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The governing law in global FRAND patent licencing disputes: a civil law perspective on the UK Supreme Court's Huawei v Unwired Planet judgment

Nicolas Binctin* and Jacques de Werra

The judgment of the UK Supreme Court of 26 August 2020 in the *Huawei v Unwired Planet* case¹ was long awaited. It has unsurprisingly provoked a flurry of reactions and comments because of its great practical importance for the exploitation of patents embedded in a technological standard under FRAND terms. Although this judgment does not put an end to the numerous on-going disputes around the globe, it will likely have a profound impact on parties who are involved in FRAND disputes and on courts (and arbitral tribunals) that have to decide such disputes in many jurisdictions.

The ambition of this short paper is not to analyse all the aspects and implications of this very detailed and extensive judgment.² It is rather to share a few thoughts about it from a civil law perspective, knowing that French law is at the heart of the FRAND system for the technological standards of the European Telecommunications Standards Institute (ETSI).

The goal to share selected civil law/French law thoughts on the UK Supreme Court's judgment appears appropriate because the judgment expresses clear cut views on French law without offering any in-depth analysis of French law, which is the law that is applicable

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This article

- The (modest) ambition of this article is to share a few comments about the judgment of the UK Supreme Court of 26 August 2020 in the *Huawei v Unwired Planet* case from civil law and French law perspectives, knowing that French law is the governing law that is designated in the FRAND system for the technological standards of the European Telecommunications Standards Institute.
- Even if it was the mission of the parties to the dispute (and not of the courts) to establish the content of French law, the judgment of the UK Supreme Court reveals that it has conducted an autonomous and intriguing analysis of French law that is likely to be followed by other courts (and arbitral tribunals) in other jurisdictions.
- The judgment further reveals that the UK Supreme Court has relied on US case law in order to support some of its findings. On this basis, this article uses the judgment of the UK Supreme Court to make a few more general comments on the important issue of choice of law that arises in global FRAND patent licencing disputes, including about the FRAND documents and FRAND declaration of the International Telecommunication Union to which reference is made in the judgment.

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1 *Unwired Planet International Ltd and another (Respondents) v Huawei Technologies (UK) Co Ltd and another (Appellants)*, [2020] UKSC 37, 26 August 2020. Available at <https://www.supremecourt.uk/cases/uksc-2018-0214.html>.

2 It will particularly not discuss the substantive content of FRAND licences; for a discussion under English law, see Mark Anderson, 'How to Draft a Licence Agreement that is Fair, Reasonable and Non-Discriminatory: A Ten-Point Plan' (2018) 13 *Journal of Intellectual Property Law & Practice* 377–92. Available at <https://doi.org/10.1093/jiplp/jpx212> (accessed 7 May 2021).

to the ETSI FRAND commitment (see I below). The judgment also calls for comments because it relies on US

case law (ie, case law from another common law jurisdiction) that was rendered in other FRAND disputes that relate to the FRAND declaration of the International Telecommunication Union (ITU; see II below).

I. The absence of an in-depth analysis of French law by the UK Supreme Court

The judgment of the UK Supreme Court was rendered on the basis of quite extensive and voluminous judgments rendered at first instance³ and on appeal.⁴ Interestingly, the further the proceedings went, the less attention the judgments paid to the law that is applicable to the dispute (ie, the law applicable to the commitments made by the owners of standard essential patents (SEPs) to ETSI, which is French law). Indeed, in the first instance decision, in order to define the legal nature of the commitment, the judge carefully analysed the arguments put forward by French law Professors Bénédicte Fauvarque Cosson and Rémy Libchaber in their respective consultations. This approach was necessary, given that French law is at the heart of the legal structure put in place by ETSI.⁵ The judge, however, seemed to have been guided less by the intention to establish the actual content of French law rather than by finding solutions that could offer the opportunity to apply by analogy the solutions of English law. The judgment on appeal, and even more so the judgment rendered by the UK Supreme Court, do not offer any substantial analysis of the French norm in order to support their decisions.⁶ It can be noted that the content of the FRAND obligation under French law was not within the ambit of the grounds of appeal that were being heard by the UK Supreme Court. The key reference made to French law in the UK Supreme Court judgment is found in six sentences in paragraph 8 of the judgment (which contains 170 paragraphs). Paragraph 8 of the judgment provides as follows:

8. The ETSI IPR Policy ('the IPR Policy') is a contractual document, governed by French law. It binds the members of ETSI and their affiliates. It speaks (clause 15(6)) of patents which are inevitably infringed by the sale, lease, use, operation etc. of components which comply with a standard as 'Essential IPR'. By requiring an IPR holder whose invention appears to be an Essential IPR to give an irrevocable undertaking to grant a licence of the IPR on FRAND terms, it creates a 'stipulation pour autrui', in other words an obligation which a third-party implementer can enforce against the IPR holder. The IPR Policy falls to be construed, like other contracts in French law, by reference to the language used in the relevant contractual clauses of the contract and also by having regard to the context. In this case, that context is both the external context and the internal context of the IPR Policy document itself, such as the policy objectives declared in the document.

By these short sentences, the UK Supreme Court confirmed without discussing it that the FRAND declaration made by an owner of SEP to ETSI constitutes a 'stipulation pour autrui' and is governed by French contract law. The court also summarized—without much nuance—the methods of contract interpretation that are deemed to apply under French law (without any single reference to any legal authority or case law). The court implicitly endorsed the legal analysis that was made at first instance in order to define the effects of the commitments made by patent owners to ETSI,⁷ ie, that of the French law 'stipulation pour autrui', even though there is still a lively debate under French law as to the legal nature of this commitment.

