

Enforcing Standard-Essential Patents – The European Court of Justice’s Judgment in Huawei v ZTE

1. Introduction

On July 16, 2015, the European Court of Justice (“ECJ”) delivered its long awaited judgment in *Huawei v. ZTE*¹ (“Judgment”), which concerns the circumstances in which it is an abuse of a dominant position to seek an injunction for an infringement of a standard-essential patent (“SEP”).

1.1 Summary of the key points in the ECJ judgment

Where SEP holders are in a dominant position,² and where they have committed to grant licenses on FRAND terms in the context of a standardization procedure, they are subject to special conditions before they can seek an injunction against potential infringers without violating Article 102 TFEU:

1. SEP holders must alert SEP users of the alleged infringement;
2. SEP users must indicate a willingness to conclude a license on FRAND terms;
3. SEP holders must present a detailed written offer for a license on FRAND terms;
4. SEP users must respond promptly and in good faith, and not engage in delaying tactics;
5. If the SEP user does not accept the offer, it must submit, promptly and in writing, a specific counter-offer on FRAND terms;
6. If no agreement is reached, an SEP user that is already using the technology must provide appropriate security and be able to render accounts;
7. The amount of the royalty may, by common agreement, be determined by an independent third party;

¹ Case C-170/13 Huawei Technologies Co. Ltd v ZTE Corp., ZTE Deutschland GmbH.

² The ECJ did not address the issue of dominance. It therefore remains an open question whether an SEP holder is (*per se*) dominant by virtue of having a patent that is essential to a standard.

8. SEP users can challenge validity, essentiality, and infringement in parallel to licensing negotiations and also after conclusion of the license agreement.

The Judgment attempts to balance the interests of SEP owners, on the one hand, and implementers and consumers, on the other. The Judgment clarifies that SEP holders who have committed to grant licenses on fair, reasonable, and non-discriminatory (“FRAND”) terms are not deprived of their right to seek and enforce injunctions against potential infringers, but that this right is limited in various important respects. Notably, the SEP holder must alert any user of the infringement and make a prior license offer on FRAND terms. While the Judgment seems to accept that SEPs can be used prior to the conclusion of a license, it also imposes important obligations on SEP users, notably, to make a counter-offer on FRAND terms and to provide appropriate security for the prior use of the SEP. The Judgment does not – at least not expressly – afford SEP users a “safe harbor” protecting them against injunctions by agreeing to have disputed FRAND terms determined by an independent third party, as had been suggested in prior Commission decisions and declarations. Instead, national courts will have a more important role in deciding whether each party’s license offer is FRAND and whether the parties are acting in good faith, taking into account all the circumstances of the case. This represents a slight shift back towards protecting intellectual property rights compared to the recent Commission Decisions in *Motorola* and *Samsung*, but at the same time it confirms that rights to injunctions are curtailed where the patentee has created legitimate expectations that it will license on FRAND terms.

Unfortunately, the Judgment also leaves many questions unanswered: it is not clear when an SEP holder will be considered dominant in the first place (the Judgment does not clarify or elaborate on the AG’s opinion in this respect). As expected, the Judgment provides no guidance on what amounts to “FRAND” terms. Nonetheless, it seems to require injunction courts to assess whether the offers made by the parties are objectively FRAND. If the parties fail to agree on having the terms of the license determined by a third party, it is not entirely clear what the implications will be for injunction proceedings. These, and several other questions, are considered below.

2. Background

On April 5, 2013, the *Landgericht* Düsseldorf (Düsseldorf Regional court, Germany) referred a series of questions to the ECJ concerning the application of Article 102 TFEU to an injunction suit brought by Huawei, the holder of an SEP, against ZTE, the alleged infringer of the SEP. On November 20, 2014, Advocate General (“AG”) Wathelet

delivered his opinion on the issues raised by the court. On July 16, 2015, the ECJ delivered its Judgment.

Huawei, a Chinese telecommunications company, holds a European patent declared as essential to the Long Term Evolution (“LTE”) mobile telecommunications standard developed by the European Telecommunications Standards Institute (“ETSI”), a standard setting organization (“SSO”). Huawei made a commitment to ETSI to grant licenses to third parties on FRAND terms.

