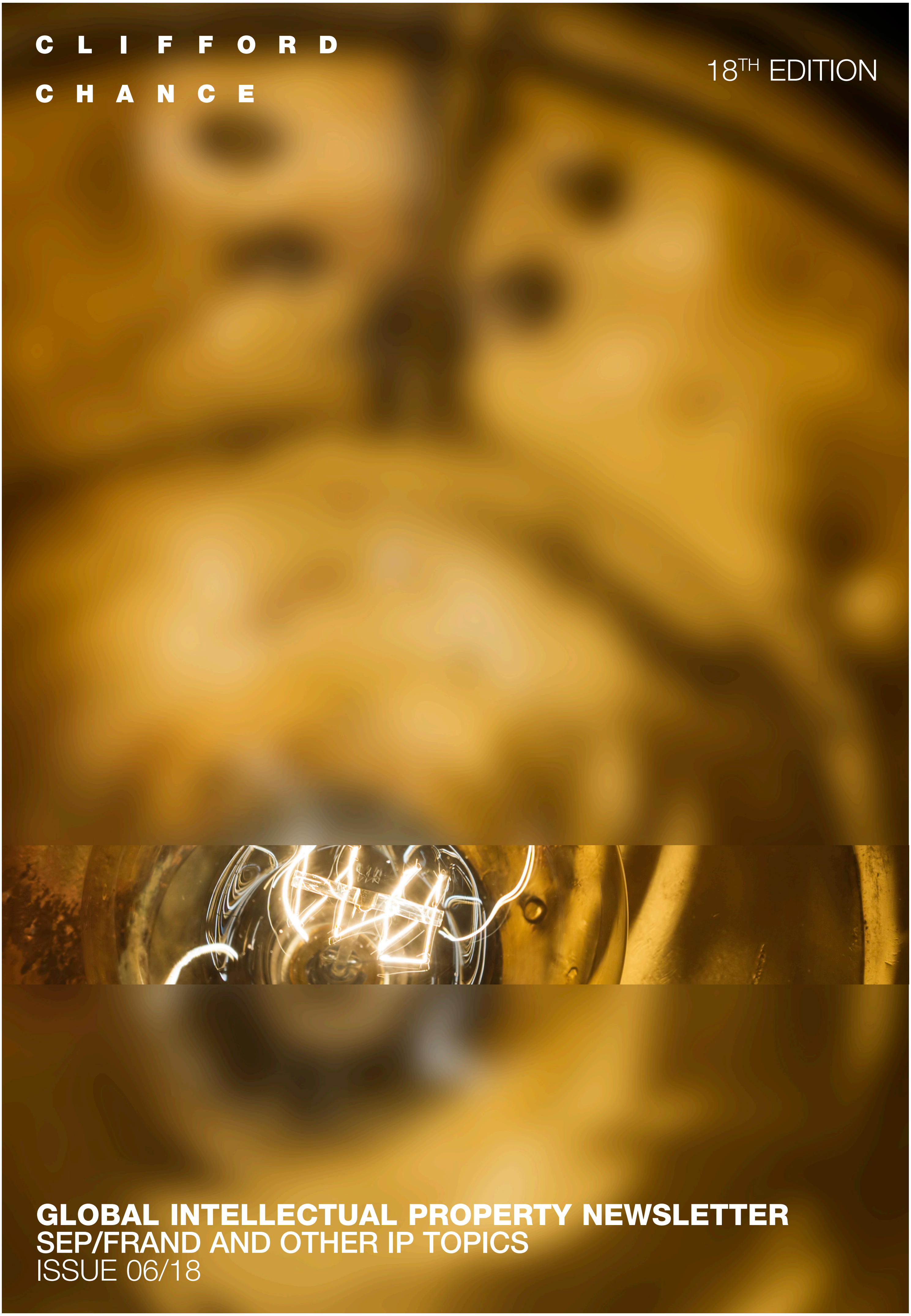
CLIFFORD CHANCE

18TH EDITION



GLOBAL INTELLECTUAL PROPERTY NEWSLETTER
SEP/FRAND AND OTHER IP TOPICS
ISSUE 06/18

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Introduction

Welcome to the **18th Edition** of the **Clifford Chance Global IP Newsletter**.

We will be providing you with an overview of current topics from around the globe, taking a specific look at fair, reasonable and non-discriminatory ("**FRAND**") licences as well as other recent and notable cases and legislation.

We start with the German perspective on the legal requirements defined in the European Court of Justice case *Huawei/ZTE* regarding FRAND and the interpretation of the German courts concerning the respective **steps and pre-requisites when negotiating a FRAND licence**. We will then discuss a long awaited European Commission Guidance setting out the EU approach to Standard Essential Patents ("**SEP**"), trying to **balance SEP licensor and licensee rights** in view of the upcoming 5G standard and the Internet of Things ("**IoT**"). The third article by our Shanghai colleagues addresses a recent Chinese landmark decision in the context of 3G and 4G technologies as negotiations between *Huawei* and *Samsung* regarding SEP cross-licensing failed.

We will analyze the current status of the **arbitration of IP disputes** in France where a new trend favors arbitrability of IP. We will then take a look at the Italian Supreme Court of Cassation's decision regarding the interpretation of arbitration clauses, especially in the field of extra-contractual responsibility and unfair competition.

We would also like to shed some light on China's technology transfer regulations, in particular the Chinese **Administrative Regulations on Technology Import and Export** ("**TIER**"), which has gained some attention in the wake of the Trump administration's allegations concerning the licensing restrictions under TIER.

Against the background of the deadline for the transposition of the **European Trade Secrets Directive** into the national law of the EU Member States on 9 June 2018, we will analyze the draft **German Trade Secrets Act**. The draft is expected to come into force in late 2018 at the earliest.

Finally, this 18th Edition will deal with important case law throughout Europe, namely a recent decision of the Court of Milan on the qualification of **ambush marketing** as an act of unfair competition, the UK case *Sky Plc v SkyKick UK Limited* on trade mark infringement, and rulings handed down by the Barcelona Commercial Courts made in defence of exhibitors' rights at the **2018 Mobile World Congress**.

We hope you enjoy reading the latest issue of the Global IP Newsletter and we look forward to your feedback.