It is well established that it is up to the parties litigating before UK courts to prove the content of the foreign law (in this case, French law), whereby experts must generally establish the content of the foreign law, which constitutes a question of fact.⁸ If foreign law cannot be established, English law may apply.⁹ It is thus open for debate whether

3 *Unwired Planet International Ltd v Huawei Technologies Co Ltd & Anor* (Rev 2) [2017] EWHC 2988 (Pat) (30 November 2017).

4 *Unwired Planet International Ltd & Anor v Huawei Technologies Co Ltd & Anor* (Rev 1) [2018] EWCA Civ 2344 (23 October 2018) [88].

5 ETSI is a private law association subject to French law, the acts derived from its statutes are also subject to French law and the IP Policy, at the heart of the litigation, is expressly submitted to French law.

6 See Sophia Tang, 'Unwired Planet v Huawei [2020] UKSC 37: The UK Supreme Court Declared Competence to Determine Global FRAND Licensing Rate' (*Conflicts of Law.net*, 2020). Available at <https://conflictsoflaws.net/2020/unwired-planet-v-huawei-2020-uksc-37-the-uk-supreme-court-declared-competence-to-determine-global-frand-licensing-rate/> (accessed 7 May 2021): 'There is no much consideration of any choice of law rules, except the clarification that the ETSI policy was governed by French law. *The court nevertheless does not consider the French law principle in interpreting contracts*' (italics added).

7 The Court of Appeal had already held that '[t]he ETSI IPR Policy is governed by French law and the judge found (and there is no appeal against his finding) that the FRAND undertaking given by UP was binding upon UP and enforceable by Huawei and, indeed, any third party' (*Unwired Planet International Ltd & Anor v Huawei Technologies Co Ltd & Anor* (Rev 1) [2018] EWCA Civ 2344 (23 October 2018) para 27).

8 European Judicial Network (in civil and commercial matters) England and Wales, 'Which law will apply? - England and Wales, 2.5 Proof of Foreign Law' (2020). Available at https://e-justice.europa.eu/content_which_law_will_apply-340-ew-en.do?member=1#toc_2_5 (accessed 7 May 2021): 'The content of foreign law is proved as if it were a fact. As such, it is for the parties to prove the content of foreign law; judges are not permitted to investigate the content of foreign law themselves.'

9 See *Iranian Offshore Engineering And Construction Company v Dean Investment Holdings SA & Ors* [2018] EWHC 2759 (Comm) (22 October 2018), 'Rule 25(2)' of Dicey, Morris & Collins, *The Conflict of Laws* (15th ed.), states: '(1) In any case to which foreign law applies, that law must be pleaded and proved as a fact to the satisfaction of the judge by expert evidence or sometimes by certain other means. (2) In the absence of satisfactory evidence of foreign law, the court will apply English law to

the parties had sufficiently demonstrated the content of French law in this case.

In any event, given the authority and the status of the UK Supreme Court—which is the highest judicial body in the UK—there is a risk that (many) other courts in (many) other countries will rely on the quite limited analysis of French law made in this case and that these courts will rely on it in other FRAND disputes. The impact of this judgment is thus much bigger than a court judgment that would be rendered in a traditional international contract dispute, which would, in principle, have no impact on third parties. FRAND disputes, by contrast, frequently raise identical legal questions, which arise in many, if not all, disputes that are subject to the same rules of standardization (here, those of ETSI). Disputes particularly arise with respect to the determination of the legal nature of the commitment made by the holders of SEPs to the standardization body. From this perspective, the solution adopted by the UK Supreme Court, which holds that this commitment constitutes a ‘stipulation pour autrui’ under French law, is likely to be followed without further analysis by other courts (and potentially by arbitral tribunals) in other jurisdictions and thus to have a global impact.

Let it be clear that this is not a matter of defending French law or promoting a civil law approach as the unique law that shall apply to global FRAND disputes and that should prevail over a common law approach.¹⁰ On the contrary, it is a matter of highlighting the risks that may arise when courts faced with a contractual issue in an international context have to apply foreign (contract) law.

In this context, it is important to note that the governing law with respect to the legal nature of FRAND

declarations should not be considered in isolation. With respect to ETSI, the governing law relates to the entire ETSI regulatory ecosystem, which is governed by French law. French law is indeed at the core of the ETSI ecosystem: ETSI is a French association that is as such subject to French law. Its Statutes, as well as the acts derived from or implementing its Statutes, are also subject to French law, and the ETSI Intellectual Property Rights Policy (art. 12),¹¹ which constitutes an act derived from the Statutes, explicitly provides that its interpretation and implementation is also governed by French law. Consequently, the role of French substantive law goes beyond the limited issue of the ‘stipulation pour autrui’. French law is relevant for many other legal issues, including the issue of good faith, the rules of contract interpretation.

Throughout the Supreme Court’s judgment, apart from a brief reference in paragraph 8, no analysis is made under French law. Once again, it is duly noted that it was up to the parties to prove the content of the foreign law (in this case, French law). However, the UK Supreme Court made new reasonings under French law in its judgment that were not made and were not proven by the parties in the court proceedings. The Supreme Court’s judgment thus appears to reflect an approach that has arisen in major international patent law litigation: a denationalized approach reflecting a kind of *Global Law*¹² without local reference, where courts based in different jurisdictions proceed by comparing their reasoning and decisions with little regard to the local specifics of the designated law. This can be observed with respect to the patentability of genes and—to a certain extent—of software. This movement is both of major intellectual and academic interest but should not be applied where a national contract law is precisely identified and designated as the applicable law to settle the contentious issue. The fact that the technological standards are deployed worldwide cannot ignore the local legal framework that can govern those standards (here, the ETSI rules).

