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The expanding significance of arbitration for patent licensing disputes: from post-termination disputes to pre-licensing FRAND disputes

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Abstract
In its recent decision ATF 140 III 134, the Swiss Federal Supreme Court held that certain claims raised by patent licensors against their ex-licensee after the termination of their patent license agreement were within the jurisdiction of the arbitral tribunal notwithstanding a contractual provision which seemed to limit the submission to arbitration of only pretermination disputes. This interesting decision confirms that courts can consider adequate to confer to arbitral tribunals the jurisdictional powers to decide on patent-related claims after the termination of the patent license agreement at issue, even in the presence of contractual limits to the jurisdiction of the arbitral tribunal. This note further discusses the opposite scenario in which certain disputes arising before the conclusion of a patent license agreement can be submitted to arbitration. This peculiar situation arises in connection with so called standard essential patents (which are quite common in the information technology / telecommunication industries) which must be made available to willing licensees under fair, reasonable and non-discriminatory […]

Reference
The Expanding Significance of Arbitration for Patent Licensing Disputes:
from Post-Termination Disputes* to Pre-Licensing FRAND Disputes

JACQUES DE WERRA**

In its recent decision ATF 140 III 134, the Swiss Federal Supreme Court held that certain claims raised by patent licensors against their ex-licensee after the termination of their patent license agreement were within the jurisdiction of the arbitral tribunal notwithstanding a contractual provision which seemed to limit the submission to arbitration of only pre-termination disputes. This note will first comment this interesting decision (see below I.) relating to a post-termination dispute, before turning to the opposite scenario in which certain disputes arising before the conclusion of a patent license agreement can be submitted to arbitration (see below II.). This peculiar situation arises in connection with so-called standard essential patents (which are quite common in the information technology / telecommunication industries) which must be made available to willing licensees under fair, reasonable and non-discriminatory terms and conditions (FRAND) and for which arbitration can be used in order to determine the FRAND-compliant terms and conditions of the patent license agreement (specifically the royalties to be paid by the licensee for the use of the standard essential patents).

This note consequently illustrates the expanding significance of arbitration for patent licensing disputes with respect to both post-termination disputes (as decided in ATF 140 III 134) and pre-licensing disputes (as contemplated for FRAND disputes).

I. Post-termination disputes: note on ATF 140 III 134

While ATF 140 III 134 essentially confirms the application of the well-established doctrine of separability† under which the validity of the

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arbitration clause does not depend on the validity of the underlying agreement (so that, in this case, the enforceability of the arbitration clause was not affected by the termination of the patent license agreement), this decision remains of high interest for several reasons.

First of all, it confirms the risks of (apparently sophisticated) contractual clauses by which parties precisely define the obligations which are deemed to survive the expiration or the termination of the agreement. In this case, the parties had agreed that the dispute resolution mechanism (i.e. good faith discussions between the parties followed by arbitration pursuant to Art. 11 of their agreement) would survive the expiration or the termination of the agreement and would apply “in respect of any matter arising prior to such expiration or termination”.

The issue which arose was whether the arbitration clause should also cover disputes relating to matters arising after the expiration or termination of the agreement. The licensors (and claimants in the arbitration) had requested in the arbitration that their ex-licensee shall stop to manufacture and to sell contractual products which infringed on one of their patents (more specifically claim 21 of the US patent “qqq” – as identified in the decision –) after the termination of the license. The licensee challenged the jurisdiction of the arbitral tribunal with respect to these claims made by the licensors on the ground of the narrow scope of the arbitration clause. By an interim award of 31 July 2013, the arbitral tribunal dismissed the jurisdictional challenge raised by the licensee and held that it had jurisdiction to decide on the claims of the licensors. The licensee subsequently lodged an appeal against the award before the Swiss Federal Supreme Court by claiming that the arbitral tribunal had wrongly accepted its jurisdiction and the Swiss Federal Supreme Court dismissed the appeal.

