be if cases hadn't settled before they got to there. We don't have any recent precedent on the issue from the French courts.

CORDULA SCHUMACHER: Steve, what is your view there? Maybe turning, the unwillingness is, in a way, it's a placeholder or it's the why we address that and why we address the whole order is particular because it is costly in the end. Is there something that should be done about that?

STEVE AKERLEY: Yes, I think there's a very significant imbalance right now. With respect, I disagree with Wolrad, excepting that pre-judgment interest may be a factor, but that's not a meaningful amount or factor when you consider years of holding out in what really what is a lack of penalty at the end of the day, in virtually every jurisdiction because at present an implementer, let's even assume has not acted in good faith. Can at the end in most jurisdictions say, "Well, okay, but I'm entitled to the FRAND rate, right? I don't have to pay trouble damages and I don't have to pay attorney's fees and they can look at this and say, and then there's the issue of past damages and statutes of limitation. If a negotiation goes on long enough where the years are lost.

Where a patent owner can't go back more than the statute. Then that same implementer who has delayed, and delayed, delayed is going to say, "Well we're entitled to a discount on past damages now." But it's the past damages that they've created. I think the lack of penalty for holdout in virtually every jurisdiction creates a massive economic incentive to do just that. To delay as long as possible. Frankly, I think that's what we're seeing in the marketplace in some instances. That also calls into question comparability, which I think you're going to address maybe in a minute, Cordula. Currently, when people talk about comparability, it's the comparability of the license or PLAs. I think you have to consider the comparability of actions taken by licensees. That is, should somebody who has acted in an unwilling manner, be entitled to the same benefit of the bargain that a truly willing licensee took years before and has paid year-over-year.

CORDULA SCHUMACHER: What about once there is an injunction, the FRAND rate just doubles. Is that a solution? Is the job that the FRAND rate range that becomes bigger is there a pre-litigation bonus, but the moment that litigation has started widely obviously in a justified way, and not preemptively that FRAND should be considered differently by the courts? Does anybody have views on that?

STEVE AKERLEY: I would simply ask, can anybody point to us, an instance in that, where that has happened. That has been proven to happen? I don't think it exists. I don't think hold up, other than a theoretical concept can be proven to have ever existed.

JORGE CONTRERAS: I think you probably could with the right facts, prove it. I'm a realist about these decisions. I agree that there's obviously an incentive for implementers to act that way if they're acting in bad faith. One thing we haven't talked about though is, maybe there should be some stakes in the ground as to what does not make an implementer unwilling automatically because I've seen these arguments. They strike me as a little bit unreasonable when there's an allegation that simply challenging the validity or the essentially of a patent that's asserted makes one unwilling or asking for a claim chart to explain why somebody thinks that a particular product infringes or asking for the basis of the FRAND rate.

CORDULA SCHUMACHER: Jorge, I'm not aware of a decision where the mere asking for claim charts has been adjudicated as being unwilling.

JORGE CONTRERAS: No, but in a number of cases, this allegation is made in litigation. I agree courts haven't accepted this yet but every time it does come up. Even asking for the basis of the FRAND rate, there are SEP holders who will say, that shows you're unwilling and just a reasonable piece of negotiation, where you've got big companies involved. Sometimes it does take a few months to organize a meeting or a call because people are busy and dealing with lots of different things. I think it would be useful to have some benchmarks as to what's not going to be claimed to be unreasonable.

CORDULA SCHUMACHER: Is it okay that it takes a few weeks or months to organize a call if you know that you are infringing someone else's property right? Is that not something that should give you a sense of urgency like other things that happen in business, where it is possible to have a call within a couple of weeks?

JORGE CONTRERAS: Well, it's not always clear that that's the case. It differs. Some SEP holders will come, they have a portfolio of 3,000 SEPs declared. Obviously, some of those are going to be essential and valid, but there are other SEP holders who come with one or two, and then it's not clear that there will be something essential or valid that they're offering. Those are some of the cases where there is a much bigger need to get the claim chart, look at the patents.

CORDULA SCHUMACHER: [crosstalk] In the end, it's the implementer who has to take his own opinion. As far as I have seen, maybe someone can report differently. I've never seen two parties agreeing on a claim chart. Where the patentee, says, "Look, this is the claim chart. The patent is infringed." I haven't heard an implementer say, "Yes, you're right. It's infringed." or the other way round. The implementer denying infringement and the patent is saying, "Oh, yes, you're right. I completely got that wrong." [laughs] "This patent is not essential." In the end isn't it just as always in licensing, just a question of risk assessment, how likely is the patent infringed? There's never a 100% certainty either way. You just try to sort that out probably on the monetary level and what your opinion is about the risk you're running there.