One illustration of this lack of analysis of the national legal framework lies in the decision made by the UK

such a case’ (judgment cited para 2); see the comment by Maryam Oghanna, ‘Court Will Ordinarily Apply English Law in Absence of Evidence of Relevant Foreign Law, Unless Defendant Shows It Would Be Inappropriate to Do So’ (2018). Available at <https://hsfnotes.com/litigation/2018/11/12/court-will-ordinarily-apply-english-law-in-absence-of-evidence-of-relevant-foreign-law-unless-defendant-shows-it-would-be-inappropriate-to-do-so/> (accessed 7 May 2021); under Swiss law, art. 16 of the Federal Law on Private International Law of 18 December 1987 provides that ‘[t]he content of foreign law is established ex officio. For this purpose, the cooperation of the parties may be required. In property matters, the burden of proof may be placed on the parties’ (para 1) and that ‘Swiss Law Applies if the Content of the Foreign Law Cannot Be Established’. Available at https://www.fedlex.admin.ch/eli/cc/1988/1776_1776_1776/en#art_16 (accessed 7 May 2021).

10 It being noted that the view has been expressed that standard setting organizations could adopt French law for solving FRAND disputes, see Dicky Tsang King Fung and Jyh-An Lee, ‘Unfriendly Choice of Law in FRAND’ (2019) 59 *Virginia Journal of International Law* 220, The Chinese University of Hong Kong Faculty of Law Research Paper No. 2019–22. Available at <https://ssrn.com/abstract=3467370> (accessed 7 May 2021): ‘Ideally, major SSOs, such as ITU and IEEE, will adopt French law, and French courts will subsequently develop an expertise in all FRAND issues’, it being noted that these authors suggest not only the application of French law but also the jurisdiction of French courts.

11 ‘ETSI Intellectual Property Rights Policy, Rules of Procedure—Annex 6’. Available at <https://www.etsi.org/images/files/IPR/etsi-ipr-policy.pdf> (accessed 7 May 2021): ‘The POLICY shall be governed by the laws of France. However, no MEMBER shall be obliged by the POLICY to commit a breach of the laws or regulations of its country or to act against supranational laws or regulations applicable to its country insofar as derogation by agreement between parties is not permitted by such laws.’

Any right granted to, and any obligation imposed on, a MEMBER which derives from French law and which are not already contained in the national or supranational law applicable to that MEMBER is to be understood as being of solely a contractual nature’.

12 Benoît Frydman, ‘The Emergence of a Discipline: Global Law’ (Philodroit 2015). Available at https://www.philodroit.be/IMG/pdf/bf_emergence_dune_discipline_-2015-6-2.pdf?lang=fr (accessed 7 May 2021).

Supreme Court that the principle of non-discrimination had no content of its own, in particular, on the grounds that ETSI had previously mentioned and then rejected the inclusion of the most-favoured-licensee principle in the ETSI Declaration.¹³ The relevance of this argument in terms of both method and substance is indeed questionable from a French law perspective.¹⁴

In terms of method, it seems most doubtful to admit, according to the methods of contractual interpretation that apply under French law, that it is possible to consider an earlier version of a document that has not been adopted within the framework of a French association (which is the corporate structure of ETSI) in order to infer the will of the parties. How could a corporate document of an association that had been discussed and rejected in the past be used to determine the will of the members of such an association? Can this document be used for new ETSI members that would have become members of ETSI (long) after the relevant corporate document would have been rejected? As a matter of principle, one could consider that an earlier version of a statutory document cannot be relevant for the purpose of contractual interpretation unless this earlier version had been negotiated between the same parties to the contract at issue.

On the substance, it is not clear how the non-inclusion of the most-favoured licensee principle in the ETSI Declaration should necessarily mean that the principle of non-discrimination does not have separate importance. Indeed, the most-favoured licensee principle imposes an obligation on a licensor who has entered into a new licence agreement that is more favourable to an earlier contract to allow the earlier licensee to benefit from the more favourable terms of the later contract. The most-favoured licensee principle thus means that one or more earlier licence contract(s) must be capable of being renegotiated and adapted. In contrast, the principle of non-discrimination means that a new FRAND licence agreement must be concluded in a non-discriminatory manner in relation to the other contracts concluded. The principle of non-discrimination does not require allowing the renegotiation of already concluded contracts.

The principle of non-discrimination makes it possible to treat contracting parties in different situations differently without having to align all licensees with the terms of the most advantageous licence. From this perspective, the most-favoured licensee principle is not equivalent to the principle of non-discrimination,¹⁵ and the abolition of the most-favoured licensee principle does not make it possible to determine the interpretation that must be made of the principle of non-discrimination.

On the basis of these (non-exhaustive) comments, it appears that it would have been highly beneficial if the UK Supreme Court (and the parties in the dispute that had to prove the content of French law) had analysed French law with more granularity. What the UK Supreme Court did, however, was to look across the Atlantic for the case law rendered in another common law jurisdiction (US). This similarly triggers some comments to which we shall turn now.