On the basis of a good faith interpretation of the relevant contractual provisions and in line with its established case law, the Swiss Federal Supreme

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1 “principe adopté par la jurisprudence depuis des décennies […] et universellement admis en Europe occidentale et aux Etats-Unis sous la terminologie ‘severability’ ou ‘separability’”, ATF 119 II 380 para 4.a.
2 Art. 8.3: “Survival of Certain Rights Upon Expiration or Termination. All rights granted to and obligations undertaken by the Parties hereunder shall terminate immediately upon the expiration of the Term of this Agreement […] or the termination of this Agreement […] except for: […] (d) The procedures set forth in Article 11 herein in respect of any matter arising prior to such expiration or termination”.
3 Whereby the agreement provided (sec. 8.2(e)) for a transition period during which the inventory of the licensee could be sold and the relevant royalties paid to the licensors.
4 Within the meaning of Art. 190 para. 2 (b) of the Swiss Federal Act on Private International Law of 18 December 1987.
Court held in this respect that the arbitration clause had to be construed extensively as to encompass post termination disputes so that the arbitral tribunal was correct in admitting its jurisdiction to decide the dispute. While this decision can be understood in view of the circumstances, it should also serve as an important reminder of the risks resulting from the split of jurisdictional powers between courts and arbitral tribunals which may result from hastily drafted contractual clauses. Such splitting scenario can arise in IP-related contracts because parties are sometimes tempted to exclude IP disputes from the scope of arbitration clauses, which then materialize in “IP carve out” provisions. This can in turn lead to intricate difficulties when a dispute arises between the parties given that it is frequently complex to distinguish IP claims (excluded from the scope of the arbitration clause) from contractual claims (covered by the arbitration clause).

The second comment about ATF 140 III 134 is that the Swiss Federal Supreme Court could also have added a reference to its own case law, and specifically to its unreported decision 4C.40/2003 of 19 May 2003, in addition to the reference that it made to a recent Australian case. In its decision 4C.40/2003, it indeed had to decide whether the arbitration clause contained in a confidentiality agreement (“Secrecy Agreement”) that had expired several years before the dispute arose covered claims of assignment of various patent applications (which had been filed by one party supposedly on the basis of the confidential information obtained from the other party under the confidentiality agreement). Similarly to what it decided in ATF 140

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5 Particularly because, as duly acknowledged by the Court (paragraph 3.3.4 of the decision), it would be unpredictable to hold that the jurisdiction of the arbitral tribunal would cease upon the termination of the agreement, because the parties are frequently in dispute about the validity of the termination, the time when it shall take effect and its consequences (as illustrated by this case).
6 For an example, see the US decision Oracle America, Inc. v. Myriad Group A.G., 724 F.3d 1069 (9th Cir. 2013).
7 Supreme Court of Western Australia (17 January 2014), Pipeline Services WA Pty Ltd vs. ATCO Gas Australia Pty Ltd [2014] WASC 10 (cited in paragraph 3.3.4 of the decision).
8 The arbitration clause had the following wording: “The parties shall try in good faith to settle amicably any difference or dispute resulting from or with regard to this agreement. Should they not succeed, the matter shall be settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules. […]”.
9 The agreement was entered into in 1989 for a period of one year and the contractual obligation of confidentiality of the parties had a maximal term of 5 years (according to the information reflected in paragraph 5.4 of the decision) and legal proceedings were initiated before the court of Lucerne in 2001.
III 134, the Swiss Federal Supreme Court held in that case that it would not be reasonable to hold that the jurisdictional power of the arbitral tribunal for a claim relating to the confidentiality agreement would be subject to a time limit\textsuperscript{10}. The Swiss Federal Supreme Court consequently held that the expiration of the confidentiality agreement did not affect the validity and enforceability of the arbitration clause for deciding the dispute between the parties about their respective entitlement to the patent applications.

As demonstrated by ATF 140 III 134, this is ultimately a matter of contract interpretation. Parties should in any case be wary of the risk that arbitral tribunals might potentially be reluctant to admit their jurisdiction for post-contractual disputes relating to the infringement of the (previously licensed) intellectual property rights on the ground that the arbitration clause would be limited to contractual claims. This is what was decided by the arbitral tribunal in ICC case 449\textsuperscript{11} in which the sole arbitrator held that “[…] the Plaintiff’s claims for damages and injunctive relief after the termination of the license agreement are not within the scope of the arbitration provisions of the licensing agreement […]”\textsuperscript{12}, it being noted that the arbitration clause had a somewhat unusual wording\textsuperscript{13}.

