

D YOUNG & CO

PATENT

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As we enter the summer season, we are delighted to announce the further expansion of our German office with the appointment of Dr Uli Foerstl who joins patent attorney Dr Hanns-Juergen Grosse. This is an exciting development for the firm and further enhances our client service capabilities across Europe. Further information is available on page 07 of this newsletter. We will also be closely monitoring developments in respect of the UPC this summer which has now, unfortunately, been further delayed (an update can be found on page 12). We wish all of our readers a very pleasant summer.

Editor:

Anthony Albutt



Events



13 June 2017

European Biotech Patent Case Law Webinar

Simon O'Brien and Matthew Caines present this latest edition of our biotech webinar. Registration is now open. For more information see page 12 of this newsletter.

13-14 June 2017

Chemistry Means Business Conference, Manchester UK

Garreth Duncan will be attending the Royal Society of Chemistry's flagship event for industry.

19-22 June 2017

BIO International Convention, San Diego US

Simon O'Brien will be participating in the panel presentation "The Human Microbiome - Innovation and IP Protection" taking place during the conference.

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Supplementary protection certificates

How specific must you be for an SPC? UK High Court says Markush claim is enough

In a recent judgment (*Sandoz v Searle*), the UK High Court has upheld a supplementary protection certificate (SPC) for the anti-HIV drug darunavir (Prezista®) based on a European patent whose claims covered the drug within a general formula, but which did not specifically disclose or claim the compound. This is welcome news for SPC applicants and provides much needed clarity on this important question.

Article 3(a) of the European Union SPC regulation requires that one of the criteria for SPC protection is that the product must be "protected by a basic patent in force". However, Court of Justice of the European Union (CJ) decisions in recent years have caused considerable uncertainty as to what is required for the product to be "protected" by the patent.

The only matter on which there appears to be consensus is that it is not sufficient for the product to simply fall within the claims of the basic patent: something more is required, but despite several references the CJ has not as yet made it clear what that "more" is. However, two tests have begun to emerge from the case law: firstly, that the product must be "specified" or "identified" within the wording of the claims (*Medeva*); secondly, that the product must "embody the inventive advance" of the basic patent (*Actavis v Sanofi*).

In this case, it was common ground between the parties that darunavir fell within the general formula of claim 1 of the basic patent (this type of claim is often referred to as a "Markush claim"), but the specific compound darunavir was not disclosed or claimed anywhere in the basic patent. In view of this, the claimants Sandoz and Hexal argued the SPC was invalid as darunavir was not "specified" or "identified" in the claims of the patent, and the patent did not "protect" the product according to Article 3(a) of the Regulation. The defendants Searle and Janssen counter-argued that even if Article 3(a) was unclear in some other respects, there was no reasonable interpretation of the Article which would mean the product was not "protected" by the patent.

The judge, Mr Justice Arnold, found in the

defendants' favour and ruled the product was "protected" by the basic patent. He applied an earlier CJ decision (*Lilly v HGS*) in which the court held that it is not necessary for the active ingredient to be identified in the claim by means of a structural formula, and that it is sufficient for the active ingredient to be covered by a functional description provided that the claims relate, implicitly but necessarily and specifically, to the active ingredient. He was also clear that darunavir embodied the inventive advance of the patent.

The judge deemed it irrelevant that the Markush claim covered a large number of compounds in addition to darunavir: while this may have been relevant to the question of validity of the basic patent, the claimants did not challenge validity in this case. He also considered it irrelevant that the specific compound darunavir was not discovered until several years after the patent's priority date or that it was independently developed by a party other than the patent proprietor.

This decision is excellent news for the research-based pharmaceutical industry.

It is very common in the medicinal chemistry field for a general structure-activity relationship to be discovered early in a research cycle, leading to a patent claiming the active compounds in terms of a broad Markush formula, but a specific compound falling within that general formula which works particularly well, and which ends up being the compound which receives regulatory approval, may not be identified until many years later. Confirmation that the broader patent may support an SPC even if the specific compound is not disclosed provides a welcome point of clarity following many years of uncertainty on the requirements for SPC protection.