ZTE, also a Chinese telecommunications company, markets base stations with LTE software that makes use of Huawei’s patent. After ZTE and Huawei failed to conclude a licensing agreement, Huawei brought an action for infringement against ZTE before the Düsseldorf court seeking, among other remedies, an injunction prohibiting the continuation of the infringement. ZTE claimed that – given its alleged willingness to license Huawei’s patents – Huawei’s action for an injunction was abusive.

The Düsseldorf court was asked to decide the case against a background of seemingly inconsistent precedents at a national and EC level. On the one hand, German courts have approached these types of cases in accordance with the principles laid down by the German Federal Court (*Bundesgerichtshof*) in its judgment of May 6, 2009, *Orange-Book-Standard*.³ In that decision, the Federal Court held that a claimant seeking an injunction on (*de facto*) essential patents only abuses its dominant position if (i) the defendant (the would-be licensee) unconditionally offers to enter into a license agreement with the plaintiff at a rate that is so high that the plaintiff cannot reasonably refuse or at a rate to be determined by the plaintiff but being subject to court review and adjustment, and (ii) the defendant behaves as if it were an actual licensee, in particular by paying royalties into an escrow account and rendering accounts in the meantime. The *Orange-Book-Standard* case, however, was not precisely on point because it concerned a patent essential for a *de facto* standard (*i.e.* a standard that had developed in the market place), rather than a patent that had become essential in a standardization process, and the Federal Court did not rely on a promise to license on FRAND terms.

³ See the Federal Court’s judgment of May 6, 2009, case KZR 39/06. See also other national case law on these issues in Europe and the U.S., including *Nokia OYJ (Nokia Corporation) v ICom GmbH & Co KG* [2012] EWCA Civ 567 (10 May 2012); *Unwired Planet v Huawei Technologies*, High Court (Patents Court), Birss J., 24 April 2015; *ICom v HTC Europe*, High Court (Patents Court), Birss J., 24 April 2015; *Vringo Infrastructure Inc. v ZTE Limited*, Birss J., 28 November 2014, Case No. [2014] EWHC 3924; *Vringo v. ZTE No. 14-cv-4988 (LAK)*, United States District Court, S.D. New York June 3, 2015; *Koninklijke Philips Electronics N.V. v. SK Kassetten GmbH & Co. KG*, District Court The Hague, The Netherlands, 17 March 2010, Joint Cases No. 316533/HA ZA 08-2522 and 316535/HA ZA 08-2524; *LG Electronics Inc v. Sony supply Chain Solutions (Europe)*, District Court The Hague, 10 March 2011; *Samsung Electronics Co. Ltd v. Apple Inc. et al*, joined cases, District Court The Hague, The Netherlands, 14 March 2012, Case numbers 400367 / HA ZA 11-2212, 400376 / HA ZA 11-2213 and 400385 / HA ZA 11-2215

On the other hand, the Commission had at the time just issued a press release in the *Samsung*⁴ case suggesting a broader application of Article 102 TFEU to injunctions brought by SEP holders. The press release suggested that seeking an injunction is an abuse of a dominant position where (i) the patent holder had committed to a standardization body to grant licenses on FRAND terms, and (ii) the infringer was willing to negotiate such a license (although the press release did not explain the circumstances in which an infringer may be regarded as being willing to negotiate).

The Düsseldorf court found that applying the *Orange-Book-Standard* to this case would lead it to issue the requested injunction, while applying the principles set out in the *Samsung* press release might lead it to dismiss Huawei's action for injunction as an abuse (depending on what was considered sufficient to show a willingness to license). The court therefore stayed the proceedings and referred five questions to the ECJ. In sum, these questions ask whether – and, if so, in what circumstances – an action for infringement brought by an SEP holder that has given a commitment to grant licenses on FRAND terms constitutes an abuse of a dominant position.

3. The ECJ Judgment

3.1 The ECJ did not address the issue of dominance

At the outset of its analysis, the ECJ noted that the existence of Huawei's dominant position was not in dispute. It therefore decided not to address the issue of dominance, and to limit its analysis to the issue of abuse. This avoided an important issue – raised by the Dutch government at the oral hearing and considered by AG Wathelet in his opinion – of whether an SEP holder is (*per se*) in a dominant position by virtue of having a patent that is essential to a standard.⁵ AG Wathelet opined that holding an SEP raised a rebuttable presumption of dominance, but that it was ultimately for the national court to determine this on a case-by-case basis. This important issue thus remains open. It would therefore seem at least possible for an SEP holder to bring an injunction without complying with the conditions set out in the ECJ's decision (discussed below) by arguing that, in the circumstances of the case, it is not in a dominant position. This would seem to be a risky strategy, however, including because of references in the Judgment to the

⁴ *Samsung Electronics and Others* (Case COMP/C-3/39.939) Commission decision of September 27, 2013.