Your Global CC IP Team

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GERMANY: UPDATE ON THE LATEST DECISIONS BY GERMAN COURTS REGARDING FRAND/SEP

In 2015 the Court of Justice of the European Union ("**CJEU**") laid down a catalogue of mutual obligations between standard essential patent owners and alleged patent infringers for fair, reasonable and non-discriminatory ("**FRAND**") licensing of standard essential patents ("**SEPs**"). The legal framework established in *Huawei/ZTE*[1] is highly important in the age of the Internet of Things ("**IoT**") as a growing number of sectors (e.g. the telecommunication sector) depends on the use of SEPs. However, a number of issues have remained unanswered, leading to a large wave of lawsuits by SEP owners before German courts. The Higher Regional Court Düsseldorf (*Oberlandesgericht Düsseldorf*, "**OLG Düsseldorf**") and the District Court Mannheim (*Landgericht Mannheim*, "**LG Mannheim**") seek to further clarify and develop the catalogue of mutual obligations in the context of FRAND-negotiations. This article will analyse the diverging decisions made by German courts.

Huawei/ZTE

In *Huawei/ZTE* the CJEU ruled that SEP negotiations shall proceed in four steps:

1. The SEP owner is obliged to alert the alleged infringer of the infringement, indicating the way in which it has been infringed.
2. The alleged infringer is required to express its willingness to conclude a licensing agreement on FRAND terms.
3. The SEP owner must submit a FRAND-offer.
4. The alleged infringer can reject the FRAND-offer and submit a FRAND-counteroffer. If the counteroffer is rejected by the SEP owner, the alleged infringer must provide appropriate security (e.g. a bank guarantee).

In light of the legal uncertainty surrounding the negotiation process established in *Huawei/ZTE,* the latest decisions by German courts offer some guidance and rules of conduct for the SEP owner as well as the alleged infringer.

Scope of application and remedying non-compliance

German courts agree that the *Huawei/ZTE* regime does not only apply to cases brought before the courts after the ruling but also to transitional cases, which were already pending during the final CJEU ruling. They argue that CJEU judgments have

Key Issues

- The OLG Düsseldorf and the LG Mannheim ruled that all mutual obligations can be fulfilled during trial. This applies to both transitional cases as well as for subsequent cases.
- In *Sisvel/Haier* the OLG Düsseldorf emphasized that the SEP owner's notice of infringement must encompass information on the publication number of the disputed SEP, the contested embodiment and the accused act of use. However, the LG Mannheim takes a stricter view and demands a technical description of the patent by using claim charts.
- A submission of a counter-offer by the alleged infringer is only required if a formal and substantive FRAND-offer was made by the SEP owner. All obligations in FRAND negotiations are sequential and therefore dependant on the fulfilment of the prior obligation.
- In Germany different methods on how to determine whether an offer is FRAND and how royalties should be calculated exist.

"**Claudia Milbradt** has been ranked as one of the "300 World's Leading IP Strategists 2018" in IAM Strategy 300."

[1] CJEU, decision of 6 July 2015, C-170/13, ECLI:EU:C:2015:477 – Huawei/ZTE. Please also see Global IP Newsletter Issue 12/17, p. 8 for more information.

ex-tunc effect and that national law must adhere to the primacy of Union law. Consequently, in these transitional lawsuits the fulfilment of FRAND requirements during the court proceedings is considered to be sufficient.

However, disagreement persists on whether FRAND obligations in post *Huawei/ZTE* cases must be fulfilled prior to the trial. In *Saint Lawrence/Vodafone* the District Court Düsseldorf (*Landgericht* Düsseldorf, "LG Düsseldorf") held on 31 March 2016 that, in any case, the alert of the infringement must be made prior to filing an action, at the latest before payment of court costs. In contrast, in *Pioneer/Acer* (8 January 2016) the LG Mannheim and in *Sisvel/Haier* the OLG Düsseldorf ruled that transitional cases should not receive privileged treatment over subsequent cases. Therefore, according to the OLG the notice of infringement and any FRAND stipulation can be met retrospectively during proceedings.

Another issue of general importance concerns the consequences of one party failing to meet FRAND requirements. With its *Sisvel/Haier* ruling of 30 March 2017 the OLG Düsseldorf held that all FRAND requirements in the negotiation process are sequential, meaning that the individual obligations of each party are only triggered by the fulfilment of the other party's prior obligation.[2]

The single steps according to the *Huawei/ZTE* regime are specified as follows:

(i) Notice of infringement

The content of the notice of infringement is subject to debate. In *Pioneer/Acer* the LG Mannheim held a rather strict view emphasizing that reference to the disputed patent is mandatory and that disputed patents must be explained technically by illustrating it with claim charts.[3]

In *Sisvel/Haier* the OLG Düsseldorf applied less formalistic requirements[4] considering information on the publication number of the disputed SEP, the contested embodiment and the alleged act of use as sufficient. In addition, more details on the alleged violation can be submitted, for example, by providing information on the interpretation of the claim. However, according to the OLG, submitting claim charts and their analysis are not mandatory.

(ii) Expression of willingness to negotiate licence agreement

The LG Mannheim[5] noted that the alleged infringer is obliged to express his licence request as soon as possible and that a three-month waiting period is too long. Following a case-by-case approach, in *Sisvel/Haier* the OLG Düsseldorf held that the applicable deadline is to be determined based on the expertise and market position of the infringer.[6] However, the OLG Düsseldorf emphasises that a five-month period would be too extensive and therefore inadmissible.[7]

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2 OLG Düsseldorf, decision of 13 January 2016, I-15 U 66/15, juris, para. 20 ff.; OLG Düsseldorf, decision of 30 March 2017, I-15 U 66/15, juris, para. 200 f. – Sisvel/Haier.

3 LG Mannheim, decision of 8 January 2016, 7 O 96/14, juris, para. 114 ff. – Pioneer/Acer; LG Mannheim, decision of 1 July 2016, 7 O 209/15, juris, para. 110 – Philips/Archos; confirmed in LG Mannheim, decision of 29 January 2016, 7 O 66/15, para. 57 – NTT DoCoMo/HTC.