Thirdly, ATF 140 III 134 reminds that certain regulatory instruments expressly state that contractual dispute resolution clauses survive the expiration or termination of the underlying contract. Art. 7.3.5 para. 3 of the Unidroit Principles of International Commercial Contracts provides that “[t]ermination [of the contract] does not affect any provision in the contract for the settlement of disputes or any other term of the contract which is to operate even after termination”\textsuperscript{14}. This is also reflected in the revised (soft law) codification of the General Part of the Swiss Code of Obligations.

\textsuperscript{10} Swiss Federal Supreme Court of May 19, 2003, 4C.40/2003, paragraph 5.4: “Es widerspräche jeder Vernunft, die Zuständigkeit des Schiedsgerichts für einen mit dem Secrecy Agreement im Zusammenhang stehenden Anspruch lediglich mit einer zeitlichen Beschränkung vorzusehen”; the Court further held that the arbitration clause covered, from a substantive perspective, claims of patent assignments (i.e. claims resulting from patent law) and was consequently not limited to contractual claims.

\textsuperscript{11} As resulting from the excerpts of the award published in the Journal of International Arbitration 1985, p. 75.

\textsuperscript{12} Ibid., p. 76.

\textsuperscript{13} Ibid., p. 76 stating that “the arbitrator found that the matters to be arbitrated under the licensing agreement are ‘possible disagreements between the (Plaintiff) and (the Defendant)’ [sic].”

\textsuperscript{14} (2010); see: <http://www.unidroit.org/instruments/commercial-contracts/unidroit-principles-2010/405-chapter-7-non-performance-section-3-termination/1040-article-7-3-5-effects-of-termination-in-general> (last accessed 3 November 2014).
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which similarly provides (art. 79 para. 2) that “[p]rovisions regarding agreements on the settlement of the dispute or regarding the relationship of the parties during or after the liquidation of the contract remain valid”.

ATF 140 III 134 confirms in any case the imperious need to take all the required measures in order to avoid or at least to minimize the risks of diverging interpretations of the scope of arbitration clauses, which frequently materialize in international IP-related transactions. This is shown by the high profile dispute between a US group (AMSC) and its former Chinese partner and client (Sinovel) which was recently submitted to the Chinese Supreme People’s Court. This dispute (which is still pending) raised contractual and intellectual property infringements issues (i.e. infringement of copyright on computer source code for wind turbines) and led to various parallel judicial and arbitral proceedings in China. The Chinese Supreme Court recently held that the non-contractual claims for copyright infringement were not covered by the relevant arbitration clause and where thus to be submitted to Chinese courts (and not to the Beijing Arbitration Commission as claimed by Sinovel)

II. Pre-licensing FRAND disputes for standard essential patents

Beyond this recent judgment of the Swiss Federal Supreme Court confirming the submission to arbitration of a post termination patent licensing dispute, recent developments confirm that arbitration plays and will increasingly play an important role for solving disputes which arise before a patent license agreement has been entered into. This somewhat unconventional scenario arises in connection with technological standards (particularly in the telecommunication industry) which integrate patents

15 This scientific codification project is the basis of two parliamentary proposals which aim at modernizing the Swiss Code of obligations (see the parliamentary proposals ref. 13.3217 and 13.3226 submitted on March 21, 2013).

owned by private companies, which thus become “standard essential patents” (SEPs).\(^{17}\)

One of the risks generated by SEPs is that the owners of such patents may unduly block the use of their patented technology by third parties and thus may prevent them from complying with the relevant technological standard. This creates a risk of “patent holdup” to the extent that owners of SEPs can initiate or threaten to initiate patent infringement proceedings in order to obtain potentially excessive royalty payments by third parties and can thus use the threat of injunctive relief as a tactical weapon in order to extract excessive value from their SEPs. Unsurprisingly, this type of behavior can fall under the scrutiny of competition law.\(^{18}\)

