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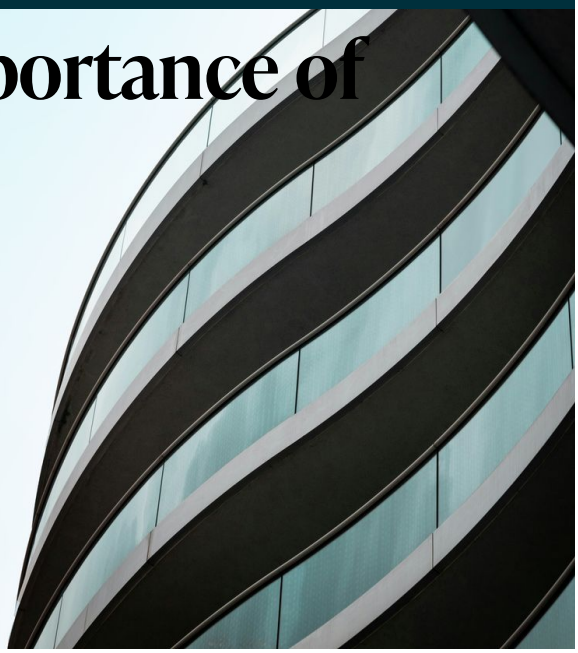
SEP Negotiations: The Importance of Being Will(ing)



2 MIN READ

November 7, 2023, 12:52 PM
By: Brian P. Johnson

More and more, when negotiating licenses for standard essential patents (SEPs) on fair, reasonable, and non-discriminatory (FRAND) terms, there has been an increased emphasis on the idea of a "willing" licensor or licensee. Indeed, being unwilling now has tangible repercussions. In the past few years, certain European courts have found that if an implementer is not a willing licensee, it may end up waiving FRAND defenses or even being subject to an injunction. Similarly, earlier this year, IEEE - the standard-setting body that promulgates Wi-Fi standards - modified its patent policy along the same lines. Now, instead of a prohibition of injunctions entirely, it states that SEP holders may not seek an injunction "against an implementer who is willing to negotiate in good faith."

However, it has not been clear what impact, if any, being a willing licensee might have on U.S. litigation. The United States is situated very differently than European courts. First, U.S. courts cannot grant an injunction for the infringement of any patent (SEP or otherwise) unless the factors in *eBay v. MercExchange* are satisfied, a barrier not imposed by European courts. Second, following *TCL v. Ericsson*, SEP decisions are generally decided by juries, not courts. This means that we are seeing fewer FRAND opinions outlining a methodology for calculating damages. The result is less transparency into how FRAND or the willingness of licensors/licensees might impact the overall damages verdict.

Still, last week's decision in *Sisvel v. HTC* may give us a clue. Assuming the reporting is accurate (which cites Sisvel itself as a source), the jury verdict last week appeared to accept the argument that if an implementer does not act as a willing licensee, then that implementer can be subject to non-FRAND damages. This could be a big deal. Save for the International Trade Commission, the United States is not known for patent injunctions, but it is instead known for large damages verdicts. If a licensor can be freed from its FRAND licensing obligations, in whole or in part, when encountering an unwilling licensee, that could make the United States a more attractive jurisdiction for SEP disputes.

Importantly, this decision is not precedent. Instead, it is the plaintiff's interpretation of a jury damages verdict. Still, it is a data point and a trend to watch.

> **David Muus, Sisvel's head of legal operations, comments that the jury appeared to have embraced the plaintiffs' arguments that HTC did not participate as a willing licensee in the FRAND process and there should be consequences for it. FRAND rates reflect a discount, and so the plaintiffs argued they should be awarded a non-FRAND rate.**
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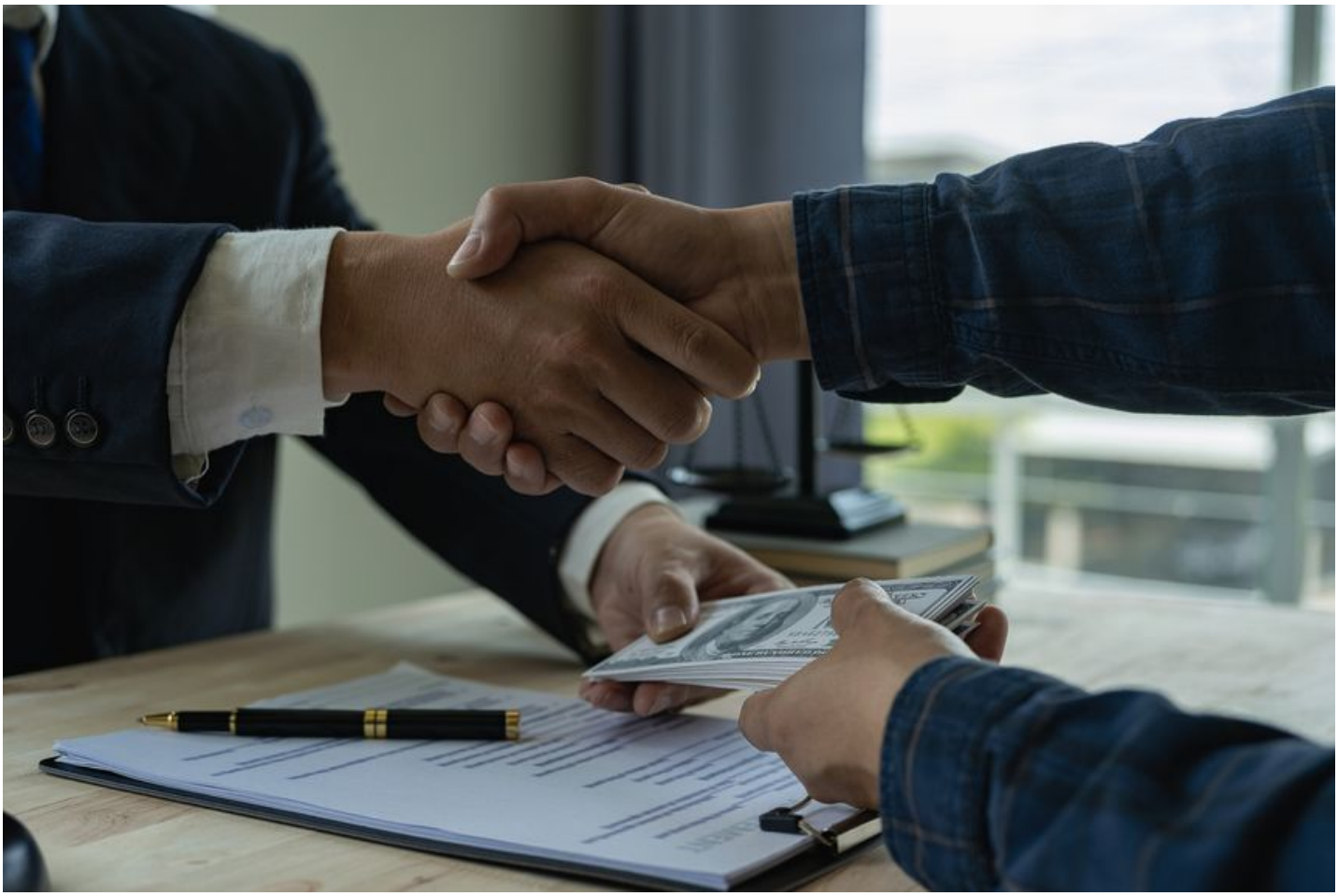

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