4 OLG Düsseldorf, decision of 30 March 2017, I-15 U 66/15, juris, para. 172 – Sisvel/Haier.

5 LG Mannheim, decision of 27 November 2015, 2 O 106/14, juris, para. 214 – Saint Lawrence/Deutsche Telekom.

6 OLG Düsseldorf, decision of 30 March 2017, I-15 U 66/15, juris, para. 182 – Sisvel/Haier.

7 OLG Düsseldorf, decision of 30 March 2017, I-15 U 66/15, juris, para. 182 – Sisvel/Haier.

In *Philips/Archos* the LG Mannheim considered it sufficient if the alleged infringer offers licence fees and provides security at the time the action is filed.[8] In line with this decision, the OLG Düsseldorf does not impose strict requirements with respect to the licence request. An informal declaration should be sufficient along with conclusive behaviour. However, submitting the licence request under a condition is not allowed.[9]

(iii) FRAND-offer

All German courts agree on the fact that different offers can all still comply with the FRAND standard.

However, how to determine whether an offer is FRAND is highly controversial.

One decisive factor is the market power of the SEP owner. Unfortunately, with the exception of the *Sisvel/Haier* ruling, the topic has not yet been subject to decisions by German courts. While the Attorney General in the *Huawei/ZTE* proceedings held that a rebuttable presumption of market dominance applies, the OLG Düsseldorf explicitly rejected a rebuttable presumption stating that the determination of market power requires taking into account the facts of the individual case.[10]

Hence, the ECJ concluded that in order to make a FRAND-offer the SEP owner is obliged to specify the royalty and the way in which it is to be calculated. However, it is subject to debate which level of royalty is fair and how exactly royalties should be calculated. The LG Mannheim[11] focuses on an economic assessment and emphasises that the offer is discriminatory if unfavourable conditions are offered to the alleged infringer, whereas the LG Düsseldorf proposes a comparison with contracts with third parties.[12] In *Sisvel/Haier* the OLG Düsseldorf did not touch on this issue.

(iv) FRAND-counteroffer

A consensus exists between German courts that the alleged infringer should react as soon as possible after receiving the FRAND-offer and should develop a counter-offer as quickly as possible.[13] However, as the FRAND-offer is legally binding the alleged infringer is granted more time for consideration in comparison to reacting to the initial notification and his willingness to negotiate a licence. The length of the applicable deadline is decided on a case-by-case basis.[14] Furthermore, German courts agree that the amount of deposit the infringer must provide equals the amount named in the counter-offer.[15]

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8 LG Mannheim, decision of 1 July 2016, 7 O 209/15, juris, para. 120 f. – Philips/Archos.

9 OLG Düsseldorf, decision of 30 March 2017, I-15 U 66/15, juris, para. 183 – Sisvel/Haier.

10 OLG Düsseldorf, decision of 30 March 2017, I-15 U 66/15, juris, para. 150 – Sisvel/Haier.

11 LG Mannheim, decision of 29 January 2016, 7 O 66/15, juris, para. 58 – NTT DoCoMo/HTC.

12 LG Düsseldorf, decision of 31 March 2016, 4a O 73/14, juris, para. 225 ff. – Saint Lawrence/Vodafone.

13 LG Mannheim, decision of 29 January 2016, 7 O 66/15, juris, para. 60 – NTT DoCoMo/HTC.

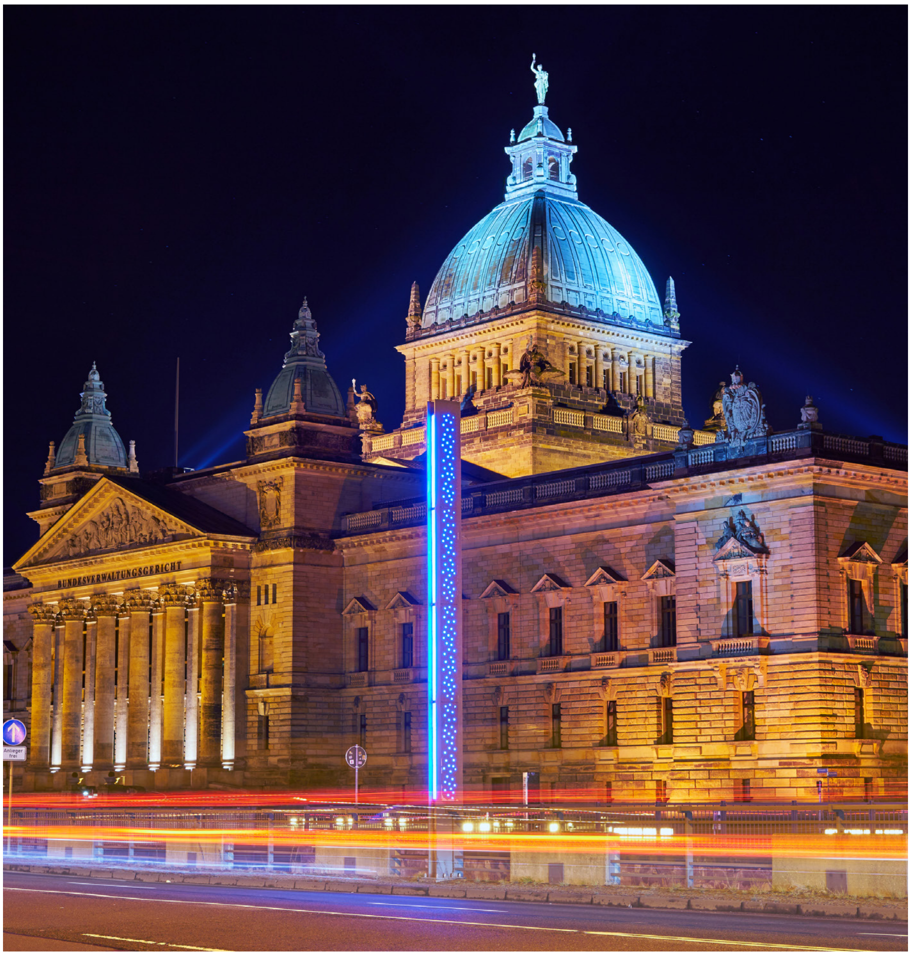
14 LG Mannheim, decision of 29 January 2016, 7 O 66/15, juris, para. 60 – NTT DoCoMo/HTC.