Standard-setting organizations (SSOs) have consequently been invited to take certain measures in order to avoid such potentially abusive behaviors of owners of SEPs. SSOs are specifically supposed to adopt IPR policies under which “participants wishing to have their IPR included in the standard to provide an irrevocable commitment in writing to offer to license their essential IPR to all third parties on fair, reasonable and non-discriminatory

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\(^{18}\) See the Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements (Text with EEA relevance), OJ C 11, 14.1.2011, p. 1 (available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52011XC0114%2804%29&from=EN>, last accessed 3 November 2014), para. 269: “[…] by virtue of its IPR, a participant holding IPR essential for implementing the standard, could, in the specific context of standard-setting, also acquire control over the use of a standard. When the standard constitutes a barrier to entry, the company could thereby control the product or service market to which the standard relates. This in turn could allow companies to behave in anti-competitive ways, for example by ‘holding-up’ users after the adoption of the standard either by refusing to license the necessary IPR or by extracting excess rents by way of excessive [footnote omitted] royalty fees thereby preventing effective access to the standard. However, even if the establishment of a standard can create or increase the market power of IPR holders possessing IPR essential to the standard, there is no presumption that holding or exercising IPR essential to a standard equates to the possession or exercise of market power. The question of market power can only be assessed on a case by case basis”; for a (simplified) presentation of the key competition law issues of SEPs, see the Competition policy brief (Issue 8, June 2014) of the European Commission, Standard-essential patents, available at: <http://ec.europa.eu/competition/publications/cpb/2014/008_en.pdf> (last accessed 03 November 2014) (relating to the Samsung and Motorola cases, whereby the Samsung case will be presented and discussed in this note).
terms (‘FRAND commitment’). This is what was done (by way of illustration) by the European Telecommunications Standards Institute (ETSI) in its IPR Policy. The ETSI IPR Policy therefore provides for a mechanism of declaration by the owners of standard essential patents by which they commit to make their patents available to willing licensees under FRAND terms.

19 Guidelines (supra n. 18), para. 285.
21 Essential patents are defined as follows in art. 15.6 of the ETSI IPR Policy (supra n. 20): “ESSENTIAL as applied to IPR means that it is not possible on technical (but not commercial) grounds, taking into account normal technical practice and the state of the art generally available at the time of standardization, to make, sell, lease, otherwise dispose of, repair, use or operate EQUIPMENT or METHODS which comply with a STANDARD without infringing that IPR. For the avoidance of doubt in exceptional cases where a STANDARD can only be implemented by technical solutions, all of which are infringements of IPRs, all such IPRs shall be considered ESSENTIAL.”
22 6.1 of the ETSI IPR Policy (supra n. 20): “When an ESSENTIAL IPR [each of the capitalized terms are defined in article 15 of the ETSI IPR Policy; they are not quoted here as they are not of significant relevance] relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory (“FRAND”) terms and conditions under such IPR to at least the following extent:

- MANUFACTURE, including the right to make or have made customized components and sub-systems to the licensee’s own design for use in MANUFACTURE;
- sell, lease, or otherwise dispose of EQUIPMENT so MANUFACTURED;
- repair, use, or operate EQUIPMENT; and
- use METHODS.

The above undertaking may be made subject to the condition that those who seek licences agree to reciprocate.”.

Annex A to the ETSI IPR Policy (“IPR Licensing Declaration Forms”) contains a form under which the owner of intellectual property rights (particularly of patents) is invited to formally state that “it and its AFFILIATES are prepared to grant irrevocable licenses under its/their IPR(s) on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy, in respect of the STANDARD(S), TECHNICAL SPECIFICATION(S), or the ETSI Project(s), as identified above, to the extent that the IPR(s) are or become, and remain ESSENTIAL to practice that/those STANDARD(S) or TECHNICAL SPECIFICATION(S) or, as applicable, any STANDARD or TECHNICAL SPECIFICATION resulting from proposals or Work Items within the current scope of the above identified ETSI Project(s), for the field of use of practice of such STANDARD or TECHNICAL SPECIFICATION […]”.