Author:

Garreth Duncan



Full decision of [2017] EWHC 987 (Pat) *Sandoz Limited & Hexal AG v G.D. Searle LLC & Janssen Sciences Ireland UC*:
<http://dycip.com/ewhc987>

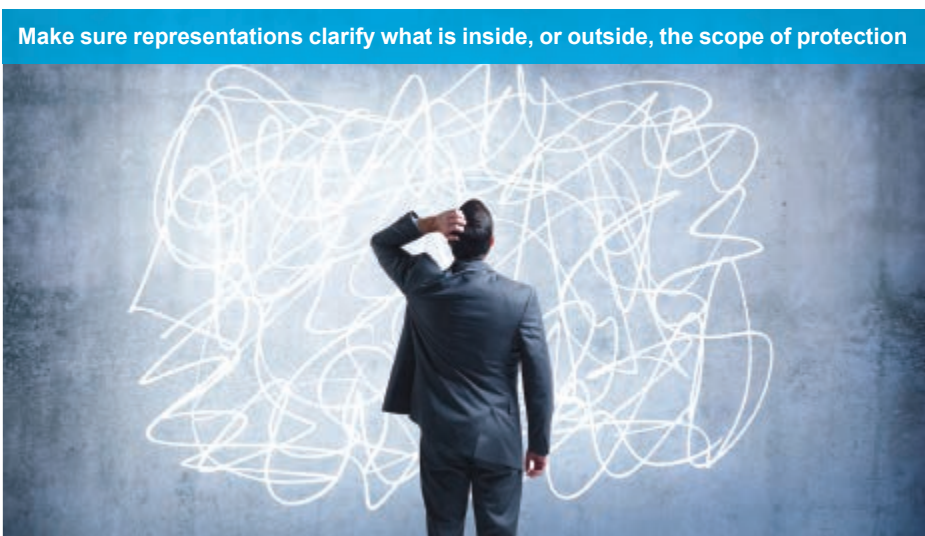
Registered Community designs Applications must be unambiguous in what they show for a filing date to be accorded

With a registered Community design (RCD) application, there is always the risk (usually a small risk) that the European Union Intellectual Property Office (EUIPO) will not accord the application a filing date on the ground that the 'representations' (the views or figures depicting the design) that were filed were not 'suitable for reproduction'.

This has usually been understood by practitioners to mean that blurred or fuzzy views might result in no filing date being accorded (under Article 36(1) of the Community Design Regulation (CDR)). The same might also be true if the design is shown against a coloured or patterned background that makes it difficult to discern the design itself. It would then be necessary to file new representations which are 'suitable for reproduction', and a filing date will then be accorded, but it will be the date on which the new representations are filed, and importantly will not be the original date on which the first set of representations was filed. This can have serious repercussions. For example, if the RCD application is a first filing for the design in question, the design might have been publicly disclosed in the interval between the original date and the new date, and this could cause problems when, subsequently, corresponding foreign design applications based on the RCD application are filed in foreign jurisdictions which have a requirement for 'absolute novelty' under their local design laws.

For this reason, practitioners, when preparing an RCD application as a first filing, will try to ensure that the views they file depicting the design are not blurred or fuzzy, and that they show up clearly against a neutral background.

However, a probable need for additional caution has been created by a recent decision (on case T-16/16 issued on 09 February 2017) by the General Court of the EU (GC) which suggests that the requirement of 'suitable for reproduction' also means that the views must not contain a muddled collection of different objects that makes it impossible to determine what the design is for which protection is being sought.



Make sure representations clarify what is inside, or outside, the scope of protection

The case in question stemmed from an RCD application filed by Mast-Jägermeister SE which showed both a drinking beaker and a bottle. The original examiner at the EUIPO raised objection. The applicant explained that it was not seeking protection for the bottle. A series of examination reports was issued in which the examiner requested that the bottle be removed, or the bottle be disclaimed such as with dashed (broken) lines or by circling round the beaker, or that the application be split into separate applications. The applicant stuck by its wish to continue with the representations as originally filed, supplemented with a written statement that the protected design related to just the beaker.

The examiner eventually refused the application a filing date on the CDR Article 36(1) ground, and the EUIPO's own Board of Appeal upheld the decision. The major stumbling block to being accorded a filing date was that it was not possible to tell from the representations as originally filed whether protection was being sought for the beaker, for the bottle, or for a combination of the beaker and the bottle.

The applicant then appealed further to the GC, which upheld the decision of the Board of Appeal.

Thus, the outcome was that the applicant (Mast-Jägermeister) was left without an RCD

application even though the representations filed were not blurred or fuzzy, but simply because the representations had been somewhat visually 'muddled' in what they showed and had thus left uncertainty in the mind of the examiner as to what, of the items shown in the views, actually comprised the design for which protection was being sought.

Thus the take-home message for practitioners is to think through the preparation of the representations to be filed on your RCD application. If you are going to include items extraneous to the item or product for which protection is sought, you should consider, at the time of original filing, making it clear visually that the additional items are outside the scope of protection, and this can be conveniently done by using one of the 'EUIPO approved' visual depiction techniques of dashed (broken) lines or greying out for the excluded features, or a boundary around the features (the item) for which protection is sought.

The requirements surrounding being accorded a filing date for an RCD application have therefore been made a little bit tighter by this GC decision, and practitioners who are used to more-lenient national registered design regimes should take note.