15 LG Düsseldorf, decision of 3 November 2015, 4a O 93/14, juris, para. 128, 130 – Sisvel/Haier; LG Mannheim, decision of 27 November 2015, 2 O 106/14, juris, para. 234 ff. – Saint Lawrence/Deutsche Telekom.

Conclusion and recommendation

German court decisions are to some extent contradictory. A consistent approach is not yet recognizable. Although the OLG Düsseldorf tried to clarify the FRAND obligations established in *Huawei/ZTE*, some uncertainties regarding the content of the notice of infringement, the licence request and the FRAND-offer cannot be resolved. Therefore, it appears advisable that SEP owners and alleged infringers comply with stricter German court criteria, until the Highest Court in Germany makes its decision in 2018. Thus, the SEP owner's notice of infringement should include a technical description of the patent by using claim charts. The alleged infringer should express his licence request as soon as possible. Furthermore, as a precaution, the alleged infringer should submit his FRAND-counteroffer even if the SEP owner's offer does not comply with formal legal requirements.

The OLG Düsseldorf permitted an appeal to the German Federal Court of Justice, with the decision expected in the end of 2018.



SPAIN: THE LATEST EUROPEAN COMMISSION GUIDANCE ON FRAND LICENSING OF SEPS

On 29 November 2017, the European Commission published a long-awaited Communication to the European Parliament, the Council and the European Economic and Social Committee "setting out the EU approach to Standard Essential Patents". The main goals of this guidance are, on the one hand, incentivising the development of new technologies by ensuring a fair return to the innovative companies, while, on the other hand, guaranteeing real access for any third party (whether a huge international company or a new small start-up) to patented technologies in order to allow the spread of the standardised technologies. Although it is still too early to analyse the impact of this guidance, so far and in general, it has been welcomed.

The Commission's guidance focusses on the following three matters to try to achieve the right balance between Standard Essential Patent ("**SEP**") licensors and licensees: (i) transparency on SEP exposure; (ii) general principles for fair, reasonable and non-discriminatory ("**FRAND**") licensing terms; and (iii) enforcement of SEPs.

Increasing transparency

The Commission is well aware that information on the existence and scope of SEPs is crucial for allowing potential users of standards to evaluate the risk of their exposure to SEPs and the necessary licensing partners. Moreover, this information is important for fair licensing negotiations.

However, nowadays, potential or actual users of standards do not have many options to obtain said information. Basically, they may only find the appropriate declaration of essentiality made by SEP holders in the Standard Developing Organisations ("**SDO**") databases, such as the European Telecommunications Standards Institute's database ("**ETSI**"). As anyone who has ever tried to navigate those databases knows, it is very difficult to obtain the relevant information in practice.

Thus, the Commission understands that, so as to not undermine the purpose of declarations of essentiality, it would be advisable to implement the following measures:

(i) The quality of and accessibility to the information recorded on SDO databases should be improved:
In particular, the Commission believes that:

- Those databases should provide more user-friendly interfaces for SEP holders, implementers or any other interested third party

Key Issues

- The quality and accessibility of the information recorded on the SDO databases should be improved to be more user-friendly and transparency information tools to assist SEP licensing negotiations should be developed.
- The present value added by the patented technology, the economic value of the patented technology itself and the aggregate royalty rate should be considered when defining the FRAND rate.
- The Commission's guidance seems to not recommend "use-based" licences.
- SEP licensors' counter-offers should be concrete and specific and be proposed in a reasonable timeframe.
- Alternative dispute resolutions (mediation and arbitration) should be further explored.

"**Miquel Montana** has been ranked as one of "The World's Leading Patent Professionals 2018" in IAM Patent 1000 in Spain."

- The recorded information should be searchable according to the different standardisation projects;
- Duplications should be deleted from the databases to improve the quality of the recorded information; and
- These databases should contain links to the patent office databases, including updates of patent status, ownerships and transfers.

(ii) Transparency information tools to assist SEP licensing negotiations should be developed:
The Commission believes that declarations of essentiality should be more precise and up-to-date. In this regard, it suggests that:

- SEP holders should review their declarations (i) at the time of the adoption of the final standard (to confirm that the technical solution proposed by the patent or patent application and declared to be essential to implement the standard when it was in its early stages is actually included in the version of the standard released), and (ii) once the patent is granted (to confirm that the technical solution offered by the patent application is still protected by the claims as granted);
- Declarations should include enough information to assess patent exposure (for example, including the specific section of the standard that is relevant and providing the SEP holder's contact details); and
- SDOs should offer information regarding the case reference and main outcome of final decisions on declared SEPs to reduce parallel litigation.

The Commission also recommends that independent third parties (with technical capabilities and market recognition) verify whether patents declared to be essential to implement a standard are actually essential. According to the Commission, there are studies on key technologies suggesting that less than 50% of declared patents are essential when they are rigorously analysed. The Commission suggests that such essentiality checks only take place at the request of either SEP holders or prospective users to rightly balance its cost-benefit.

The Commission is well aware of the enormous burdens that these transparency tools can imply so it suggests starting with the new key standards (such as 5G) and gradually extend them to others. In particular, it proposes the possibility of creating a certificate that SEP holders could obtain stating that their SEP portfolios comply with transparency criteria or that SDOs introduce fees for confirming that SEP declarations are still valid after the standard release and patent granting.

Licensing on FRAND terms

The Commission understands that a one-size-fits-all solution for all kinds of industries and companies is not advisable. Instead, it recommends sectoral discussions to establish common licensing practises based on the following principles:

- There should be a clear relationship between the economic value of the patented technology itself (regardless of its inclusion into the standard) and its royalty rate;

- The present value added by the patented technology (regardless of the market success of the product) should be taken into account when determining a FRAND rate;
- The aggregate royalty rate should be considered when defining the FRAND rate to avoid royalty stacking; and
- There should be no discrimination between implementers that are "similarly situated". Thus, the Commission's guidance seems to not recommend "use-based" licences, which would allow SEP holders to charge different royalties for the same patented technology depending on the value of the product where said patented technology is implemented, (e.g. a car as compared to a mobile phone). This recommendation has been warmly welcomed by important stakeholders of the incipient 5G standard, such as the Fair Standards Alliance that encompasses both European SMEs and blue-chip companies, like BMW, Volkswagen, Deutsche Telekom, Intel or Cisco.