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This type of commitment by the owners of SEPs however does not solve all potential disputes between them and potential third party licensees, as reflected in the high profile Samsung v Apple dispute which led to a EU antitrust procedure\(^23\) that was closed on April 29, 2014 by a decision of the EU Commission\(^24\). By this decision, the Commission accepted the legally binding commitments made by Samsung (hereinafter: “the Commitments”)\(^25\), which are of high importance because they provide for the use of arbitration (as described below). The relevant elements of the case are as follows:

Samsung owns SEPs related to the 3G UMTS\(^26\) standard (which is an industry standard for mobile and wireless communications). Samsung committed to license its SEPs on FRAND terms and conditions pursuant to the relevant ETSI rules. Samsung started to enforce certain of its UMTS SEPs against Apple in various EU countries (France, Germany, Italy, the Netherlands and the United Kingdom) in which it sought to obtain preliminary and permanent injunctions from the courts. The EU Commission initiated antitrust proceedings in order to investigate whether Samsung had failed to honour the commitment it gave to ETSI that it would license its SEPs on FRAND terms (i.e. whether Samsung has failed to honour its FRAND commitment in licensing negotiations, including by seeking injunctive relief before the courts of certain Member States in relation to some of its SEPs). In the course of its investigation, the Commission preliminarily concluded that Samsung’s seeking of preliminary and permanent injunctions against Apple on the basis of its SEPs, in view of the exceptional circumstances of the case and in the absence of any objective justification, raised concerns as to the compatibility of the seeking of such injunctions with Article 102 of the Treaty on the functioning of the European Union (TFEU). The exceptional circumstances were the UMTS standard-setting process and Samsung’s commitment to license its SEPs on FRAND


\(^{25}\) The Commitments are available at: <http://ec.europa.eu/competition/antitrust/cases/dec_docs/39939/39939_1502_5.pdf> (last accessed 3 November 2014).

\(^{26}\) Universal Mobile Telecommunications System.
terms and conditions. The absence of objective justification related in particular to the fact that the potential licensee, i.e. Apple, was not unwilling to enter into a license agreement for Samsung’s SEPs on FRAND terms and conditions.

By its decision of April 29, 2014, the Commission validated the Commitments made by Samsung\(^\text{27}\) and decided that they shall be binding on Samsung (and Samsung’s affiliates) for a period of five years and consequently concluded that there were no longer grounds for action by the Commission.

The Commitments are extremely interesting from an arbitration perspective given that they provide for the submission to arbitration of FRAND disputes as part of a sophisticated and multi-step negotiation and dispute resolution mechanism. The Commitments first provide for the creation of a so-called “Licensing Framework” the objective of which is to determine FRAND licensing terms between Samsung and potential licensees\(^\text{28}\). The Licensing Framework institutes a mandatory negotiation period (in principle 12 months) during which Samsung and the potential licensee are invited to negotiate on FRAND terms with a view to agreeing on a unilateral license or a cross-license. If the negotiations fail and if the parties do not agree on an alternative procedure for determining FRAND terms, the Commitments provide that “the Parties shall submit the matter to arbitration or to court adjudication in order to determine the FRAND terms of a Unilateral License or, as applicable a Cross-License […]”\(^\text{29}\) in the course of a phase called “Third Party Determination of FRAND Terms”\(^\text{30}\). The Parties are then invited to jointly decide whether they shall submit the FRAND dispute to arbitration or court adjudication within a given time limit, whereby in the absence of agreement, the dispute will be submitted to courts\(^\text{31}\).

\(^{27}\) Supra n. 25.

\(^{28}\) The Commitments (supra n. 25) provide for the opportunities to negotiate cross-licenses (in the case Samsung’s licensees are also owners of SEPs); this scenario will not be further developed in this short note which can only describe certain arbitration-related features of the Commitments.

\(^{29}\) Commitments (supra n. 25), clause 1.b.

