



Promoting Intellectual
Property Rights in the
ASEAN Region

Case study: IP portfolio valuation for a worldwide licence in Unwired Planet v Huawei

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When it is needed (or advisable)?

- Acquisition, transfer or license of IPR
- Internal or external audits: proactive IP management, due diligences for M&A, bankruptcy
- Taxes and accounting purposes
- Seek for funding using IP as a collateral
- Prior to any infringement lawsuit: Go/No go, litigation strategy, calculation of damages

PRELIMINARY REMARKS

Disclaimer: for the sake of clarity, this presentation includes some oversimplifications

A Standard Essential Patent (SEP) is a patent needed to practice a standard – absence of a licence can block the access to entire markets

Hence special (case law) rules apply

- Must be licenced in FRAND terms
- SEP holder can only request an injunction IF previously has made a FRAND offer

FACTS

After unsuccessfully attempting to reach a licensing agreement for 2G,3G and 4G Unwired Planet (PAE) requested a preliminary ruling asking the court to assess whether the global royalty offered was FRAND

If yes: grant an injunction

If no: define a FRAND rate

Justice Birss found that UP's offer was not FRAND and defined the FRAND royalty rate for a worldwide licence

The case reached the UKSC which upheld most J Birss' positions, including those related to valuation

For a commentary on UKSC decision see:

Zafrilla Díaz-Marta, V. (2021). UK Courts' Determination of Global FRAND Rates: There Is a Will but Is There a Way? UKSC Judgment in Unwired Planet v Huawei, Huawei v Conversant, and ZTE v Conversant. GRUR International Volume 70, Issue 2, 153.

TOP DOWN METHODOLOGY TO ASSESS PATENT EXPOSURE

$$\text{Patent exposure} = \frac{\text{UP relevant patent families}}{\text{Total relevant patent families in the standard}}$$

Parties did not substantially differ in the numerator (UP patents) but on the denominator (total patents)

Total number of patent families per standard – only handsets

	Huawei – HPA	Unwired Planet – MNPA
4G/LTE	1812	355
3G/UMTS	1089	324
2G/GSM	350	102

JUSTICE'S BIRSS APPROACH

- Discards patent by patent assessment
- Relied on patent (families) counting – flawed assumption since:
 - Some patents can be invalid (lack of novelty, inventiveness, expired)
 - Some patents might not be Essential to the standard
- After 40 pages analysing the virtues and flaws of HPA and MNPA concludes:

377 (...)The number for 4G handsets is 1812 and is much too high. The corresponding number in the Revised MNPA is 355 but that number is much too low (...). I think both values are out by about a factor of two. Half of 1812 is 906 while twice 355 is 710. Splitting the difference takes one to 800. Standing back, about 800 is fair and in my judgment an appropriate figure (...)

INTERIM TAKEAWAYS

- With the current market conditions
 - Even a patent that is not fully commercialized
 - Which fully covers the market
 - And have a high quality of invention
- Decides:
 - And into the market
 - a Solomon
- And there are many examples

Do not be frustrated if your valuation exercise seems naïve or not very ambitious – more prepared people and with more data were not necessarily better off

BONUS TRACK: COMPARABLES TO DEFINE THE ROYALTY RATE

Comparables according to J Birss (p175)

- Licensor: Unwired Planet or Ericsson
- Licensee: Huawei or similarly situated licensee
- Recent

Comparables in the case:

- Unwired – Lenovo (2014): discarded since it was also linked to patent purchase
- Unwired – Samsung (2016): discarded since UP was in financial distress (among others)
- Only ones: some Ericsson's Licences with various licensees



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THANK YOU

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