The Commission also encourages the creation of patent pools and licensing platforms to facilitate SEP licensing, especially to the increasing number of SMEs with almost no experience on SEPs and FRAND licensing. Thus, it considers that patent pools and licensing platforms allow better scrutiny of essentiality, more clarity on aggregate licensing fees and a one-stop-shop solution for those potential SME licensees.

Finally, the Commission understands that FRAND-related information (such as court decisions, agreements, mediation and arbitration decisions, etc.) should be more easily accessible to provide both actual and potential licensees with a higher degree of predictability during the negotiation process. In this regard, the Commission is to set up an expert group for gathering industry practice and further expertise on FRAND licensing.

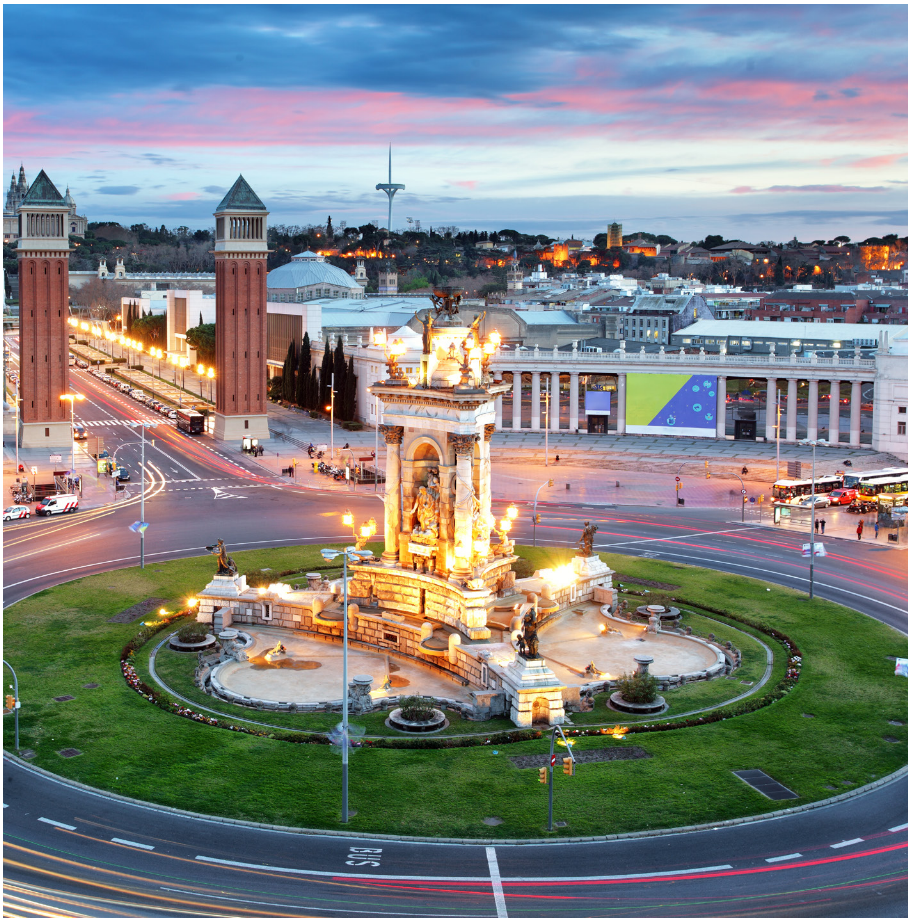
Enforcement of SEPs

According to the Commission, SEPs show a higher degree of litigation when compared to other kinds of patents, which reinforces the need for a clear dispute framework for SEPs. A balance should be struck between the availability of injunctive relief to protect SEP holders against implementers that do not wish to conclude agreements on FRAND terms, and the safeguards for those implementers that are willing to reach an agreement but face SEP holders that offer non-FRAND licences.

In this regard, the Commission reminds us that, back in 2015, in the *Huawei* Judgment (Case C-180/13), the CJEU established obligations not only for SEP licensors but also for potential licensees (thus, counter-offers should be concrete and specific, should include information about the exact use of the standard and should be proposed in a reasonable time).

The Commission understands that SEP holders can offer patent portfolios which include both SEPs and non-SEPs and, preferably, complementary technologies (avoiding competing technologies). The Commission also considers that it can be more efficient to litigate a patent portfolio than each SEP in a separate procedure. Thus, it will be working with relevant stakeholders (such as courts and mediators) to analyse different methodologies to assess the validity and infringement of said patent portfolios.

Finally, the Commission also takes the view that mediation and arbitration can be a good alternative to dispute resolutions. In this regard, the quality of the experts assessing these alternative disputes becomes crucial.



CHINA: HUAWEI V. SAMSUNG – FRAND LITIGATION IN CHINA

Almost five years after *Huawei v. InterDigital*, the Shenzhen court has issued another landmark decision concerning Standard Essential Patent ("**SEP**") and FRAND issues in the case of *Huawei v. Samsung*. This time the decision concerns a patent infringement suit based on Huawei's two patents essential to 3G and 4G standards respectively. Huawei filed the suit against Samsung after the parties' cross-licensing negotiations broke down.

In its decision, the Shenzhen court closely examined the negotiation history between the parties, scrutinising their behaviour as well as the proposed offers and counter-offers each made during the negotiations. Finding that Samsung was at obvious fault as both a procedural and substantive matter, the court held that a permanent injunction against Samsung was warranted. The case illustrates how the FRAND jurisprudence has evolved in China since the *InterDigital* decision and how Chinese courts have adapted the *Huawei v. ZTE* framework set by the European Court of Justice.

Finding fault in the negotiations

Negotiations started in August 2011 and took more than five years. The intention was to conclude a global cross licensing agreement between Huawei and Samsung.

The court found that the following acts of Samsung had led to delays and breakdowns in the negotiations.