\(^{30}\) Pursuant to the Commitments (supra n. 25), clause 10: “[t]he venue for the court adjudication procedure will be the Patent Court, High Court of England and Wales (or any successor court), or the UPC” [i.e. the Unified Patent Court as instituted by the Agreement on a Unified Patent Court of February 19, 2013, available at: <http://www.upcdocuments.eu.com/>], last accessed 3 November 2014.
The Commitments provide for quite detailed rules on the arbitration proceedings\textsuperscript{32}. They first opt for institutional arbitration by indicating that “the dispute shall be finally settled under the rules of arbitration of the ICC, unless the Parties mutually agree that the arbitration tribunal will be the patent mediation and arbitration centre as established under Art. 35(1) of the Agreement on a Unified Patent Court”\textsuperscript{33}. The reference to the patent mediation and arbitration center to be established under the UPC (art. 35) is quite interesting because of the specificities of the center\textsuperscript{34}. It confirms the potential importance that this center could gain as provider of arbitration and mediation services for intellectual property (and specifically patent) disputes in the future\textsuperscript{35}. The arbitration procedure envisioned in the Commitments has several noteworthy features three of which will be briefly presented here. The Commitments first provide that “[a] non-confidential version of the arbitral decision shall be published within 90 days following the issuance of such decision” and that “[t]he non-confidential version of the arbitral decision may disclose the methodology relied upon by the arbitral panel to arrive at specific FRAND terms, but shall in no event disclose specific terms”\textsuperscript{36}. This surprising feature, which is in obvious conflict with the basic tenet of confidentiality in commercial arbitration, is due to the requirement of transparency of FRAND decisions and awards reflected in the decision of the Commission of April 29, 2014\textsuperscript{37}.

\textsuperscript{32} Because of the intrinsic brevity of this note, it cannot offer a detailed analysis of all these provisions and of all the legal issues that they may raise.

\textsuperscript{33} Commitments (supra n. 25), clause 9.a.

\textsuperscript{34} It is noteworthy that the center shall have two seats in Ljubljana and Lisbon (art. 35 para. 1 UPC).

\textsuperscript{35} The center has not been established yet and has not published its arbitration and mediation rules (that shall be adopted by the Center pursuant to Art. 35 para. 3 UPC); for an analysis, see Jacques DE WERRA, ‘New Developments of IP Arbitration and Mediation in Europe: The Patent Mediation and Arbitration Center Instituted by the Agreement on a Unified Patent Court’, Revista Brasileira de Arbitragem 2014, p. 17 (available at: <http://archive-ouverte.unige.ch/unige:39878>), last accessed 3 November 2014; it also remains to be seen whether the Center will adopt specific procedures and principles for FRAND disputes (infra n. 48).

\textsuperscript{36} Commitments (supra n. 25), clause 9.e.

\textsuperscript{37} Decision of the Commission (supra n. 24), para. 111 (“the publication of a non-confidential version of arbitration awards will contribute to the creation of a body of case-law upon which future FRAND determinations could draw. This should contribute to a principled and efficient solution of future FRAND disputes by arbitration tribunals”).
The Commitments further provide for a “de novo appeal on issues of fact and law” against an arbitral award, whereby the “appeal shall be treated as a separate arbitration” in which the parties can “agree to limit the issues to be considered on appeal”. Interestingly, the Commitments state with regard to the seat of the arbitration that it “will be in an EEA jurisdiction in which national laws permit Parties to agree to make an arbitration decision subject to appeal to a second arbitral tribunal”.

Thirdly, the Commitments indicate, as to the substantive scope of the jurisdictional power of the arbitral tribunal that “[t]he arbitral panel shall take into account issues of validity, infringement, essentiality raised by the Parties in making the Third-Party Determination of FRAND Terms”. This is interesting because it shows that arbitral tribunals may have to take into account potential claims of invalidity of the disputed SEPs. This is of particular relevance because it confirms that it is legitimate that arbitral tribunals shall have the power to decide on such issues. It however remains to be seen under which (patent) law(s) the issues of (in)validity and (non-) infringements of SEPs will have to be decided in view of the clause of the Commitments providing that “[t]he arbitration will be governed by the laws of England and Wales.”