Author:
Paul Price



Cross-border invention risk management

Challenging infringement across multiple jurisdictions

Since some inventions are distributed across multiple jurisdictions, an issue can arise whereby the claim for such a system is not infringed in any one jurisdiction. This can make it difficult if not impossible to pursue an alleged infringer for direct infringement.

It may be possible to bring proceedings for indirect infringement. In the UK Patents Act, this requires an allegedly infringing party to supply or offer to supply, in the UK, any of the means relating to an essential element of the invention for putting the invention into effect in the UK.

The infringing party must also know, or it must be obvious to a reasonable person in the circumstances, that those means are suitable for and are intended to put the invention into effect in the UK. However, relying on indirect infringement is less than ideal since the knowledge requirement (that the skilled person must know that the means are suitable for and intended to put the invention into effect in the UK) is a high barrier to meet.

It should be noted that having patents in numerous jurisdictions does not necessarily resolve this issue since most jurisdictions will require all claim features to be carried out within their jurisdiction for infringement to occur.

The case law

Menashe B M Ltd v William Hill Organisation Ltd

In *Menashe B M Ltd v William Hill Organisation Ltd* [2002] EWCA, Menashe had claimed a system having a terminal and a server. William Hill supplied customers with a CD which enabled those customers to turn their computers into terminals which operated within a system such as claimed by Menashe. William Hill argued

that this was not even indirect infringement because the server, which William Hill provided, was not located within the UK. Consequently, the system was not put into effect in the UK – only the terminal was.

However, LJ Aldous interpreted the phrase “put the invention into effect in the UK” as requiring use of the invention in the UK. Furthermore, the court decided that since the location of a server is immaterial to the user, it can be used in the UK without the server being physically located in the UK. Hence, in this case, the CD was an essential means supplied in the UK for putting the invention into effect (by use) in the UK.

Research In Motion v Motorola

In the case of *Research In Motion v Motorola* [2010] EWHC, Arnold J found that the patent was invalid. However, he commented that had it been valid, there would have been no infringement. Referring to *Menashe*, Arnold J emphasised that it is important to consider who uses the claimed invention, and then where they operate it. Despite Arnold J maintaining that use of a server in the UK does not require the server to be located in the UK, it was found that the claimed invention (a method of operating a system), was used by Research In Motion itself (as distinct from *Menashe* where the server was used by the customer). Research In Motion was based in Canada, and so the use of the server was found to be occurring in Canada, despite a user also being free to communicate with the system from the UK.

Virgin Atlantic Airways Ltd v Delta Air Lines Inc

Taking a step back from overseas based servers, a third case to consider is that of *Virgin Atlantic Airways Ltd v Delta Air Lines Inc* [2011] EWCA. A company called Contour made ship-sets (ie, seats along with plinths and all required fittings for specific aircraft of their customer’s airline) for business class seats. Contour provided instructions for the seats’ assembly on aircraft, and sent out ship-sets abroad (in the US) for installation, where their engineers aided Boeing in fitting the seats to aircraft which were eventually supplied to Delta. The

High Court granted a declaration of non-infringement in respect of Delta Air Lines, citing *Menashe*, since the invention was not used (ie, put into effect through use) in the UK; but in the US where the seats were fitted.

The declaration was overturned by the Court of Appeal. However, this was only due to a different construction of the claims; the terms “for” and “arranged to” were interpreted more broadly by the Court of Appeal such that the ship-set itself was actually potentially covered by the claim. Given Virgin now had a “realistic prospect for establishing infringement” the declaration of non-infringement was lifted. The decision taken in *Menashe* was therefore not truly tested in this case.

Legal test

Based on an analysis of the case law, a simplified legal test for determining infringement under Section 60(2) UKPA involves performing the following steps:

1. Determine what the invention is.
2. Identify an essential element of the invention.
3. Determine who puts that essential element into effect through “use”.
4. Determine if the double territorial requirement is met, by asking:
 - a. Is the essential element supplied/ offered for supply in the UK?
 - a. Is the essential element suitable for enabling use by the person determined in step (3) of the invention in the UK?

Practical lessons

A claim is generally as valuable as the scope of protection which it confers. If direct infringement is made avoidable by simply performing a part of a claimed invention in another jurisdiction, then the protection conferred by the claim is only that which is provided by virtue of indirect infringement. However, due to the knowledge requirement

➤ **Related decisions**

Menashe Business Mercantile Ltd. & Anor v William Hill Organization Ltd.
[2002] EWCA Civ 1702 (28 November 2002): <http://dycjp.com/ewca1702>

Research In Motion UK Ltd v Motorola Inc [2010] EWHC 118 (Pat) (03 February 2010) : <http://dycjp.com/ewch118>

Virgin Atlantic Airways Ltd v Delta Air Lines Inc [2011] EWCA Civ 162 (23 February 2011): <http://dycjp.com/ewca162>

Practical steps to prevent infringement avoidance across multiple jurisdictions



set out in Section 60(2) UKPA, as well as the ambiguities in the interpretation of the relevant statute, it is often much harder to prove that indirect infringement has occurred than direct infringement.