- *Bundling of SEPs and non-SEPs*: Samsung insisted on negotiating a cross licensing agreement covering both SEPs and non-SEPs, despite the fact that Huawei made clear as early as October 2012 that the cross licensing agreement would only concern SEPs. Huawei's six proposals to Samsung were all aimed at SEP licensing.
- *Failure to respond to Huawei's claim charts*: After the parties exchanged claim charts for their selective SEPs in late 2013, Samsung failed to respond to Huawei's claim charts, whilst Huawei sent its comments according to the agreed timetable. Samsung significantly delayed the technical negotiations by failing to respond to Huawei's subsequent follow-ups for more than a year.
- *Failure to respond "diligently" to Huawei's multiple offers or make counter-offers*: Samsung failed to respond to five out of the six offers made by Huawei. Samsung's only offer was made in July 2015, at the time of Huawei's fifth offer to Samsung.
- *Refusal to participate in arbitration without justification*: Huawei filed the Shenzhen proceedings on 27 May 2016. In August 2016, Huawei proposed to Samsung that the parties should enter binding arbitration to resolve the global licensing dispute, which Samsung declined. The court found that Samsung lacked willingness to

Key Issues

- The case of *Huawei v. Samsung* provides an analysis of SEP and FRAND issues in China.
- The court looked closely at the conduct of negotiations between the parties, finding that the acts of Samsung led to delays and a breakdown in the negotiations.
- In assessing the substantive aspects of the negotiations, the court assessed both the strength of the SEP portfolio and then compared the proposed offers in light of the portfolio strength.

resolve the dispute, particularly given that Huawei also sent Samsung its proposed arbitration terms and later stated it would withdraw the infringement proceedings, if Samsung did agree to arbitrate.

- *Failure to actively participate in the court-ordered mediation*: The court ordered that mediation should take place, requesting both parties submit their respective licensing proposals. While Huawei complied, Samsung failed to do so. After the court notified Samsung that it would also consider Samsung's mediation behaviour in assessing FRAND conduct, Samsung provided a response to Huawei's offer that was described in court as having "no substance". This led the court to conclude that Samsung was unwilling and had purposefully delayed the negotiations.

The court also examined Huawei's conduct, noting that Huawei made a total of six offers over a period of five years and that Huawei had even agreed to withdraw the proceedings if Samsung agreed to its arbitration proposal. The court went on to find that Huawei was not without fault but that Huawei's failure to correctly state the number of patents acquired from Sharp was nonetheless excusable. According to the court, Huawei later clarified this with Samsung.

The court held that Samsung's acts violated the procedural aspects of the FRAND principle and that as between the parties, Samsung was at obvious fault. It is also worth noting that the court expressly stated that the parties' conduct during the court-ordered mediation would be taken into account in determining whether they had negotiated in a FRAND manner.

Assessing offers in light of portfolio strength

The court then assessed the substantive aspects of the licensing negotiations, i.e., whether the parties' offers conformed with the FRAND principle. In doing so, the court first assessed the strength of their respective SEP portfolio and then compared the proposed offers in light of the portfolio strength.

(i) Strength of a SEP holder's portfolio

The court concluded that Huawei and Samsung's 3G and 4G portfolios were of similar strength, with Huawei having a slightly stronger China portfolio. The court considered the following factors:

- The number of the parties' technical proposals that were adopted by the standard-setting organisation 3GPP;
- The number of the parties' 3G and 4G SEPs that were declared essential compared to those that were evaluated as essential in (i) several third-party evaluation reports, and (ii) the parties' own experts' reports; and
- The number of the patents that had been invalidated in the patent validity proceedings the parties filed against each other – Huawei had one patent invalidated yet all four Samsung patents were invalidated.

In explaining the relevance of the above factors, the court first noted that "the number of SEPs a party holds normally correlates with the number of its technical proposals which were adopted by a standard-setting organisation." The court also recognised the problem of over-declaration during the standard setting process (i.e., not all declared SEPs are truly standard essential). However, it would be impossible and impracticable to verify the essential nature of every declared SEP; evaluation studies published by telecommunications research institutes can therefore be referenced in this regard. According to the research reports relied on by the court, both Huawei and Samsung were among the top ten contributors to 3G/4G standards, holding comparable numbers of patents evaluated as essential.

(ii) Huawei's offers were FRAND and Samsung's were not
The court stated that Huawei holds about 5% and 10% of 3G and 4G patents globally. It reasoned that considering the aggregate royalties for 3G and 4G patents, which are roughly 5% and between 6 to 8%, respectively, the offers Huawei made to Samsung were *"within the reasonable range"* in view of the strength of Huawei's portfolio. The specifics of Huawei's actual offers were redacted from the judgment. Notably, the court stressed that Huawei's offers *"do not significantly deviate from the strength of its portfolio"* and that Samsung should have *"room to negotiate"* with Huawei.

On the other hand, while Samsung's portfolio was of similar strength, its offer to Huawei was three times higher than the offers Huawei made to Samsung in respect of Huawei's portfolio. The court held that Samsung violated the FRAND principle by proposing a rate significantly beyond the value of its SEPs and taking no account of the comparable strength of the parties' portfolios.

(iii) Huawei v. InterDigital revisited
In proposing its rate for Huawei's portfolio, Samsung referred to the court's earlier decision in *Huawei v. InterDigital*, in which a 0.019% royalty rate was ordered in respect of InterDigital's China portfolio. The court held that it was obviously unreasonable for Samsung to do so, because according to the licence with InterDigital that Huawei filed in evidence, the parties did not follow the adjudicated rate. The scope of the licence was also different. The court also took issue with the fact that InterDigital is a non-practising entity, while Huawei and Samsung are both major SEP implementers. The court did not elaborate further on the importance of the distinction.

The court also discussed the profit margin issue to which it had alluded in the *InterDigital* case. Specifically, the court rejected Samsung's argument that Huawei's offers were too high which would in effect deprive Samsung of its sales profit. In *InterDigital,* the court stated that the FRAND royalty rate should not exceed a certain percentage of the profit margin of a product. In this case, the court added that while an implementer's profit margin is relevant on the contrary, a SEP holder's contribution should also be properly compensated. The court found that Samsung's evidence, a Strategy Analytics research report concerning global handset sales, was insufficient to show that accepting Huawei's offer would cost Samsung its reasonable profits. Interestingly, the *InterDigital* court relied heavily on the Strategy Analytics report in its calculation of the 0.019% royalty rate.

As such, upon finding infringement of the asserted SEPs, the Shenzhen court held that Huawei's permanent injunction request should be granted. The court stressed that Samsung violated the FRAND principle from both a procedural and substantive perspective, and that Samsung had employed delaying tactics even during the court-ordered meditation.