⁵ See also *Case AT.39985 - Motorola - Enforcement Of GPRS Standard Essential Patents*.

indispensability of having access to SEPs in order to compete in the relevant market,⁶ which supports the suggestion that SEP holders are generally in a dominant position.

3.2 SEP holders that agree to license on FRAND terms create legitimate expectations (similar to “exceptional circumstances”)

The ECJ then referred to precedent on refusals to license intellectual property (“IP”), under which the exercise of an exclusive right can be deemed abusive, but only under “exceptional circumstances.”⁷ The ECJ noted, however, that this case was different from these precedents in two important respects: first, this case concerned an SEP, which is necessary for competing products to appear or remain in the market. Second, Huawei’s patent became an SEP by granting an irrevocable undertaking to ETSI that it would grant licenses on FRAND terms. Referring to these circumstances, the ECJ then held that, “*having regard to the fact that an undertaking to grant licenses on FRAND terms creates legitimate expectations on the part of third parties,*” a refusal to grant a license on those terms may, in principle, amount to an abuse of dominance.

While the ECJ thus distinguished the case from the prior case law regarding “exceptional circumstances,” its reference to the particular circumstances surrounding SEPs which create “legitimate expectations”, seems to have substantively the same effect.⁸ The ECJ may have been aware of the widespread criticism levied against the suggestion that holding an SEP and giving FRAND commitments should qualify as “exceptional circumstances”. As noted by Bo Vesterdorf, former President of the General Court, this would mean that “*whole sectors of industry might find themselves in so-called exceptional circumstances, which could be considered somewhat bizarre.*”⁹

3.3 In these circumstances, a refusal to license and seeking an injunction may be abusive

There are three important consequences of the ECJ’s finding that a promise to license an SEP on FRAND terms creates legitimate expectations: first, SEP holders that have given a FRAND promise cannot refuse to license their SEPs on FRAND terms. Second, SEP

⁶ Judgment, at paragraphs 49 and 50.

⁷ The ECJ referred to the judgments in *Volvo*, 238/87, EU:C:1988:477, paragraph 9; *RTE and ITP v Commission*, C-241/91 P and C-242/91 P, EU:C:1995:98, paragraph 50; and *IMS Health*, C-418/01, EU:C:2004:257, paragraph 35.

⁸ The ECJ’s finding that SEP holders that grant an irrevocable undertaking to grant licenses on FRAND terms are in different circumstances to ordinary patent holders and are therefore subject to particular obligations vis-à-vis users of the patents seems, in effect, consistent with US case law. US courts have found that FRAND commitments create enforceable contracts between SEP holders and the respective SSO, which can be enforced by SEP users as third party beneficiaries (see 2/27/12 Order (Dkt. # 188) at 10).

⁹ B. Vesterdorf, ‘IP Rights and Competition Law Enforcement Questions’, (2013) *Journal of European Competition Law and Practice*.

users can raise an Article 102 defense to actions for a prohibitory injunction (or the recall of products).¹⁰ Third, bringing an action for infringement seeking an injunction (or seeking the recall of products) will *in itself* amount to an abuse unless the SEP holder meets the conditions set out in the Judgment.¹¹ In this regard, the ECJ made no reference to the legal tests in *ITT Promedia*¹² and *Protégé International*¹³, which held that the initiation of legal proceedings could constitute an abuse of a dominant position only when the legal action (i) was manifestly unfounded, and (ii) proved to be part of a plan to eliminate competition. Following the Judgment, there now seems to be a wider set of circumstances that can give rise to an abuse as a result of initiating legal proceedings for injunctions based on SEPs.

It is worth noting the ECJ's emphasis on the "legitimate expectations" created by the SEP holder's FRAND promise. This concept – mentioned in two consecutive paragraphs in the Judgment¹⁴ – seems to underpin the ECJ's finding that an SEP holder may abuse a dominant position by seeking an injunction. The ECJ seems to have relied on this type of "estoppel" rationale in other antitrust cases,¹⁵ and it is possible that it could become an increasingly relevant ground for Article 102 cases in future, such as cases involving FRAND licensing promises on non-SEPs or other promises or conduct creating legitimate expectations that a license would be forthcoming or could not be terminated.