38 “the first arbitral tribunal’s decision” (according to the terminology of the Commitments (supra n. 25), clause 9.f.).
39 “the second arbitral tribunal” (according to the terminology of the Commitments (supra n. 25), clause 9.f.i), whereby reference is also made to “the second arbitral panel”, Commitments (supra n. 25), clause 9.f.ii).
40 Commitments (supra n. 25), clause 9.f.v.
41 Commitments (supra n. 25), clause 9.f.iii.
42 Commitments (supra n. 25), clause 9.d; the Commitments remain silent as to whether and under what conditions an appeal can be lodged against the award rendered on appeal by “the second arbitral tribunal” which will ultimately depend on the law applicable in the jurisdiction of the seat of the arbitration.
43 Commitments (supra n. 25), clause 9.g.
44 It appears that this rule (in view of its systematic position in the Commitments) shall apply to both the “first arbitral tribunal” and to the “second arbitral tribunal”.
45 The Commitments do not address the potential effects of a finding of invalidity of an SEP by the arbitral tribunal. It should however be assumed that this will be limited to the parties, i.e. inter partes (and not erga omnes). This would appear to be the case for arbitration disputes submitted to the patent mediation and arbitration center under the UPC, because Art. 35 para. 2 in fine UPC expressly provides that “a patent may not be revoked or limited in mediation or arbitration proceedings”.
46 It is uncertain whether the goal of this was to address the law applicable to the relevant patent issues (particularly their infringement and their validity).
The Samsung case shows in any event that arbitration is clearly viewed as a sustainable alternative to court litigation for solving FRAND disputes\textsuperscript{47} and has been validated as such by competition authorities. It also indicates that further policy work may be required in order to ensure the full efficiency of the dispute resolution mechanism. It is therefore not surprising that efforts have been made by major institutions in order to address the needs of companies involved in FRAND licensing disputes. The WIPO Arbitration and Mediation Center has established specific submission agreements that are tailored to FRAND Disputes\textsuperscript{48} and the International Telecommunication Union (ITU) has also been active on these issues\textsuperscript{49}.

The implementation of FRAND commitments still raises major difficulties as of today and consequently continues to be discussed in the

\textsuperscript{47} This is also confirmed by other antitrust proceedings relating to FRAND licensing, and particularly by the US case \textit{In re Motorola Mobility LLC, and Google Inc.}, available at: <http://www.ftc.gov/ enforced_cases_proceedings/1210120/motorola-mobility-llc-google-inc-matter> (last accessed 3 November 2014); in its decision and order of July 23, 2013 (available at: <http://www.ftc.gov/sites/default/files/documents/cases/2013/07/130724googlemotorolado.pdf>, last accessed 3 November 2014), the Federal Trade Commission validated arbitration as a means "to establish a License Agreement" (para. 1.D) under SEPs owned by Motorola to willing licensees; arbitration is also selected by other technical bodies in order to solve FRAND-related SEPs licensing disputes; this is the case of the DVB (Digital Video Broadcasting) Project (www.dvb.org); art. 14.7 of its Statutes (also referred to as "Memorandum of Understanding", available at: <https://www.dvb.org/resources/public/documents_site/dvb_mou.pdf>, last accessed 3 November 2014) provides for the submission to arbitration of disputes arising between Members about IPR licensing as follows: "Each Member hereby agrees, on its behalf and on behalf of its affiliated companies, that, subject to clause 14.9 of this Article 14, all disputes with any other Member of these statutes (MoU) regarding solely the terms and conditions of licences arising in connection with the undertaking in this Article 14 shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with such Rules. Arbitration shall take place in Frankfurt, Germany".