II. The UK Supreme Court's reliance on US case law and on the ITU FRAND documents

On the basis of an interpretation of the ETSI rules, the Supreme Court held that the FRAND licencing mechanism resulting from the FRAND declaration has a global scope.¹⁶ It reached this conclusion by noting (among other elements) that, according to ETSI's IPR Policy, the obligation to disclose the patents applies to all patents for inventions belonging to a patent family,¹⁷ unless the patent owner makes an express declaration limiting the

13 *Unwired Planet* (n 2) [116]: 'A powerful indication that the non-discrimination obligation is "general" rather than "hard-edged" is that ETSI had previously considered and rejected the imposition of a "most-favourable licence" clause in the undertaking.'

14 The UK Supreme Court held that (para 119) '[i]n *TCL Communication Technology Holdings Ltd v Telefonaktiebolaget LM Ericsson* Case No 8:14-cv-00341-JVS-DFM (CD Cal, 8 November 2017), the US District Court for the Central District of California noted the deletion and regarded it as providing guidance regarding the interpretation of the FRAND obligation (pp 13–14 and 91). The Court of Appeal, in the judgment below, took the same view: para 199. We agree; it must be noted that none of these decisions relied on an interpretation of French law in their legal analysis.'

15 See *TCL v Ericsson*, No. 8:14-cv-341, p. 14 (C.D. Cal. 2014). Available at <https://www.essentialpatentblog.com/2018/01/judge-selna-determines-frand-rate-enters-contract-type-injunction-etsi-seps-tcl-v-ericsson/> and <https://www.essentialpatentblog.com/wp-content/uploads/sites/64/2018/01/2017.12.21-1802-Court-Memo-of-Facts-and-Law-PUBLIC-CORRECTED.pdf> (accessed 7 May 2021): 'ETSI's members ultimately approved an ETSI IPR Policy that did not require such re-opening and re-negotiation of prior licenses. [...] In particular, the 1994 version of the IPR Policy did not include the "most-favored licensee" provision quoted above. [...] However, the obligation of the patent owner to license its patents on non-discriminatory terms and conditions remained essentially unchanged between the 1993 and 1994 versions of the ETSI IPR policy, and continues in effect today.'

16 *Unwired Planet* (n 2) [11]: 'It shows an intention for the arrangement to apply internationally.'

17 Clause 4.3 of the ETSI IPR Policy (n 11): 'The obligations pursuant to Clause 4.1 above are deemed to be fulfilled in respect of all existing and future members of a PATENT FAMILY if ETSI has been informed of a member of this PATENT FAMILY in a timely fashion. Information on other members of this PATENT FAMILY, if any, may be voluntarily provided'; the concept of 'patent family' is defined as follows (clause 15.3): 'PATENT FAMILY' shall mean all the documents having at least one priority in common, including the priority document(s) themselves. For the avoidance of doubt, "documents" refers to patents, utility models, and applications therefor.'

scope of the declaration to certain elements of the patent family.¹⁸

The UK Supreme Court relied on US case law in order to demonstrate the willingness of US courts to enforce the contractual obligation of an SEP holder resulting from commitments made to a standards organization to grant a blanket FRAND licence to users ('implementers') of SEPs.¹⁹ The court particularly referred to the US judgments rendered in the Microsoft–Motorola dispute²⁰ in which the nature and scope of Motorola's FRAND declaration to the ITU and to the Institute of Electrical and Electronics Engineers (IEEE), respectively, were disputed.²¹

The Supreme Court thus stated that the relevant ITU and IEEE documents (by which SEP holders undertake to grant FRAND licences on those SEPs in favour of SEP users) expressly contemplate global licencing so that, since the UK Supreme Court concludes that ETSI's IPR Policy must be interpreted as implying global licencing, it found that there was no reason not to rely on this US case law.²²

However, on a careful review, one cannot accord much precedential value to this US case law in the UK. Even if these rulings confirm the global scope of licences (it being, however, emphasized that this results from the very text of the FRAND declarations by contrast to the ETSI declaration), they cannot offer any guidance with

respect to the issue of the determination of the legal nature of the FRAND declaration for the reason that the US courts did not have to determine the nature of the FRAND declaration made by Motorola to the ITU (and to the IEEE). It is consequently not possible to infer from these judgments that there would be a contract between the holders of SEP (that would have made a declaration to the ITU) and the ITU (which the UK Supreme Court designates as the 'ITU contract'²³), contrary to what the judgment of the UK Supreme Court seems to suggest.

Indeed, it appears from these judgments that the parties to the dispute (Motorola and Microsoft) had expressly admitted that the FRAND commitment made by Motorola to the ITU constituted a binding commitment for the benefit of Microsoft,²⁴ whereby the US

18 Clause 6.2 of the ETSI IPR Policy (n 11): 'An undertaking pursuant to Clause 6.1 with regard to a specified member of a PATENT FAMILY shall apply to all existing and future ESSENTIAL IPRs of that PATENT FAMILY unless there is an explicit written exclusion of specified IPRs at the time the undertaking is made. The extent of any such exclusion shall be limited to those explicitly specified IPRs.'

19 *Unwired Planet* (n 2) [69]: 'Three judgments in a dispute between Microsoft Inc and Motorola Inc show the willingness of US courts to enforce the contractual obligation on a SEP owner in a SSO policy to offer an implementer a global FRAND licence'; the Supreme Court also refers to other US judgments and from other jurisdictions, which will not be analysed here.

20 *Microsoft Corp v Motorola Inc*, 871 F Supp 1089 (WD Wash 2012), cited and discussed in *Unwired Planet* [70], judgment on appeal from *Microsoft Corp v Motorola Inc*, 696 F 3d 872 (9th Cir 2012), cited and discussed in *Unwired Planet* [71], and *Microsoft Corp v Motorola Inc* Case C10-1823JLR, 2013 US Dist LEXIS 60233, cited and discussed in *Unwired Planet* (n 2) [72].