3.4 Whether an injunction is abusive depends on various actions taken by both the SEP holder and the SEP user

The ECJ noted that, in order to prevent an action for a prohibitory injunction from being regarded as abusive, an SEP holder must comply with conditions which seek to ensure "*a fair balance between the interests concerned.*"¹⁶ An SEP holder, therefore, is entitled to commence injunction proceedings, but only after it has complied with the specific requirements set out by the ECJ, and the SEP user has in turn not complied with specific requirements.

¹⁰ Judgment, at paragraph 54.

¹¹ Judgment, at paragraph 71.

¹² *ITT Promedia* (Case T-111/96) EU:T:1998:183.

¹³ *Protégé International* (Case T-119/09) EU:T:2012:421.

¹⁴ Judgment, at paragraphs 53 and 54.

¹⁵ See, e.g., Case C-52/09 *Konkurrensverket v TeliaSonera Sverige AB*, where the Court seems to have decided that a margin squeeze can be abusive even absent a duty to supply.

¹⁶ Judgment, at paragraph 55.

(i) *The SEP holder must notify the SEP user of the infringement*

First, the SEP holder must alert the SEP user of the alleged infringement, designating the SEP and specifying the way in which it has been infringed. The ECJ agreed with AG Wathelet that, given the large number of SEPs that form part of a standard, an SEP user may not be aware that it is infringing a valid SEP.

There is some tension in the Judgment regarding the obligations on an SEP user to obtain a license prior to use. On the one hand, the ECJ states that “*in principle, the user of those rights, if he is not the proprietor, is required to obtain a license prior to any use.*”¹⁷ On the other, the ECJ finds that an SEP holder cannot bring an action for an injunction “*without notice or prior consultation with the alleged infringer, even if the SEP has already been used by the alleged infringer.*”¹⁸ It seems, therefore, that the SEP holder’s obligation to notify the SEP user trumps the obligation on the SEP user to obtain a license prior to any use. Nonetheless, and while not addressed in the Judgment, it is arguable that an SEP user may have to pay above-FRAND damages for prior use until it has at least expressed a willingness to take a FRAND license.

(ii) *The SEP user must indicate its willingness to conclude a license on FRAND terms*

In a departure from AG Wathelet’s opinion, the ECJ specified that, upon being alerted by the SEP holder of the alleged infringement, the SEP user must express its willingness to conclude a license on FRAND terms. AG Wathelet was of the view that, after alerting the SEP user, the SEP holder had, “*in any event,*” to present a written offer for a license on FRAND terms.¹⁹ In practice, this should be a minor hurdle for SEP users to satisfy, and it is unlikely to make a material difference, including because the SEP user can reserve the right to challenge validity, essentiality, and infringement despite expressing its willingness to license (see below).

(iii) *The SEP holder must then present a detailed written offer for a license on FRAND terms*

After the SEP user has expressed its willingness to conclude a license on FRAND terms, the SEP holder must present a specific, written offer for a license on FRAND terms that includes the amount of royalty and the way in which that royalty is to be calculated. The ECJ considered that the SEP holder is better placed to make a non-discriminatory

¹⁷ Judgment, at paragraph 58.

¹⁸ Judgment, at paragraph 60.

¹⁹ *Huawei Technologies Co. Ltd* (Case C-170/13), opinion of Advocate General Wathelet, EU:C:2014:2391 paragraph 85

FRAND offer than the SEP user, particularly given that licensing agreements with third parties are confidential.

The ECJ did not address how it will be determined whether an SEP holder's offer is FRAND in the first place, or what will be the implications if it is not FRAND. In principle, this would have to be assessed by the infringement court. If the SEP holder's offer is not FRAND, the court should reject the injunction (but see below the SEP user's potential obligation to make a counter-offer in any event). Another issue not addressed in the Judgment is whether a possible willingness of the SEP holder to have the FRAND terms of the license set by a court or arbitration tribunal renders the offer *per se* FRAND.