It is therefore important that an attempt is made to draft claims so as to make it as hard as possible for potential infringers to avoid direct infringement. In particular, this can be achieved by ensuring that a potential infringer would infringe the whole claim, rather than just an essential element of it.

This can be achieved by drafting the claim in terms of the functionality to be performed by a single apparatus, rather than by a plurality of apparatuses.

In addition, by avoiding the requirement of a feature to be performed on a remote server and by avoiding method steps in an apparatus claim (which could be geographically separated) it is possible to reduce the likelihood that direct infringement can be avoided. A professional patent drafter

should be able to take these issues into consideration and we would recommend you seek professional advice if your invention is geographically distributed and has the potential to only infringe across jurisdictional borders.

Nonetheless, there will undoubtedly be situations in which it may not be possible to capture the inventive concept without one or more of these elements. Therefore, even the best-drafted claims could still risk the problem of cross-border infringement. In these situations, it is necessary to rely on the provisions set out in the aforementioned cases and in Section 60(2) UKPA, which relates to indirect infringement.

It is reassuring to know that there is precedence in *Menashe* for successful infringement proceedings under Section 60(2) UKPA in the specific situation of cross-border infringement. The generalised legal test discussed above has been devised in view of our interpretation of both the statute and the relevant case law. However, we consider the interpretation of Section 60(2) UKPA in *Menashe* to be fairly broad, and hence, this legal test may be liable to change if a future case reached the Supreme Court. Due to the specific facts in the *Menashe*

case, it is hard to discern the extent to which the reasoning can be generalised. Hence, in a case with differing facts, the court may well reach a conclusion which provides less scope for cross-border infringement proceedings under Section 60(2) UKPA.

The unitary patent and Unified Patent Court

The unitary patent is a new EU-wide patent which is expected to come into force in the coming months, along with the Unified Patent Court (UPC). The unitary patent will have unitary effect such that post-grant rulings of infringement are effective across every participating state. Since the unitary patent is not yet in force, there is considerable uncertainty surrounding the way in which cases of cross-border infringement will be handled, and of course this would only be relevant in cases where the cross-border infringement is confined to Europe.

We therefore recommend seeking professional advice to be able to discuss potential issues relating to cross-border infringement, with specific regard to the details of your situation.

Authors:

Tom Bell, David Al-Khalili & Alan Boyd



Introducing the notional business person

Assessing technical or non-technical inventiveness

[Useful link](#)

Jurisdiction: European Union
Decision level: Board of Appeal
Parties: CardinalCommerce Corporation
Date: 29 November 2016
Citation: T-1463/11
Decision: <http://dycjp.com/t146311>

Anyone who has experienced prosecuting inventions that include a combination of technical and non-technical subject matter at the European Patent Office (EPO) will likely agree that the entire process can be challenging and somewhat confused. Applicants can sometimes find themselves in a situation where the examining division refuses to acknowledge the technical character of some of the claimed features and where previous decisions of the Boards of Appeal are fairly case-specific such that they are difficult to transpose to other fields of technology.

This recent case from the Board of Appeal, namely T 1463/11, stands out from the others because it also provides helpful guidance on how to separate technical aspects from non-technical aspects.

The application related to a system for conducting transactions and differed from the cited documents with regard to the location of authentication plug-ins. Specifically the plug-ins had been relocated from merchants' servers to a centralised system. The Examining Division had identified the

problem solved by the invention as how to outsource the authentication of a commercial transaction to a third-party and had objected that the invention solved an administrative or business problem, not a technical problem.

The Board of Appeal disagreed with the Examining Division's finding and, beyond addressing the facts of this case (and deciding that the claims were inventive), also provided guidance to help differentiate technical aspects from non-technical aspects of a problem solved. The Board of Appeal noted in particular that to differentiate the technical problem from the non-technical requirements provided to the skilled person, a notional business person could be contemplated. What this notional business person would ask the (notional technical) skilled person to address would define the non-technical aspects of the problem.

The Board of Appeal made it very clear that this notional business person could not have any technical knowledge and would only be interested in the business and administrative features provided or problems solved. For example, in the case at hand, it did not matter to the (notional) business person where the plug-ins were provided, so long as the business and administrative functionalities were provided as expected. The Board of Appeal illustrated the type of instructions the notional business person

would give, such as: "Move the money from the payer's account to the payee's account". However the notional business person would not provide any technical guidance such as: "We should do this on the Internet"; "Let's do this by wireless"; or "We have a lot of processors, please use them to implement my business idea". Because such additional guidance is at least in part technical, these considerations are in the realm of the skilled person, not the business person. Accordingly these considerations cannot, and should not, be discarded when considering whether the claims provide a technical solution to a technical problem.