21 The discussion here will focus on the FRAND declaration made to the ITU; the IEEE is a US institution organized as a 'corporation' under New York State law. Available at https://www.ieee.org/content/dam/ieee-org/ieee/web/org/about/whatis/01-05-1993_Certificate_of_Incorporation.pdf (accessed 7 May 2021); see clause 6 of the IEEE-SA Standards Board Bylaws. Available at https://standards.ieee.org/content/dam/ieee-standards/standards/web/documents/other/sb_bylaws.pdf (accessed 7 May 2021) and the 'Letter of Assurance for Essential Patent Claims'. Available at <https://mentor.ieee.org/myproject/Public/mytools/mob/loa.pdf> (accessed 7 May 2021).

22 *Unwired Planet* (n 2) [69]: 'The relevant policies of the IEEE and the ITU expressly envisaged the grant of worldwide licences, but as we have construed the IPR Policy as encompassing the grant of such licences, that is not a basis for distinguishing these cases.'

23 According to the terminology used by the UK Supreme Court in its presentation of American case law, see para 71: 'She [Circuit Judge Berzon] observed that the ITU contract encompassed all of Motorola's SEP worldwide [...]'.
24 *Microsoft Corp. v Motorola, Inc.*, 854 F. Supp. 2d 993, 999 (WD Wash 2012): 'First, Microsoft's asks the court to find that: (1) Motorola entered into binding contractual commitments with the IEEE and the ITU, committing to license its declared-essential patents on RAND terms and conditions; and (2) Microsoft is a third-party beneficiary of Motorola's commitments to the SSOs. (Mot. At 9.) Motorola does not dispute either of these contentions [footnote 6]. (See generally Resp.). The court agrees with Microsoft that through Motorola's letters to both the IEEE and ITU, Motorola has entered into binding contractual commitments to license its essential patents on RAND terms'; footnote 6 provides that: 'On 13 February 2012, the court held a status conference in which Motorola stated on the record that it did not dispute that it entered into the aforementioned binding contractual commitments with the IEEE and the ITU and that Microsoft is a third-party beneficiary of these commitments'; the agreement of the parties is also confirmed by the Court of appeal for the 9th Circuit in *Microsoft Corp. v Motorola, Inc.*, 696 F.3d 872, 878 (9th Cir. 2012), in which the Court of appeal cites the minutes of the hearing of the parties before the District Court: 'In February 2012, the district court granted partial summary judgment for Microsoft on its contract claims, finding that:

(1) Motorola entered into binding contractual commitments with the IEEE and the ITU, committing to license its declared-essential patents on RAND terms and conditions; and (2) that Microsoft is a third-party beneficiary of Motorola's commitments to the IEEE and the ITU'.

The district court noted that, at a status conference earlier in February 2012, 'Motorola stated on the record that it did not dispute that it entered into the aforementioned binding contractual commitments with the IEEE and the ITU and that Microsoft is a third-party beneficiary of these commitments [footnote 6]'; footnote 6 states that: 'The transcript of the status conference states, in relevant part: THE COURT: Is the first part of that sentence also accurate, that you entered into binding contractual commitments with IEEE and ITU, committing those to that RAND process? [COUNSEL]: Well, yeah, that is really what the issue is, your Honor, in terms of what the assurance is. The assurance is that we would that Motorola agreed to license those SEPs on RAND terms. THE COURT: All I am asking is-I think you just agreed with me. I am not asking you if you did it or not, I am just asking you if that's what you are supposed to do. I think the answer to that is yes. [COUNSEL]: Yes. Enter into a license on RAND terms, that's right. THE COURT: The second point that Microsoft asked the court to declare is, and I will quote, "Microsoft is a third-party beneficiary of Motorola's commitments to the SSOs." Once again, let's stay away from the precise terms that were offered and asked as a conceptual matter. I think there is also no disagreement on that. [Counsel], am I correct on that? [COUNSEL]: Your Honor, that is correct, we would agree that Microsoft can fairly claim to be the third-party beneficiary of the assurance'.

courts were probably happy and relieved by this agreement between the parties because they essentially face the same challenges when they have to apply foreign law.²⁵

Moreover, given the parties' agreement on this issue, the US courts did not have to apply any conflict of law analysis and thus did not have to determine which national contract law shall apply to Motorola's commitment to the ITU.²⁶ It is, however, obvious that this question is essential when parties that are located in different countries (which was the case here since Motorola is a company with its registered office in the USA²⁷ and the ITU is based in Switzerland (Geneva)) are deemed to be bound by a contract in order to define the potentially binding nature of a commitment made for third parties (who may be considered as third-party beneficiaries).

In contrast to the ETSI mechanism, the ITU FRAND mechanism, in particular, the declaration by which SEP holders declare to ITU their readiness to grant FRAND licences,²⁸ does not provide for any choice of law clause. It is consequently necessary to identify the law that is applicable to such a declaration. The determination of the applicable law in such circumstances is a classical private international law/conflict of law issue. This is a quite challenging question also because it depends on the

qualification of the legal nature of the declaration under private international law.