STEVE AKERLEY: Cordula, on that one, I think it's probably rare that in any meeting, somebody says, "Well, you know what? We got that wrong." I would say that we certainly have had the experience with truly willing customers that you have technical discussions and there might not be that explicit admission

but it's pretty clear that if a question was raised in the claim charts that we've provided, it becomes clear to us that we've satisfied the question. I do think when there's actual willingness you can come to a deal. I think there's a tacit agreement at least, but the issue as I see it-- By the way, I would agree that certainly requesting claim charts being argued even that that shows unwillingness. The examples that Jorge gave are I think extreme and come from people who make it difficult for larger, more established legitimate research companies to license their portfolios.

CORDULA SCHUMACHER: Yes, that needs to be reasonable from both sides and-

STEVE AKERLEY: Agree.

CORDULA SCHUMACHER: -that's true. Maybe another aspect on this especially on the non-discrimination point because we are in litigation and I guess also outside litigation we're discussing a lot the aspect of comparable and on non-discrimination and whether someone else got a better deal and what's the difference there. As I mentioned before, especially in Germany, we're looking at all of this rather from a competition law perspective.

The question there is, is it anti-competitive, is it a distortion of competition if one of the company A gets a better deal than company B? I'm wondering whether that is really the key competition issue or is it not rather the issue that company A and B are both paying even though they're paying different things while companies C, D, E, F are not paying anything. The level playing field that's the keyword here. Maybe taking that further, and maybe that's also already leading on to the next topic of confidentiality NDA's transparency, and so on.

If a potential licensee is asking for comparable, would it make sense to ask that implementer at the same time of disclosure of his license agreements and especially the accumulated royalty rate he is paying, and if that is not that much, can an implementer claim discrimination or anti-competitive behavior if a FRAND offer is too high if he's nevertheless paying much less than his competitors because the competitors are paying to other companies. I don't know if you get my point, and if someone has an opinion on that.

DAVID POR: Can I throw in a couple of quick thoughts on that one? First of all, to say, there's this contract out there, right? There is an actual contract, and I understand that Germany has somehow decided that they're going to ignore the fact that there's a contractual commitment but they're -

CORDULA SCHUMACHER: Official law obligated.

DAVID POR: There is actually a contractual commitment which says something and which has to be construed on its terms and it notably says non-discriminatory. You have to construe that but you can't just take it away and just look at whether there's an anti-competitive effect in the market. The other thing I would just add very quickly on that is that we shouldn't forget that market structures are different and that not everything is just about high-end smartphones.

There are also market structures where it actually does matter whether you pay half a dollar more than your competitor because your bill of materials is such that if you pay half a dollar more than your competitor on licenses, you're not competitive in the market anymore. It does matter and let's remember that this

discussion extends to economic structures that are very different from the ones in which the discussion started 10 years ago.

CORDULA SCHUMACHER: David, that is my point, if it does matter whether you pay half a dollar more or not, don't you have to look at it globally how many license fees, or how many royalties is the company A paying on a more global basis or is it someone who's always paying on --

DAVID POR: Thanks for reminding me of the third point I wanted to make which is the one thing on which we actually do have French Case Law which decided that implementers do not have to disclose their prior licenses because--

CORDULA SCHUMACHER: [crosstalk]

DAVID POR: I guess, we're looking at it from a contractual perspective and non-discrimination from the licensor side means non-discrimination from the licensor side.

STEVE AKERLEY: Yes, go ahead.

JORGE CONTRERAS: As you say, I would agree that the FRAND obligation, the non-discrimination obligation is an obligation taken on by the SEP holders as part of participating in the standards process. The implementer is just a license taker. They don't have a non-discrimination obligation. It seems irrelevant what the implementer is paying to other patent holders for different patents because you should probably pay more to the company with 3,000 patents as opposed to the company with one patent.

That doesn't seem like a valid comparison. That being said, I'm all for transparency and I think everybody should disclose these agreements. If the SEP holders disclosed the agreements then the implementers wouldn't have to disclose anything because of course every agreement is with an SEP holder so they would all be disclosed and the market would be more efficient because we would have likely the information asymmetry that we've talked about, anyway.

STEVE AKERLEY: Let me jump in right there and say that there's one practical problem with that, that I have certainly seen, which is every implementer facing a license request in a negotiation beats the table about how they need to see every other PLA. Now, let's assume you get through the process and you get a PLA with that license that they become a licensee. Then I'm engaged with the next potential customer, and they want to see all the PLAs.

I'll tell you what the response is from the person I just entered a PLA with which is they demand confidentiality agreements. Everyone approaches this as though it's the licensor, the patent owner who's trying to keep this cloak of secrecy, but it's equally the implementers who don't want their competitors to see what they're paying. This is an ongoing issue. This is one of the things we see a lot is that there's just absolute inconsistency when you get to certain points in the process on the other side of the table. That is an issue.

Going back to the disclosure issue, I think that it does provide some probative value to see and implement other PLAs for exactly the reason that you just said Jorge which is you can say that they're paying for the 30,000 patents portfolio that have been highly regarded, they're paying X, and for something

that's half of that if they're claiming they should pay 1%, that's meaningful in terms of a determination of willingness.