In many of these cases, the boundaries between technical and non-technical can be somewhat blurred and any guidance we can receive from the Boards of Appeal on how to make that boundary clearer is always welcome. In view of this new decision, one approach when looking at this type of invention can be to consider the problem solved by the invention (based on both the technical and the non-technical differentiating features) and to consider the following steps:

1. What part of this problem is what the notional business/administrative person would try to address? This would help identifying the requirements defined by this notional person (sometimes called the 'requirements specification')
2. The technical problem (if any) addressed by skilled person on the basis of the non-technical requirements provided by the notional business person would then defined the technical problem.

The problem-solution approach of the EPO can then be applied as usual.

Hopefully this approach would assist all parties and divisions of the EPO dealing with such mixed technical and business/administrative cases and would also assist applicants in cases where Examining Divisions discard mixed features without acknowledging their technical dimension.

The notional business person asks questions of the notional technical (skilled) person



Author:
Bénédicte Moulin





News release

Uli Foerstl, partner and German qualified lawyer, joins D Young & Co's Munich office

From left to right: D Young & Co LLP partners Tamsin Holman, Uli Foerstl, Hanns-Juergen Grosse and Neil Nachshen



We are pleased to announce the appointment of Dr Uli Foerstl as a partner at our Munich office. Uli is an IP litigator who brings a wealth of experience including extensive cross-border litigation expertise. His recruitment represents a significant step in the development of D Young & Co's presence in Germany.

The hiring of Uli Foerstl follows the recent recruitment of Dr Hanns-Juergen Grosse as a partner in the firm's European patent practice in January of this year. Uli and Hanns will together spearhead the growth of D Young & Co's business in Germany.

Uli is a German qualified lawyer (Rechtsanwalt) and bar certified expert in IP law (Fachanwalt für gewerblichen Rechtsschutz). He represents a broad range of national and international clients in the relevant German infringement courts in first instance and appellate proceedings, the German Federal Patent Court, the Germany Patent and Trademark Office, the European Union Intellectual Property Office (EUIPO), the European Patent Office (EPO) and the Court of Justice of the European Union (CJEU), as

well as before national and international arbitration tribunals.

Uli also acts as a domain name arbitrator for the arbitration tribunal of the Czech Chamber of Commerce in Prague and advises clients in all non-contentious IP matters, including joint ventures, R&D agreements and tech transfer contracts.

Furthermore, Uli continues to advise clients in a variety of technologies and sectors which include gaming, telecommunications, media, life sciences, fashion, consumer goods and services, all of which are aligned to D Young & Co's existing patent, trade mark and legal practice areas.

Uli's appointment further strengthens the firm's coordination of multi-jurisdictional disputes in Europe. Pictured above, Tamsin Holman, London-based partner and solicitor, welcomed Uli to the firm's flourishing dispute resolution & legal team.

Neil Nachshen, D Young & Co Chair, comments: "Uli is an excellent fit with our team of IP litigators. Our goal is to continue investing into the growth of our firm, to service

our clients' global needs for innovative IP protection and enforcement."

Prior to joining D Young & Co, Uli was a partner in Olswang's (now CMS) IP group based in Munich. He has previously worked in the IP department of Lovells (now Hogan Lovells) and was a founding partner of a Munich-based IP boutique firm of patent attorneys and lawyers.

Uli's profile can be found on our website: www.dyoung.com/ulifoerstl

Hanns' profile can be found on our website: www.dyoung.com/hanns-juergengrosse

Our Munich office

We opened our office in central Munich in June 2016 – an exciting venture in support of our growing client base across Europe and the rest of the world. Our Munich office is within walking distance of the European Patent Office (EPO) making it ideally located to handle clients' needs during proceedings at the EPO.

Author:
Rachel Daniels



Patents Court sets FRAND terms and rate Unwired Planet v Huawei

In *Unwired Planet v Huawei*, Mr Justice Birss, sitting in the Patents Court, has offered standard essential patent (SEP) owners valuable guidance on the determination of 'fair reasonable and non-discriminatory' (FRAND) terms.

Background

Following the expiry of a licence agreement between Ericsson and Huawei in 2012, Unwired Planet acquired a portion of Ericsson's patent portfolio (including some of those patents previously licensed to Huawei). Between September 2013 and January 2014, Unwired Planet initiated contact with Huawei with a view to it taking a licence of its patents. Discussions, however, appear to have stalled regarding the terms of a non-disclosure agreement. Without further notice (and arguably prematurely), in March 2014, Unwired Planet commenced patent infringement proceedings against Huawei (and others) in the UK.