By considering that the declaration can be qualified as a contract²⁹ and assuming that the private international law rules of the European Union law would be applicable (for the sake of the discussion here), it would be necessary to determine which party provides the characteristic performance in the contract between the owner of SEP and the ITU.³⁰ This is not an obvious question. An SEP owner who is prepared to licence his SEP on FRAND terms can certainly be considered as providing an important performance. Even if it is not a licence agreement as such,³¹ this declaration relates to a performance in kind, which will subsequently give rise to non-typical (ie, not 'characteristic') obligations of the licensees (ie, essentially the obligation to pay royalty fees for the grant of the licence). However, standardization bodies (such as ITU) do offer to owners of SEP the possibility of having their patents included in a standard on the condition that the owners of SEP make the declaration at issue.³² This performance of the standardization bodies, therefore, may also have an impact on the qualification of the contractual mechanism so that it remains difficult to determine which party would provide the characteristic performance in these quite unusual circumstances.

If it is not possible to determine which party provides the characteristic performance, the applicable law must be determined by identifying the country which is considered to be most closely connected with the contract.³³ Here again, the issue is complex. This might be considered to be the country in which the standards organization is located. It is indeed under the aegis of the standardization body that the FRAND declarations are

25 Matthew J Wilson, 'Demystifying the Determination of Foreign Law in U.S. Courts: Opening the Door to a Greater Global Understanding' (2014) Akron Law Publications 227. Available at http://ideaexchange.uakron.edu/ua_law_publications/227 (accessed 7 May 2021); the relevant Rule 44.1 of the Federal Rule of Civil Procedure provides that: 'A party who intends to raise an issue about a foreign country's law must give notice by a pleading or other writing. In determining foreign law, the court may consider any relevant material or source, including testimony, whether or not submitted by a party or admissible under the Federal Rules of Evidence. The court's determination must be treated as a ruling on a question of law'. Available at https://www.law.cornell.edu/rules/frcp/rule_44.1 (accessed 7 May 2021).

26 In one of the judgments rendered in this dispute, the Court noted that no sufficient evidence was established as to the content of foreign law, *Microsoft Corp. v Motorola, Inc.*, 854 F. Supp. 2d 993, 1000–1 (WD Wash 2012): 'The parties' lack of briefing under the applicable law leaves the court to guess at, among other things, which choice of law governs the policies, whether the policies are ambiguous, whether review of extrinsic evidence is appropriate in interpreting the policies. Because Microsoft has failed to properly brief the issues the court must decide, the court finds that Microsoft has not carried its burden of showing an absence of material questions of fact and that it is entitled to prevail as a matter of law. Accordingly, the court denies Microsoft's motion for summary judgment with respect to the third issue-whether Motorola must offer on RAND terms and conditions'.

27 According to the information provided in the US cases cited by the UK Supreme Court, the dispute between Motorola and Microsoft involved three separate companies within the Motorola group, namely Motorola, Inc. Motorola Mobility, Inc. and General Instrument Corporation (eg, *Microsoft Corp v Motorola Inc*, 871 F Supp 1089 (WD Wash 2012)), which all have their corporate seats in the USA.

28 Patent Statement and Licensing Declaration Form for ITU-T or ITU-R Recommendation, ISO or IEC Deliverable. Available at https://www.itu.int/dms_pub/itu-t/oth/04/04/T04040000020005PDFE.pdf (accessed 7 May 2021).

29 This is what is called for by certain authors, see Tsang King Fung and Lee (n 10) 299 et seq.; the qualification may also relate to other areas of law, in particular, qualification in tort, competition law or IP law.

30 Art. 4 para. 2 of EU Regulation 593/2008 of 17 June 2008 on the law applicable to contractual obligations (Rome I): 'Where the contract is not covered by paragraph 1 or where the elements of the contract are covered by more than one of points a) to h) of paragraph 1, the contract shall be governed by the law of the country in which the party who is to provide the characteristic performance has his habitual residence'.

31 This is expressly stated in the FRAND declaration to the ITU, which provides under its title that: 'This declaration does not represent an actual grant of a license'.

32 Cf. Common Patent Policy for ITU-T/ITU-R/ISO/IEC: '2.3 The patent holder is not willing to comply with the provisions of either paragraph 2.1 or paragraph 2.2; in such case, the Recommendation | Deliverable shall not include provisions depending on the patent'. Available at <https://www.itu.int/en/ITU-T/ipr/Pages/policy.aspx> (accessed 7 May 2021).

33 Art. 4 para. 4 of the Rome I Regulation (footnote 29): 'Where the applicable law cannot be determined on the basis of paragraph 1 or 2, the contract shall be governed by the law of the country with which it is most closely connected'; this standard was applied in other jurisdictions in FRAND cases; see Tsang King Fung and Lee (n 10) 289: 'if there is no governing law clause, all jurisdictions apply the law with the closest connections'.

made and that the other rules governing the declarations are established. With regard to the ITU FRAND declaration, it can be noted that this declaration is also made in favour of other international institutions that are also based in Geneva,³⁴ which would intensify the connections with Switzerland and therefore with Swiss law.