The European Commission has just launched (on October 14, 2014) a public consultation on patents and standards in order to gather information and views on the interplay between standardisation and intellectual property rights (IPR), and particularly patents\(^5\). The questionnaire which is submitted in the course of this public consultation contains a list of detailed questions relating to the “benefits and costs of dispute resolution mechanisms”\(^5^2\) and particularly discusses the advantages and disadvantages of arbitration (and ADR) for solving FRAND disputes. On the judiciary front, the CJEU is expected to render a major decision in the

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\textbf{It particularly contains the following questions:}

- **Q 7.2.1 Usefulness of alternative dispute resolution:** In your experience, does ADR currently play an important role in resolving SEP disputes? Is it regularly considered/discussed when SEP disputes arise? Do you see any trend in its prevalence?
- **Q 7.2.2 Target areas:** Which situations/external factors render an alternative dispute resolution mechanism particularly useful? In what areas of patent based standardisation would ADR be particularly useful?
- **Q 7.2.3 Suitable forms of ADR:** What form of ADR (mediation, arbitration, other) do you consider suitable for what type of conflict?
- **Q 7.2.4 Benefits of ADR:** What are the benefits of alternative dispute mechanisms applied to SEP disputes respectively for patent holders and/or patent users? What are the most important conditions to ensure that these benefits materialize?
- **Q 7.2.5 Difficulties and costs:** What are the main difficulties and costs for parties in agreeing to and setting up a given dispute resolution mechanism? What do the costs depend on? Do rules on ADR differ between jurisdictions and does this create problems?"
case Huawei Technologies Co. Ltd v ZTE Corp., ZTE Deutschland GmbH (C-170/13) which should clarify the obligations of owners of SEPs\textsuperscript{53}.

It is therefore too early to assess precisely how arbitration will ultimately be shaped and used in order to solve FRAND patent licensing disputes. It nevertheless appears most likely that arbitration will be of key importance in this area, as evidenced by certain proposals which have suggested arbitration as the exclusive dispute resolution mechanism for solving FRAND disputes in certain circumstances\textsuperscript{54}.

\textsuperscript{53} The first of the questions submitted to the CJEU by the referring court (the Landgericht Düsseldorf) in its request for a preliminary ruling lodged on April 5, 2013 is: “Does the proprietor of a standard-essential patent who informs a standardisation body that he is willing to grant any third party a licence on fair, reasonable and non-discriminatory terms abuse his dominant market position if he brings an action for an injunction against a patent infringer although the infringer has declared that he is willing to negotiate concerning such a licence?”; the opinion of the Advocate General (Melchior Wathelet) was delivered on November 20, 2014; from an arbitration perspective, the opinion quite interestingly indicates (§ 40) that “[t]he questions raised by the referring court do not concern the specific terms of a FRAND licence, which lie in the discretion of the parties and, where appropriate, the civil courts and arbitration tribunals”, thereby confirming that arbitral tribunals shall also have the power to decide on these issues; it remains to be seen whether and, in the affirmative, to what extent, the Court will follow the opinion of the Advocate General.

Jacques DE WERRA, *The Expanding Significance of Arbitration for Patent Licensing Disputes: from Post-Termination Disputes to Pre-Licensing FRAND Disputes*

**Summary**

In its recent decision ATF 140 III 134, the Swiss Federal Supreme Court held that certain claims raised by patent licensors against their ex-licensee after the termination of their patent license agreement were within the jurisdiction of the arbitral tribunal notwithstanding a contractual provision which seemed to limit the submission to arbitration of only pre-termination disputes. This interesting decision confirms that courts can consider adequate to confer to arbitral tribunals the jurisdictional powers to decide on patent-related claims after the termination of the patent license agreement at issue, even in the presence of contractual limits to the jurisdiction of the arbitral tribunal. This note further discusses the opposite scenario in which certain disputes arising before the conclusion of a patent license agreement can be submitted to arbitration. This peculiar situation arises in connection with so-called standard essential patents (which are quite common in the information technology / telecommunication industries) which must be made available to willing licensees under fair, reasonable and non-discriminatory terms and conditions (FRAND) and for which arbitration can be used in order to determine the FRAND-compliant terms and conditions of the patent license agreement (specifically the royalties to be paid by the licensee for the use of the standard essential patents). This note analyses this scenario in the light of the recent commitments made by Samsung (in its high profile dispute with Apple) which were validated by the European Commission on April 29, 2014 and which contains very interesting arbitration-related features which deserve to be presented. In sum, this note illustrates the expanding significance of arbitration for patent licensing disputes with respect to both post-termination disputes (as decided in ATF 140 III 134) and pre-licensing disputes (as contemplated for FRAND disputes).