(iv) *The SEP user must respond promptly, diligently, and in good faith*

The SEP user must respond to the SEP holder's license offer diligently and in good faith, without employing any delaying tactics. In particular, if the SEP user does not accept the terms of the offer, it must submit a specific counter-offer that corresponds to FRAND terms promptly and in writing. Again, if the parties do not reach agreement and the SEP holder seeks an injunction, it would seem the infringement court would be required to review the SEP user's counter-offer as to whether it is FRAND. It is unclear also in this regard whether a willingness on the part of the SEP user to have the terms set in arbitration or by a court renders the offer *per se* FRAND. This also leaves open the question of what courts should do in circumstances where the SEP holder's and the SEP user's offers are both FRAND (the Judgment's references to FRAND offer and counter-offer seem to imply that there is not just one unique set of terms that is FRAND, but a band of FRAND terms), but where the parties are unable to reach an agreement.

Another uncertainty is whether the SEP user is always required to respond to the SEP holder's license offer and present a counter-offer – meaning that in the absence of a counter-offer the SEP holder will be granted the injunction—or whether the SEP user can offer no response, and instead take the position that the SEP holder's offer is not FRAND and therefore abusive (at the risk of being wrong). The wording of the Judgment²⁰ suggests that an SEP user would always need to make a counter-offer, even if it considered the SEP holder's offer not FRAND.

²⁰ Judgment, at paragraph 66.

- (v) *If no agreement is reached, an SEP user that is already using the technology must provide security and be able to render accounts.*

If the SEP user's counter-offer is rejected, and the SEP user is already using the SEP, it must provide appropriate security (e.g. by providing a bank guarantee or placing amounts necessary on deposit) by reference to the number of past acts of use, and must "be able" to render accounts. These requirements did not form part of AG Wathelet's opinion and seem to place an important additional burden on the SEP user.

The ECJ did not clarify what would amount to "appropriate" security, which is disappointing given that the parties' dispute is likely to center around what amounts to "appropriate" royalties.

Moreover, the requirement that the SEP user must "be able" to render accounts is unclear. The correct interpretation seems to be that it "must" render an account if requested by the SEP holder. If so, this requirement could prove to be onerous, particularly for companies in the telecommunications industry, where products and end customer devices (e.g. mobile phones) are distributed to a multitude of customers in numerous individual transactions.

- (vi) *Where no agreement is reached, the amount of the royalty may, by common agreement, be determined by an independent third party.*

The ECJ held that "*where no agreement is reached on the details of the FRAND terms following the counter-offer by the alleged infringer, the parties may, by common agreement, request that the amount of the royalty be determined by an independent third party, by decision without delay.*"²¹ The Judgment makes no provision for what should happen if both parties claim to have made FRAND offers and either party does not agree to have the matter decided by an independent third party (including a court or arbitration tribunal). In those circumstances, it seems the infringement court would have to assess, first, whether the SEP holder's offer was FRAND (and dismiss the suit if it is not). Second, if the SEP holder's offer is FRAND, the court would need to assess whether the SEP user's counter-offer was also FRAND. If so, and if the SEP user had complied with its other obligations under the Judgment (provision of security, accounting) the court would presumably have to dismiss the suit, leaving the SEP holder with the option to pursue damage claims. The court would only grant an injunction if the SEP holder's offer is FRAND and the SEP user's offer is not.

²¹ Judgment, at paragraph 68.

The possibility of having FRAND terms determined by an independent third party potentially provides the parties with a way to avoid the risks that flow from the Judgment, *i.e.*, infringing competition law (for SEP holders) or facing an injunction (for SEP users). As already noted above, and while this is not addressed in the Judgment, it may be possible to argue – perhaps as a fallback in cases where an offer is not considered FRAND – that willingness to have the terms of the license determined by an independent third party should, in itself, be considered FRAND. However, this still leaves room for disagreements – for example, each party may agree to have the dispute resolved by an independent third party, but they may be unable to agree on the venue. If that means the SEP holder is then free to commence injunction proceedings, this effectively means the SEP user will have no choice but to accept the SEP holder’s choice of venue.

This aspect of the Judgment also represents a departure from AG Wathelet’s opinion that the alleged infringer “*cannot be regarded as dilatory or as not serious if it asks for those terms to be fixed either by a court or an arbitration tribunal.*”²² The AG’s opinion thus gave SEP users a unique “safe harbor” – as long as they agreed to have the terms of the license determined by a court or arbitration tribunal, they could avoid an injunction. SEP holders, by contrast, had no way of knowing if injunction proceedings would be considered abusive, even in circumstances where the SEP user refused third-party determination. The ECJ’s decision rebalances the interests of the parties by removing the SEP user’s unique “safe harbor” (although arguably the licensee’s willingness to have a third party determine the rate and terms may still be an important consideration outweighing a below-FRAND rate offered in the process²³). In sum, the court will take into account the actions of *both* parties in deciding whether injunction proceedings are abusive. This procedure is likely to encourage both parties to offer reasonable licensing terms.²⁴

