



Acts Considered as Violation against FRAND in SEP Negotiation

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I Guidance Documents

In recent years, SEP (standard essential patent) has become a hot topic worldwide as huge commercial interests are involved. Whether an injunction can be granted in litigation concerning SEP has been under spotlight. Relevant provisions are given in *Guidelines for Patent Infringement Determination* issued by Beijing Higher People's Court in April, 2017, *Setting out the EU Approach to Standard Essential Patents* issued by the European Union in November, 2017, *Guide to Proceedings of SEP Dispute Cases (Tentative)* issued by Guangdong Higher People's Court in April, 2018, and the recent *Guide to Licensing Negotiations Involving SEPs* issued by the Japanese Patent Office in June, 2018. Generally, the above 4 documents provide similar rules with regard to granting an injunction; that is, under general conditions injunctions shall not be granted considering the special nature of SEP; however, the court may grant an injunction if the patentee does not violate FRAND terms while the patent implementer violates FRAND terms.

What kind of acts are considered violation against FRAND terms in SEP licensing negotiations? Some specific behaviors are given as examples in the *Guidelines for Patent Infringement Determination* and the *Guide to Proceedings of SEP Dispute Cases (Tentative)* of China and *Guide to Licensing Negotiations Involving SEPs* of Japan. The exemplary behaviors given in the above 3 documents are listed in comparison in the following table, with those of similar nature placed in the same row. It can be seen that the provisions on acts violating FRAND terms are not contradictory and are largely consistent among the above 3 documents, but the *Guide* of JPO is more specific on the acts violating FRAND terms. For example, on signing NDA, the *Guide* of JPO specifies that when the implementer refuses to sign the NDA, whether FRAND terms are violated is determined based on whether information to be disclosed includes confidential information.



| | <i>Guidelines for Patent Infringement Determination</i> of Beijing Higher People's Court | <i>Guide to Proceedings of SEP Dispute Cases (Tentative)</i> of Guangdong Higher People's Court | Guide to Licensing Negotiations Involving SEP of JPO |
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| Patentee | <ul style="list-style-type: none"> ▪ Failing to notify the accused infringer of the infringement in written form and failing to specify the scope and the way of infringement | <ul style="list-style-type: none"> ▪ Failing to issue a notice of negotiation, or failing to specify the scope of the involved patent right according to business practices and trading custom in the issued notice of negotiation | |
| | <ul style="list-style-type: none"> ▪ Failing to provide patent information or provide specific conditions of license to the accused infringer in written form in accordance with business practices and trading customs, after the accused party explicitly expresses the willingness of participating in the licensing negotiation | <ul style="list-style-type: none"> ▪ Failing to provide patent information such as exemplary patent list, claim chart, etc. to the implementer in accordance with business practices and trading customs, after the implementer explicitly expresses willingness of accepting the licensing negotiation | <ul style="list-style-type: none"> ▪ Not disclosing its documents identifying the SEPs and documentation mapping SEP claims to the standards and/or products such as claim charts, when offering licensing negotiations to an implementer, such that the implementer can understand the rights holder's claims ▪ Not disclosing the content of a portfolio to the implementer (the technologies, number of patents, regions, etc., covered by the portfolio) |
| | <ul style="list-style-type: none"> ▪ Failing to provide the accused infringer a period for reply in | | <ul style="list-style-type: none"> ▪ Making an offer that sets a time limit that does not allow a reasonable period of time |



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| | accordance with business practices and trading customs | | for consideration |
| | ▪ Obstructing or interrupting the negotiation without adequate reasons during the negotiation of licensing terms | ▪ Obstructing or interrupting the negotiation without adequate reasons | |
| | ▪ Proposing a clearly unreasonable condition during negotiation, which results in failure to reach a patent license agreement | ▪ Failing to provide specific licensing terms and the calculation of the claimed royalty, or presenting apparently unreasonable conditions to the implementer, which results in failure to reach a patent license agreement | ▪ Presenting an initial offer that is clearly unreasonable given court rulings and comparable licensing terms, and sticking to that offer during the negotiation process |
| | | ▪ Failing to reply within a reasonable period of time | |
| | | | ▪ Claiming that it will not provide documentation mapping SEP claims to the standards and/or products such as claim charts to the implementer unless the implementer concludes an NDA, even though the documentation does not include confidential information |
| | | | ▪ Demanding injunctive relief before or immediately after sending a warning letter to the implementer, or immediately after opening a negotiation |
| | | | ▪ Seeking an injunction |