These US judgments furthermore do not offer a clear picture about the conditions that may apply in order for a company to benefit from a FRAND declaration made by a SEP owner. These judgments do not make a clear distinction between the status of the beneficiary of the FRAND declaration and the status of the member of the relevant standards body. These judgments thus seem to consider that Microsoft is the beneficiary of the declaration because it is a member of the relevant standardization bodies.³⁵ However, these issues are not necessarily connected. According to the (currently applicable) ITU documents, any entity participating in the work of the ITU is required to notify the existence of patents for inventions belonging to it or to a third party that may

be necessary to implement a standard (without this being formally linked to ITU³⁶ membership).³⁷

On this basis, these US cases to which the UK Supreme Court refers do not make it possible to draw binding conclusions about the legal effect on third parties of the declaration made by the owners of SEP to the ITU or to other Standard Setting Organizations (already because the question of third-party beneficiaries is far from settled under US law³⁸). It is well noted that the UK Supreme Court did not rely on this case law in its judgment to support this finding, which is logical given that the US cases did not deal with the ETSI's FRAND declaration. However, the UK Supreme Court did still refer to these judgments and referred to the contractual nature of the FRAND declaration, as well as to the global scope of the licence grant in support of its reasoning and analysis concerning the ETSI declaration. However, as noted above, this US case law cannot offer any guidance with respect to the issue of the determination of the legal nature of the FRAND declaration because the US courts did not have to determine the nature of the ETSI FRAND declaration and did not even make any private international law/conflict of law analysis in order to define the national contract law that would govern the relevant FRAND declarations. In addition, the FRAND declarations that were at stake in these US cases had expressly a global scope (as stated in the relevant ITU documents), which is not the case of the ETSI declaration. On this basis, these US judgments cannot offer real guidance on the issues that the UK Supreme Court had to analyse.

III. Concluding remarks

The UK Supreme Court's judgment is based on a quite superficial and autonomous application of French law, which does not seem to be supported by the content of French law that was established by the parties in the course of the proceedings, even though French law is the

34 Either the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), cf. Common Patent Policy for ITU-T/ITU-R/ISO/IEC. Available at <https://www.itu.int/en/ITU-T/ipr/Pages/policy.aspx> (accessed 7 May 2021).

35 See *Microsoft Corp. v Motorola Inc.*, 871 F Supp 2d 1089 (WD Wash 2012) 1094: 'as a member of the IEEE and the ITU and a prospective user of both the H.264 Standard and the 802.11 Standard, Microsoft was found to be a third-party beneficiary of the contract'; this judgment refers to a previous judgment rendered in the same dispute: 'Order on Plaintiff's Motion for Partial Summary Judgment' (27 February 2012) 10. Available at <https://essentialpatentblog.lexblogplatform.com/wp-content/uploads/sites/64/2013/04/12.02.27-D.E.-188-Order-Granting-in-Part-and-Denying-in-Part-Plaintiffs-Motion-for-Partial-Summary-Judgment.pdf> (accessed 7 May 2021), in which the judge had noted that: 'the court finds that Microsoft, as a member of both the IEEE and the ITU, is a third-party beneficiary of Motorola's commitments to the IEEE and ITU. See *ESS Tech., Inc. v. PC-Tel, Inc.*, No. C-99-20292 RMW, 1999 WL 33520483, at *4 (N.D. Cal. 4 November 1999) (holding that the third-party beneficiary of contract between a SSO and the defendant, who held essential patents, had properly stated claim for specific performance of the agreement requiring the defendant to license patents on RAND terms)'; in the *ESS Tech., Inc. v PC-Tel, Inc.* case to which the judge referred, No. C-99-20292 RMW, 1999 WL 33520483, at *4 (N.D. Cal. 4 November 1999), the court did not hold that only members of the SSO could be beneficiaries of the FRAND declaration; it did apply California contract law (without any conflict of law analysis) in order to determine whether the contract could be enforced even if the obligations were not precisely defined: 'C. Fourth Claim for Specific Performance: Defendant contends that even assuming that plaintiff is a third party beneficiary to defendant's agreement with the ITU to license its patents on a non-discriminatory basis and on reasonable terms and conditions, the agreement is too vague to support a claim for specific performance, since it does not provide any express terms of the contract. However, under California law, a court can enforce a contract even if some of the terms are not provided. See *Martin v. Baird*, 124 Cal.App.2d 598, 601 (1954) (holding that a court can imply terms from the usual and reasonable conditions of such a contract)'; it can be noted that the relevant ITU documents have evolved over time. Available at <https://www.itu.int/en/ITU-T/ipr/Pages/revpatent.aspx> (accessed 7 May 2021).

36 It is noted that the ITU offers in particular an 'Associate' status beyond the ITU membership statutes (including sector membership). Available at <https://www.itu.int/en/myitu/Membership/Become-a-Member/Participation> (accessed 7 May 2021).

37 IEC/ISO/ITU, Guidelines for Implementation of the Common Patent Policy for ITU-T/ITU-R/ISO/IEC(2/11/2018), Revision 3, effective 2 November 2018, p. 2. Available at https://www.itu.int/dms_pub/itu-t/oth/04/04/T04040000010005PDFE.pdf (accessed 7 May 2021): 'As mandated by the Patent Policy in its paragraph 1, any party participating [footnote 1] in the work of the Organizations should, from the outset, draw their attention to any known Patent or to any known pending Patent application, either its own or that of other organizations', footnote 1 provides that: 'In the case of ISO and IEC, this includes any recipient of a draft standard at any stage in the standards development process'.

38 See Jorge L Contreras, 'A Market Reliance Theory for FRAND Commitments and Other Patent Pledges' 2015 Utah Law Review 479, 501–14. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2309023 (accessed 7 May 2021).

governing law that applies to the entire ETSI FRAND ecosystem. It is unfortunately not the only court involved in ETSI FRAND litigation that did not conduct a thorough analysis of the relevant private international law issues and substantive (contract) law issues on the basis of the applicable national law at issue. US case law suffers from many of the same shortcomings.³⁹ It still remains regrettable that the highest court of a leading European country that is a neighbour of France and of the civil law system (irrespective of Brexit) has not been in a position to conduct a more careful and more adequate analysis of French law by relying, to the extent needed, on the usual methods applicable under UK law in order to establish the content of foreign law.