At the same time, if they look at somebody who comes in, a true licensing entity that's not creating its own IP and goes out in and buys a couple of patents, well that's a different scenario as well. I do think it's probative and highly relevant, and unfortunately, not only in France, there's at least one other decision I'm aware of. That has in a jurisdiction of limited discovery where that was not held to be the case where the potential licensees and other agreements were not ordered to be disclosed.

WOLRAD PRINZ ZU WALDECK: Let me make one point also. I think, Cordula, with all due respect you're conflating two different points as Jorge has said. The non-discrimination point is relevant only with regard to discrimination. It doesn't really matter what the other licenses have been entered into by the implementer and that is not a question that the SEP holder needs to know in order to or not to discriminate. There can be, of course, differences in licenses to a certain degree if they are not discriminatory in a sense, but in that regard, the license agreement or the royalty rates for other licenses the implementer is already playing does not play a role. It also has nothing to do with the value of the licenced technology. The total royalty burden means to reflect the value of the standardized technology - why should the value of a licence by one SEP holder be affected by whether the other SEP holders charge for their technology?

The second point on that the licensee's licence agreements actually can be indicative for certain aspects, and I would assume that an implementer has an incentive to also show comparable licensing agreements and say look, you're charging too high prices. These are circumstances he or she would probably try to disclose the license agreements as a benchmark. Of course, as it is a different portfolio, there's always the discussion of "my portfolio is more valuable than yours", and so yes, it opens a can of worms as the technical value of different portfolios may need to be looked at. I see an incentive for the implementer to disclose if he/she feels that the patent holder has widely off market demands.

But additionally there is a further timing argument that speaks against the consideration of aggregate royalties already paid by the implementer: Let's say you're a new market entrant and for that standard, for example, you just started negotiating licenses. At that point, you don't have so many license agreement, and may not (yet) be paying a high cumulative royalty. How - why - should that then influence the royalty rate of the next SEP holder you negotiate with? Should the SEP holder be able to say, "Well, you are not paying anything so I should get treble, five times of what I usually demand because you're not paying much"? It doesn't make sense as a point of consideration.

CORDULA SCHUMACHER: I'm not saying that you just go up to the maximum royalty level, whatever that is. I'm just saying that for the global picture, especially from the competition perspective, that seems to be the really unfair point that there is not a level playing field. That you have the typical candidates and I think we know who these companies are that always appear there that pay less while others are the ones who've signed license agreements before. Many times in litigation we have the discussion about patent counting and

top-down approach and what is the maximum aggregate royalty rate. Then when you ask the implementer to say, "How much of that aggregate royalty rate are you actually paying?" German courts do expect then some type of evidence from the implementer, nothing comes really. Can you rely on a maximum aggregate royalty rate if you're not paying any of these royalties or hardly any of these royalties? I do think that is an aspect that needs to be taken into account and questions how much can an implementer rely on certain non-discriminatory aspects regarding previous comparable on the litigated portfolio if another, he's not taking any licenses at all, or fewer than others, maybe because he has this competitive advantage anyway.

WOLRAD PRINZ ZU WALDECK: I strongly disagree on that point because you would then essentially task the SEP holder to say, "I get my non-discriminatory royalty but on top of that I get a plus for establishing a fair level of competition." I do not think that's what FRAND licensing is about, nor that this observes the non-discrimination requirements of the FRAND undertaking. Let's go back - David made the point that it is a contract issue, it's an agreement with regard to the certain technology and the commitment to grant non-discriminatory and fair licenses. I don't see how the aggregate royalty on a licensee pays can come into play in saying whether a SEP holder is, indeed, offering non-discriminatory licenses. I can see, though, your point in saying if the implementer says, "Your aggregate royalty is much too high, it would lead me to pay a much higher amount than others and this is why your whole SEP framework is wrong." Then, of course, the evidence needs to be put forward, but as long as a SEP holder offer his portfolio, the non-discrimination obligation applies irrespective of whether the other side is paying royalties and to what extent for others. The aggregate royalty is rather an abstract concept to reflect the value of the standard as a whole and provide a basis for the apportionment of this value to the individual patent owners.

CORDULA SCHUMACHER: I'm really happy that we are in disagreement there and maybe it's something that we can continue to discuss next year so there will be room for discussions there. Unfortunately, our time is basically up so I would have to close this round. Just to keep in mind even after an hour of discussions and discussing the problems and deficiency of the current system, in the end, we shall not forget that most license agreements are concluded without litigation, and secondly, even the ones that go to litigation basically all of them eventually settle.

It just keeps the lawyers happy in between. It's not such a bad thing. In a way, maybe the market is not as inefficient as we're discussing. Things are being solved out of court or inside court and eventually out of court and we see that new standards keep being developed and we see that the market is effective with new players coming in. To have a silver lining in this world of escalation, maybe it's not all that bad. Let's keep the disagreements for next year's discussion and I thank you all for your contributions. It's a shame that nobody from the public, from the audience, filed any questions but never mind so I guess we just discussed everything exhaustively. Thank you.