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| | | | against an implementer who has expressed its willingness to obtain a license on FRAND terms before offering a license on those terms, for the purpose of gaining leverage in the licensing negotiations |
| | | | <ul style="list-style-type: none"> ▪ Sending letters warning that the rights holder will seek injunctive relief (cease-and-desist letters) to business partners of an implementer who has expressed its willingness to obtain a license on FRAND terms, despite ongoing negotiations |
| | | | <ul style="list-style-type: none"> ▪ Not explaining how the royalty is calculated or not demonstrating that the license offer is on FRAND terms |
| Implementer | <ul style="list-style-type: none"> ▪ Failing to diligently respond within reasonable time after receiving written notification of infringement from the patentee | <ul style="list-style-type: none"> ▪ Declining the notice of negotiation from the patentee of SEP, or failing to reply within a reasonable period of time after receipt of the notice of negotiation; ▪ Not giving a substantive reply to patent information provided by the patentee of SEP including exemplary patent list and claim chart | <ul style="list-style-type: none"> ▪ Not giving any reason for a very late reply or refusing to negotiate at all, even while continuing to use the infringing (or potentially infringing) technology |
| | <ul style="list-style-type: none"> ▪ Failing to diligently respond within reasonable time on whether to accept | <ul style="list-style-type: none"> ▪ Failing to provide substantive reply within a reasonable period of time after receipt of licensing | <ul style="list-style-type: none"> ▪ Not providing any counteroffer on FRAND terms after a rights holder has presented specific |



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| | <p>license conditions of the patentee; or refusing to accept specific conditions proposed by the patentee but failing to propose new conditions, after receiving specific conditions of license from the patentee</p> | <p>terms from the patentee of SEP</p> | <p>grounds showing that its proposed licensing terms are FRAND</p> |
| | <ul style="list-style-type: none"> ▪ Obstructing, delaying or refusing to participate in the license negotiation without adequate reasons | <ul style="list-style-type: none"> ▪ Delaying or declining the license negotiation without adequate reasons | <ul style="list-style-type: none"> ▪ Unreasonably delaying negotiations by, for example, persistently demanding that the rights holder provide information that cannot be disclosed due to an NDA(s) with others ▪ Repeatedly making meaningless responses |
| | <ul style="list-style-type: none"> ▪ Proposing apparently unreasonable conditions during negotiation, which results in failure to reach a license agreement | <ul style="list-style-type: none"> ▪ Proposing apparently unreasonable conditions of implementation, which results in failure to reach a license agreement | <ul style="list-style-type: none"> ▪ Presenting an initial counteroffer that is clearly unreasonable given court rulings and comparable licensing terms, and sticking to that counteroffer during the negotiation process |
| | | <ul style="list-style-type: none"> ▪ Refusing to sign an NDA without adequate reasons, which results in failure to continue the negotiation | <ul style="list-style-type: none"> ▪ Completely refusing to conclude an NDA, while demanding that the rights holders provide claim charts, including detailed claim construction containing confidential information, or making repeated revisions to NDA conditions to delay negotiations |
| | | | <ul style="list-style-type: none"> ▪ Claiming it will not start negotiation unless all |



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| | | | grounds for essentiality and validity of the SEPs are first provided |
| | | | ▪ Colluding with multiple other implementers in obstinately refusing to obtain a license on the grounds that others have not obtained it |
| | | | ▪ Not explaining how a proposed royalty is calculated or not demonstrating that the counteroffer is on FRAND terms |