Conclusion

China has essentially adopted a fault-based analytical framework for determining whether a SEP-based injunction should be granted. For the first time, the Shenzhen court held that the fault not only relates to the parties' negotiation behaviours, but also goes to the substantive reasonableness of the offers and counter-offers which are in turn assessed according to underlying portfolio strength. There appears to be striking convergence in this respect between the approaches adopted by Chinese courts and the *Huawei v. ZTE* framework. As a decision to showcase "its judicial competitiveness globally", which is the wording the court used in its official announcement, the Shenzhen court has not shied away from presiding over and adjudicating a worldwide licensing dispute.

CHINA: UNDERSTANDING CHINA'S TECHNOLOGY TRANSFER REGIME

IP and technology transfer have taken centre stage in the threatened trade war between the US and China, with the Trump administration criticising China's *"forced transfers"* of technology, among other allegations. Coincidentally but separately, in March 2018 China increased its scrutiny of technology exports and IP transfers under new guidelines that are said to *"safeguard China's key public interests".*

Key Issues

- The main legal framework regulating transferring technology into and out of China is the Administrative Regulations on Technology Import and Export (TIER).
- In 2018 the Trump administration released a report on TIER claiming it discriminated against US companies in favour of Chinese companies.
- Whilst TIER does impose certain mandatory contract terms, the supposed discriminatory terms imposed on US companies can be found in in PRC contract law which is applicable to domestic PRC parties.

Despite the US and China declaring an apparent truce in late May, the issue of technology transfer is not going away any time soon. Setting aside politics, it is worthwhile to look at China's technology transfer regulations to understand the requirements in place and the likely trends going forward.

Existing technology import and export regulation regime

The main legal framework regulating both the *"import"* and *"export"* of technology into and out of China is set out in the *Administrative Regulations on Technology Import and Export* ("**TIER**"). TIER came into force on 10 December 2001. It mainly governs patent and software licensing and assignment, whether via investment, trade or technological co-operation. The Ministry of Commerce ("**MOFCOM**") is the agency that administers TIER.

One major aspect of TIER is its classification of technologies into three categories in respect of both inbound and outbound transfers:

- Prohibited Technology: Technology classified in this category cannot be imported into or exported out of China;
- Restricted Technology: The transfer of *"Restricted"* technology is subject to approval by MOFCOM. The import or export contract can only become effective upon such approval; and
- Unrestricted Technology: Technology which is neither *"Prohibited"* or *"Restricted"* is deemed *"Unrestricted"* and may be transferred freely into or out of China.

The above classification is based upon catalogues issued by the Chinese government. The current catalogue listing both *"Prohibited"* and *"Restricted"* technologies was published by MOFCOM, effective as of 1 November 2008.

In addition to the procedural requirements, TIER contains a number of broadly worded restrictions which cannot be imposed by a foreign licensor in a technology import contract. However, MOFCOM has not provided any detailed guidance helping to clarify these restrictions in relation to technology imports and exports. We are also unaware of any case law or penalty decisions which could help shed light on how the TIER restrictions should be interpreted.

As such, the TIER regime has been an area benefiting from little guidance from either the central authority or the Chinese courts since its implementation in 2001.

Trump's allegations regarding the licensing restrictions under TIER

On 22 March 2018, the Trump administration published a report titled *"Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974"*. This was issued following a seven-month investigation into what it described as *"China's unfair technology regime for US companies in China".*

The report took issue with TIER, alleging the licensing restrictions unfairly discriminate against US companies in favour of Chinese companies. The report highlighted the following:

- *Indemnity terms*: All indemnity risks are required to be borne by the foreign technology transferor, with the US licensor liable for infringement claims made against the licensee resulting from the use of the licensed or transferred technology;
- *Right to technology improvements*: The US licensor cannot restrict the licensee from making improvements to the technology and using it in the marketplace. Despite this, the US licensor will not own the improvements made by the licensee and can be prevented from enjoying the benefits; and
- *Inconsistent treatment for US companies and Chinese competitors*: US companies must comply with procedural requirements under TIER, failing which remittance of royalty payments back to the home country by the foreign licensor will be denied. Chinese competitors on the other hand only need to follow PRC contract law, which does not have the onerous TIER requirements.

Whilst TIER does impose certain mandatory contract terms, as for the supposed discriminatory terms imposed on US companies, similar restrictions can be said to exist in the PRC Contract Law applicable to domestic PRC parties. Specifically, Article 329 of the Contract Law voids contracts that *"illegally monopolise technology and impede technological progress."* Article 10 of the Judicial Interpretation concerning the Adjudication of Technology Contract Disputes ("**JI**") interprets Article 329 of the Contract Law and lists provisions that a licensor cannot impose. Most of those restrictions under Article 10 seem to be in parallel to those under TIER in respect of a technology import contract.

Article 29 of TIER	Article 10 of JI
Purchase of unnecessary technology, equipment or service	Purchase of unnecessary technology, equipment or service
Payment for expired or invalid patents	Prohibition or restriction on licensee's ability to challenge the validity of licensed IP
Restrictions on the licensee's rights to improve technology or to use improved technology	Unfair exchange conditions on improved technology, including grant-backs of improved technology without compensation, non-reciprocal transfer of improved technology, or sole or joint ownership of improved technology without compensation
Restriction on procurement of similar or competing technology	Restriction on procurement of similar or competing technology
Unreasonable restrictions on source of equipment or materials used by the licensee	Unreasonable restrictions on source of equipment or materials used by the licensee
Unreasonable restrictions on production volumes, models and sales price	Unreasonable restrictions on production volumes, models and sales price
Unreasonable restrictions on export channels for products made with licensed technology	Unreasonable restrictions on export channels for products made with licensed technology

New guidelines supplementing existing TIER regulations

Separately, on 29 March 2018, the State Council issued a new guideline regarding IP transfers and technology exports. The rules aim to provide for the scrutiny of outbound transfers of technologies that are considered *"core to the innovative capabilities of some key sectors"* in China.

Under the existing regime, MOFCOM conducts the review in respect of an export contract. In practice, the new rules add an additional layer to the export clearance process:

- For patent-related transactions, MOFCOM transmits the file to the local State Intellectual Property Office ("**SIPO**") so that SIPO can issue a written opinion. MOFCOM will make the clearance decision based on the written opinion.
- For computer software, the export review is now conducted by both the local MOFCOM office and the Ministry of Industry and Information Technology ("**MIIT**").