The patent infringement proceedings pertained to six patents, five of which were claimed to be essential to certain standards.

As a result, five technical trials were listed between October 2015 to July 2016. Following the first three technical trials, two of the six patents were found to be valid, essential and infringed (with two other patents being held invalid). The parties agreed that the remaining two technical trials should be postponed indefinitely.

The terms of a FRAND licence, therefore, fell to be determined. The hearing to address this took place between October and early December 2016, with judgment (some 166 redacted pages) being handed down in early April 2017.

Procedural & legal issues

Before addressing Mr Justice Birss' findings regarding the FRAND royalty rate and terms, it is worth considering some of the procedural and legal issues raised and addressed by him.

Unwired Planet v Huawei Technologies [2017] EWHC 711 (Pat)



Procedural issues

In *Vringo v ZTE*, Mr Justice Birss had explained that, for a FRAND licence, the Patents Court would not engage in a 'copyright tribunal type exercise' (namely, crafting a complete set of new FRAND terms). Further, in an earlier case management conference in the case at hand, while he decided that the court could declare that a set of terms offered by the parties were (or were not) FRAND, he was silent as to the court's ability to determine new terms.

It fell to be considered, therefore, whether the Patents Court could and would determine FRAND terms.

This was of particular importance as Unwired Planet had declined to offer a patent by patent

licence and Huawei had declined to offer to take a global licence. Qualifying its previous position, the court held that: "... the court's jurisdiction is not restricted to the binary question of assessing a given set of terms but extends to deciding between rival proposals and coming to a conclusion different from either side's case on such a proposal."

The relationship between FRAND and competition law

In *Huawei v ZTE*, the Court of Justice of the European Union, in the context of an alleged abuse of dominant position, set out a scheme that a SEP owner and prospective licensee should follow. The question arose as to whether any deviation from this scheme would be in breach of FRAND obligations and/or competition law. Mr Justice Birss drew a distinction between FRAND and competition law. He reasoned that, as a result of the declaration

➤ *Case details at a glance*

Jurisdiction: England & Wales

Decision level: High Court of Justice

Chancery Division Patents Court

Parties: Unwired Planet International Ltd and (1) Huawei Technologies Co. Ltd (2) Huawei Technologies (UK) Co. Ltd and Unwired Planet LLC

Date: 05 April 2017

Citation: [2017] EWHC 711 (Pat)

Decision: <http://dycjp.com/ewhc711>

made by SEP owners to the European Telecommunications Standards Institute (ETSI), a legally enforceable contract is created under French law which a third party (for example, a prospective licensee) may enforce. It was not necessary for a potential licensee to rely on competition law.

Further, he explained that while an offer may not be FRAND, it does not follow that it is a breach of competition law. With regard to *Huawei v ZTE*, Mr Justice Birss explained that while the standard of behaviour set out by the court was exemplary to avoid a breach of competition law, it did not follow that behaviour inconsistent with that standard was a breach.

FRAND royalty rate

The court considered two approaches to determining a FRAND licence rate: 'comparable licences'; and 'top-down' (although it suggested that the latter may be better as a cross-check for the former).

1. Comparable licences

Mr Justice Birss noted that the difficulty posed by using other licences as a comparator is that "... many patent licences in this industry have terms which make the comparison difficult. The two major problems

are that they may be based on a lump sum rather than a running royalty and they may be cross-licences with a balancing figure which may be a rate or a lump sum."

To address this, he adopted a process of 'unpacking' the licences in question. For a lump sum he derived a notational royalty rate by treating the lump sum as the net present value of an income stream from running royalties analysed using a discounted cash flow based on some appropriate estimates of sale figures.

As to cross-licences, he held: "The unpacking of a cross-licence can resolve two one-way royalty rates from a single balancing figure based on the notion that the single figure represents the effect of balancing the value in royalty terms of each party's patent portfolio. If the balancing figure is a lump sum then unpacking will involve net present value assessments for each party with the attendant uncertainties. In any event there also needs to be some means for assessing the relative value of each party's portfolio unless one has a figure for one or other party directly."

To assess the relative value of each party's portfolio entails counting patents

(as to which, please see below).

2. Top-down

The 'top-down' approach identifies the value of each patentee's portfolio for a particular standard and applies that proportion to the total royalty burden for that standard. This exercise entails counting the number of relevant SEPs owned by the patentee for a particular standard and the total number of relevant SEPs applicable to a particular standard. This gives a share of the total relevant SEPs.

Counting relevant SEPs

However, counting SEPs (whether for the purposes of the 'comparable licence' or 'top-down' approach), is problematic. For example, patents are incorrectly declared to the standards, are declared in relation to optional aspects of the standards or are declared in relation to features of the standard which are not deployed.