This judgment of the UK Supreme Court finally raises the question of the effectiveness of designating a foreign law in an international agreement, particularly with respect to an international agreement that will be relevant and binding for a very large number of involved parties (which is the case of FRAND declarations), as long as disputes about this agreement are litigated before different courts in different countries. Different national courts may indeed interpret differently the same foreign laws, which is exactly what happens with respect to FRAND disputes⁴⁰ and which may lead to detrimental forum shopping. This pleads for the creation of global dispute settlement bodies that shall decide in a uniform manner on global FRAND disputes, to which the UK Supreme Court alludes,⁴¹ and that could be implemented by SSOs in the future.⁴² The judgment further shows the need to

conceptualize harmonized or even better unified contract law principles that could efficiently govern global intellectual property (IP) transactions. From this perspective, it is worth noting that the UK courts had to apply civil law (ie, French law for ETSI in this Huawei case) and that the US courts in the cases discussed above (see B above) could also potentially have applied civil law (Swiss law) for the ITU declaration, thereby evidencing the need to bridge the differences between common law and civil law approaches at least for issues that call for global solutions.

In any event, based on its reasoning (also resulting from its superficial analysis of French law), the UK Supreme Court upholds the possibility of imposing a worldwide licence for the portfolio of patents that are declared essential. This choice, which can be debatable, is supported by a pragmatic approach based on the volume of patents in the portfolio and the possibility of challenging the patents locally. This solution also seeks to reduce the transaction costs for the parties. This choice, however, remains questionable to the extent that it could destroy the connection between the limited geographic territoriality of the protection of IP rights and the global market covered by the patent licence. Indeed, a worldwide licence could potentially impose royalties for each product marketed in the world using the technologies in question without consideration of the more limited territories in which the patents are granted (subject to contractual royalty adaptation mechanisms). One can note in this context that the UK Supreme Court considered that 'it might in our view be fair and reasonable for the implementer to reserve the right to challenge'⁴³ the validity and infringement of patents in a particular jurisdiction (which was not reserved by Huawei) and to adopt a contractual mechanism of adaptation of the royalty rates. This system, however, did not relate to the countries without patent protection. As a result, one could assume that (subject to contractual adaptation mechanisms), with patents granted in a few countries, generally <10, and a declaration made to ETSI, the owner of SEPs could potentially obtain royalties for countries for which no patent has even been applied for or for which no patent would be valid.

39 See *Apple v. Motorola*, 2012 U.S. Dist. LEXIS 181854 at *43 (WD Wis., 29 October 2012) ('At summary judgment, I applied Wisconsin law to Motorola's contracts with IEEE and French law to the ETSI contracts. In their motions *in limine*, both parties cite Wisconsin contract law and do not argue that French law is any different. I will apply general principles of Wisconsin contract law to interpret Motorola's commitments to both IEEE and ETSI').

40 Tsang King Fung and Lee (n 10) 288: 'The U.S. case of *Apple v. Samsung* was more limited in scope because it only concerned a motion to dismiss the implementer's counterclaim of breach of contract. However, unlike the cases in Japan and Korea, the U.S. court found that French law allowed a third-party right to be granted to the implementer'.

41 *Unwired Planet* (n 2) [90]: 'In so far as that is so, it is the result of the policies of the SSOs which various industries have established, which limit the national rights of a SEP owner if an implementer agrees to take a FRAND licence. Those policies [...] do not provide for any international tribunal or forum to determine the terms of such licences. Absent such a tribunal it falls to national courts, before which the infringement of a national patent is asserted, to determine the terms of a FRAND licence. The participants in the relevant industry [...] can devise methods by which the terms of a FRAND licence may be settled, either by amending the terms of the policies of the relevant SSOs to provide for an international tribunal or by identifying respected national IP courts or tribunals to which they agree to refer such a determination'.

42 See Jorge Contreras, 'The UK Supreme Court's Re-interpretation of FRAND in *Unwired Planet v. Huawei*' (2020). Available at <https://patentlyo.com/patent/2020/08/supreme-interpretation-unwired.html> (accessed 7 May 2021), concluding his guest post by stating

that: 'I have long advocated the creation of an international rate-setting tribunal for the determination of FRAND royalty rates. I continue to believe that such a tribunal, if supported by leading SSOs, would eliminate much of the inter-jurisdictional competition and duplicative litigation that currently burdens the market. If the UK Supreme Court's judgment in *Unwired Planet* encourages ETSI and other SSOs to endorse such an approach, then this could be the most significant outcome of the case' with reference to his paper, 'Global Rate Setting: A Solution for Standard-Essential Patents?' (2019) 94 *Washington Law Review* 701. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3253954 (accessed 7 May 2021).

43 *Unwired Planet* (n 2) [64].

The integration of a patented technology into a standard, at the initiative of its owner, should not as a matter of principle have the effect of evading the rules of territoriality that govern IP law and that could create a right to remuneration for countries outside the scope of protection (it being noted that the density of patents is very low in many regions of the world: South America, the African continent and a large part of South-East Asia). This global private mechanism could mean that a standard could replace local IP laws and could deprive the local States of the possibility of applying their IP laws in

their own territory. This could arguably destabilize certain local markets (where the patents are not protected) for which royalties would be payable and for which there would be no local benefits (ie, the local governments would not collect patent fees for their IP offices). Local consumers would also have to pay a price of the products that would include the cost of IP, which would in turn threaten the public domain. In any event, it will be important to closely observe the impact of this important judgment of the UK Supreme Court on global FRAND licencing disputes.