²² *Huawei Technologies Co. Ltd* (Case C-170/13), opinion of Advocate General Wathelet, EU:C:2014:2391 paragraph 93

²³ This would appear to be consistent with US case law according to which [F]RAND licensing commitments to SSOs create contractual obligations of the IP owner. The recent decision by the U.S. Court of Appeals for the Ninth Circuit in *Microsoft, Corp. v. Motorola, Inc.*, No. 14-35393 (9th Cir. 2015) found that a jury could reasonably find that Motorola’s SEP injunction suits against Microsoft violated Motorola’s (contractual) good faith and fair dealing obligations. The Court placed considerable weight on the fact that Motorola’s injunction suits were brought after Microsoft filed breach of contract lawsuits with the district court, which could establish RAND rates for the use of the patents. As a result, Motorola would be able to accept the RAND rates and be fully compensated for any infringement of its SEPs (and not suffer irreparable harm). This suggests that also US courts may, in future cases, find that SEP holders act in bad faith in circumstances where they seek injunctive relief against an SEP user that is willing to have the terms of the license determined by an independent third party.

²⁴ The SEP user may have one additional incentive to offer reasonable licensing terms before resorting to court proceedings. When determining royalties for past SEP infringements, German courts (for example) are not limited to setting royalties on FRAND terms. Otherwise, potential infringers—knowing that their liability can never exceed the amount they would pay in royalties if they were to enter into a FRAND license—would have an incentive to “hold out” until an SEP owner brings infringement proceedings. Provided the costs of defending these actions is lower than the SEP user’s savings from unpaid royalties (for example, as a result of avoiding detection or being faced with SEP owners that do not want to incur the costs of

- (vii) *SEP users can challenge validity and essentiality in parallel to licensing negotiations and after conclusion of a license*

The ECJ noted that SEP users “cannot be criticized” for challenging the validity or essentiality of an SEP in parallel to licensing negotiations, or for reserving the right to do so in future. Although the ECJ’s choice of language is unclear, it suggests that SEP holders can no longer make their licenses conditional on users agreeing not to bring such challenges, contrary to common practice under the *Orange Book* case law.

- (viii) *SEP holders do not have to follow this procedure before seeking the rendering of accounts or an award of damages*

The ECJ clarified that only actions liable to prevent products from appearing or remaining in the market will be subject to these conditions. Actions such as rendering of accounts or awards for damages in relation to past infringements do not have this effect. Therefore, they should not be regarded as abusive.

4. Conclusion

Immediate press reactions to the ECJ’s Judgment have interpreted it as shifting the balance of power in licensing negotiations to patent users (referring notably to the requirement established by the Judgment that SEP holders must make an initial FRAND license offer). This conclusion seems premature. On balance, the Judgment places SEP holders in a stronger position than they appeared to be under the Commission’s *Motorola* and *Samsung* decisions, or even under the procedure suggested by AG Wathelet in his opinion. In particular, the Judgment removes SEP users’ unique “safe harbor” that allowed them to avoid an injunction by agreeing to have the terms of the license determined by a court or arbitration tribunal. Instead, third-party determination will only be available by common agreement. Moreover, if the parties fail to reach agreement on the terms of the license, the SEP user must provide appropriate security and be able to render accounts, putting a clear and important burden on the SEP user.

Unfortunately, the Judgment left several unanswered questions. The issue of dominance was not addressed; there was no guidance on what constitutes “FRAND” terms; it is unclear what amounts to “appropriate” security; and there is no guidance on how courts

injunction proceedings), the SEP user’s dominant strategy would always be to wait until it is sued. The hold-out strategy is less appealing now that (a) courts will decide the merits of an injunction taking into account the licensing offers of both parties, and (b) infringers may face supra-FRAND royalties for past infringements.

should decide cases where there is no agreement on third-party determination (for example, because parties refuse to agree on venue). In practice, the ECJ has effectively left national courts to decide these issues on a case-by-case basis. We therefore expect parties to continue litigating these issues.

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If you have any questions with respect to the issues addressed herein, please feel free to contact any of your regular contacts at the firm listed at <http://www.cgsh.com/>.

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