To address this, the parties advanced two approaches, referred to as MPNA and HPA in the judgment. Having considered both, Mr Justice Birss concluded that they each produced the wrong answer but, on balance, preferred (Huawei's) HPA, albeit with **significant** adjustments made.

HPA broadly consisted of the following steps:

- A list of declared essential patents and patent applications was created using the ETSI and Korean Telecommunications Technology Association database¹;
- The patents and applications were then collected into families which were, in turn, classified by core network or handsets and then divided into five groups: at least one issued and non-expired patent and an English or Chinese language member; at least one issued and non-expired patent but no English or Chinese language member; only expired members; no issued (ie, granted) patents; and family information not available on INPADOC;
- The families were then classified into three classes by reference to the standards to which they were declared: GSM/2G, UMTS/3G and LTE/4G; and
- The essentiality of the first group of families (namely, at least one issued and non-expired patent and an English or Chinese language member) was assessed.
- To assess essentiality, one patent from each family was selected according to given rules. Spending thirty minutes per family, the claims were compared to the relevant standard specification to determine if the standard required all the elements of the claim. If there was no clear reason to rule out the patent as being essential, then the family was so deemed.

Continued on page 10...

With the adjustments made, Mr Justice Birss concluded the following:

Unwired Planet share (S) for handsets				
	Unwired Planet patent	HPA denominator	Adjusted denominator	S (%)
2G	2	350	154	1.30
3G	1	1,089	479	0.21
4G	6	1,812	800	0.75
Multimode				
2G/3G				0.57
2G/3G/4G				0.70

Unwired Planet share (S) for infrastructure				
	Unwired Planet Patent	HPA denominator	Adjusted denominator	S (%)
2G	1	305	134	0.75
3G	2	886	390	0.51
4G	7	1554	684	1.02

This finding of fact regarding the adjusted denominator, while **very** approximate, means that any SEP owner can calculate the ‘top down’ royalty rate for its own portfolio.

Mr Birss did recognise, however, that a patent may cover some ‘keystone’ invention which should be accorded particular value. He also recognised that a FRAND licence could allow for the adjustment of rates in the event that patents were held to be invalid.

Major & other markets

In response to evidence that a worldwide licence would have different rates for major markets (such as the US) and other markets (such as China), Mr Justice Birss held that: “The comparable licences show that rates are often lower in China than for the rest of the world. [For example, in Huawei v InterDigital the Guangdong High People’s Court upheld the FRAND rate of 0.019% for InterDigital’s portfolio.] The relative factor varies. I find that

a FRAND licence would use a factor of 50%.”

Further, because Unwired Planet’s portfolio was smaller in China than elsewhere and it had fewer relevant SEPs, Mr Justice Birss reasoned that: “A fair and reasonable approach consistent with everything which has gone before would be to scale the rate with an additional factor determined by the number of Relevant SEPs in China ...”

Non-discrimination

Notably, Mr Justice Birss held that the non-discrimination limb of FRAND must consider potential distortion of competition.

Although Samsung had been granted a licence at a rate lower than the benchmark rate and, it was held, were similarly situated to Huawei, there was insufficient evidence that such distortion would arise and therefore Huawei were not entitled to demand the lower (Samsung) rate.

FRAND terms

Two principal issues fell to be determined when determining the terms: whether it was FRAND to offer a worldwide portfolio licence; and whether it was FRAND to offer a SEP and non-SEP portfolio licence. Huawei reasoned that, as Unwired Planet was in a dominant position², it was not entitled to tie or bundle one product or service with another (be it UK patents with non-UK patents, or SEPs with non-SEPs). In doing so, it relied on Microsoft Corp, in which the Court of First Instance approved a fourfold test:

1. “the tying and tied products are two separate products”
2. “the undertaking concerned is dominant in the market for the tying product”
3. “the undertaking concerned does not give customers a choice to obtain the tying product without the tied product”
4. “the practice in question forecloses competition.”

The principal debate before the court was with regard to the fourth limb, with Unwired Planet arguing that there was no evidence to show that competition was foreclosed and Huawei arguing that it was to be assumed in circumstances of tying or bundling.

In relation to this, Mr Justice Birss held that: “For abuse to be established there must be a finding that the practice in question forecloses competition. The legal principle I take from the authorities is simply that such a finding may be based on inference but the inference must be justified in all the circumstances. Just because it is normally assumed, it does not follow that it will always be assumed. The circumstances may be such that such an assumption cannot be made and a close analysis of the actual effects is required.”

On the question of a worldwide licence, the judge drew from the prevalence in the industry of worldwide licences the inference that such a licence was not inherently likely to distort competition (subject to certain caveats such as the licences providing for circumstances where a patent is found to be invalid or

➤ Notes

1. The TTA list had duplications removed and was supplemented with family members not expressly declared to ETSI.
2. It should be noted that this was assumed, but the court implied that a different conclusion may be reached on a proper economic analysis.
3. The judgment does not report Unwired Planet making a distinction in its offer between infrastructure and mobile devices for the global SEP portfolio rate.
4. Huawei declined to engage in terms of a global licence.

The judge held that neither Unwired Planet or Huawei’s offers had been FRAND, but neither had been in breach of competition law



non-essential in a particular jurisdiction).

As to the ‘bundling’ of SEPs and non-SEPs together, Mr Justice Birss held that “I am in no doubt that a patentee subject to a FRAND undertaking cannot insist on a licence which bundles SEPs and non-SEPs together. But it does not follow from this that it is contrary to competition law to make a first offer which puts SEPs and non-SEPs together. There is clear evidence that in some cases the parties agree to a licence which includes both SEPs and non-SEPs together. The mere fact a licence includes both does not take it out of FRAND nor does it indicate that a patentee has used the market power given by the SEPs to secure a licence under the non-SEPs. Everything will depend on the circumstances.”

Remedies

In any litigation, the threat of an injunction is a powerful tool. However, the grant of that injunction is closely intertwined with competition law issues. The question

fell to be determined, therefore, whether Unwired Planet, as an SEP, could obtain an injunction and, if so, in what circumstances. This was of particular relevance because Unwired Planet had, arguably, commenced the litigation prematurely.

The court concluded as follows: “The relevant patents have been found valid and infringed. Unwired Planet wish to enter into a worldwide licence. Huawei is willing to enter into a UK portfolio licence but refuses to enter into a worldwide licence. However a worldwide licence is FRAND and Unwired Planet are entitled to insist on it. In this case a UK only licence would not be FRAND. An injunction ought to be granted because Huawei stand before the court without a licence but have the means to become licensed open to them.”

As to whether the premature commencement of the litigation was an abuse of a dominant position, Mr Justice Birss reasoned: “I am far from being convinced that a refusal of

an injunction in 2017 would have been a proportionate remedy for Unwired Planet’s abuse on that assumption. A single patent normally takes about one year to come to trial on validity and infringement in the Patents Court. The abusive commencement of this action in April 2014 would have justified refusal of an injunction in April 2015 and no doubt for a good time after that but we are now two years on from that time, a year on from the finding of infringement and three years overall from the start of the proceedings. Any prejudice to Huawei from the commencement of the proceedings has been outweighed by time and by Huawei’s stance in relation to a FRAND licence.”

Conclusion

Mr Justice Birss held that neither Unwired Planet or Huawei’s offers had been FRAND, but that neither had been in breach of competition law. Rather, he concluded that the following were FRAND rates:

			Unwired Planet (August 2016)	Huawei (October 2016)	Court (April 2017)	
					Major markets	China & other markets
Global licence	2G/GSM	Infrastructure ³	0.065%	[Not applicable] ⁴	0.064%	0.032%
		Mobile devices	0.065%	[Not applicable]	0.064%	0.016%
	3G/UMTS	Infrastructure	0.065%	[Not applicable]	0.016%	0.004%
		Mobile devices	0.065%	[Not applicable]	0.032%	0.016%
	4G/LTE	Infrastructure	0.13%	[Not applicable]	0.051%	0.026%
		Mobile devices	0.13%	[Not applicable]	0.052%	0.026%

Author:
Antony Craggs



D YOUNG & CO INTELLECTUAL PROPERTY

And finally...

Unified Patent Court Latest news

As readers will be aware, on 18 April 2017 UK Prime Minister Theresa May called a General Election for 08 June 2017. This has delayed the UK's implementation of some final legislation before it would be in a position to ratify the UPC Agreement, which had been expected to happen some time in late April/early May. Timing at this stage therefore is rather uncertain, as there will only be a short period in late June-mid July for a new UK Government to take the necessary steps.

We are monitoring progress and will be updating our website with news as we

hear it (see www.dyoung.com/upandupc) although we do not expect there to be any clearer indication as to the future timetable for UPC commencement until late June.

Author:
Richard Willoughby



Webinar invitation European biotech case law, Tuesday 13 June 2017

Our regular European biotechnology patent case law webinar returns on Tuesday 13 June at 9am, noon and 5pm (BST).

This webinar will be presented by D Young & Co European patent attorneys Simon O'Brien (partner) and Matthew Caines (associate) and will include presentations and live Q&A providing an essential update

in European biotechnology case law.

How to register

This is a popular event so we recommend early registration to guarantee your webinar place to catch up on recent European Patent Office (EPO) case law.

There is no charge to attend this webinar and registration is now open at www.dyoung.com/events-webjun17.

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