In practice, companies which do not comply with the MOFCOM approval process face the risk that the technology export contract may not be considered valid as the contract only comes into effect on the date approval is issued. This means that in the absence of approval, if enforcement of the contract is required, there is the risk that the contract cannot be enforced in China against the Chinese transferor.

The new rules appear to aim to strengthen China's control over core technologies and IP leaving China's sovereignty. According to Chinese officials, the new technology transfer guidelines have been in preparation for a long time, something which seems to suggest that they have nothing to do with the threatened trade war or the US allegations.

Conclusion

China's TIER regime has been put into the spotlight during discussions about a possible trade war. Technology or IP transfer will continue to be a focal point of discussions between China and the West, given the increasing importance and frequency of technology transfers and their elevated role in the race to control new or emerging technologies.

FRANCE:
STATUS OF ARBITRATION OF INTELLECTUAL PROPERTY DISPUTES IN FRANCE – FROM A GENERAL PROHIBITION TO AN ENHANCED PROMOTION

Arbitration provides many features that seem perfectly adequate in the context of intellectual property dispute resolution. For example:

- **Arbitrator's profiles:** The possibility of designating experts as arbitrators can be particularly useful in intellectual property matters which can sometimes be extremely technical, especially in patent related disputes.
- **Confidentiality:** Intellectual property disputes arise in matters where confidentiality is of the utmost importance for the parties involved, especially in trade secrets or patent related disputes. Most international arbitration institution rules, such as the ICC's[1], expressly provide for non-disclosure obligations on arbitrators and parties in arbitration proceedings.
- **Urgent and conservatory measures:** Most arbitration institution rules allow parties to seek urgent interim or conservatory measures before a dedicated arbitrator.

However, for years, the arbitration of intellectual property related disputes in France was lacking for a variety of reasons.

The main reason was that French courts simply regarded intellectual property related disputes as being not arbitrable.[2] One justification of this position lies in the exclusive jurisdiction conferred by the French Intellectual Property Code on certain designated national (State) courts. Another justification lies in the very nature of IP rights which are monopoly rights granted by public authorities and, consequently, do not seem compatible with the private out-of-court dimension of arbitration.

In this context, and although it was generally admitted that a party to an intellectual property related contract could seek enforcement of such contract before an arbitral tribunal as long as the validity of the title was not discussed,[3] arbitration did not seem to offer a suitable framework to deal with intellectual property disputes.

However, with the significant rising importance of intellectual property rights in companies' assets (and, consequently, of strategic intellectual property related disputes), the question of the expansion of arbitration to intellectual property related disputes became critical.

A first step was taken in 2010 when the French Supreme Court *(Cour de cassation)*[4] admitted for the first time that an arbitral tribunal could rule on a copyright

Key Issues

- Arbitration provides many features that seem perfectly adequate in the context of the IP dispute resolution (expertise of arbitrators, interim and conservatory measures and confidentiality).
- However, for years, IP disputes in France were not considered arbitrable because of the strong public policy dimension of intellectual property rights.
- A new trend favourable to IP arbitration has emerged, supported by the legislator and the French Supreme Court.
- Though the arbitration of disputes relating to IP contract enforcement is now clear, arbitral awards have a limited *inter partes* effect when ruling on the validity of intellectual property rights.
- Moreover, some areas of IP law where public policy is of most importance (e.g. granting compulsory licences) seem to remain excluded from arbitration.

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1 ICC Arbitration Rules, Article 22.

2 Cour d'appel de Paris, June 12, 1961, Société Lancôme vs G. D'Ornano, No.M19610516 ; Cour d'Appel de Paris, December 8, 1972, Société Monotype vs France Photogravure, No.B19720074.

3 Cour d'appel de Paris, June 15, 1981, Applix vs Velcro, No.B19810135.

4 Cour de cassation, May 12, 2010, No. 09-11872.

(droit d'auteur) transfer dispute between a French author and a Danish company. This was remarkable in the sense that French copyright law is very favourable to the authors and was until then regarded as the exclusive domain of national (State) courts.

Still, the major boost came from the legislator and in particular from the law of 17 May 2011 *on the simplification and amelioration of the quality of law*. Indeed, this law reversed the established case law by making it clear that intellectual property disputes were arbitrable.

This law promoting arbitration in intellectual property matters was rapidly established[5] and the French Supreme Court followed the trend in a landmark decision of 12 June 2013.[6] In this case it judged that an arbitral tribunal is entitled to rule on patent validity, although the arbitral award only has an *inter partes* effect and has no *erga omnes* (absolute) effect (i.e. the patent is considered invalid between the parties to the arbitration only and not *vis-à-vis* everybody).

Though, if it is now clear that there is no general *per se* prohibition of arbitration of intellectual property disputes in France, not all intellectual property related claims are necessarily arbitrable.

Indeed, although arbitration is possible for intellectual property related contractual disputes (such as, but not limited to, disputes with respect to payment of royalties, right of sub-licensing, breach of non-compete and non-disclosure undertakings, allocation of intellectual property rights developed within the performance of a consortium or joint venture agreement, etc.), certain intellectual property related issues remain out of the arbitration scope.

Such is the case, firstly, of employee invention related disputes. In accordance with the provisions of Article L. 611-7 of the French Intellectual Property Code, patentable inventions created by employees in the course of their employment contracts belong to the employer as a matter of law, but the employees must receive specific remuneration *(remuneration additionnelle)* in this respect. These rules are of public order and thus employment contracts cannot depart from them, unless the provisions are more favourable to the employee. Law professors and practitioners all agree on the fact that disputes on this specific additional remuneration are not arbitrable. In any case, Article L. 1411-4 the French Labour Code prohibits arbitration clauses in employment contracts.

The arbitrability of disputes relating to the granting of compulsory licences is also excluded or at least questionable. Indeed, under French law, compulsory licences can be granted under certain conditions by a court to any interested entity when a patent is not exploited (Article L. 613-11 et seq. of the French Intellectual Property Code). The granting of such licences is profoundly influenced by general public interest, which tends to exclude it from arbitration scope. In particular, the recourse to a State court – namely the Paris First Instance Court – seems to be mandatory.[7] However, this should not prevent the parties to the compulsory licence agreement from including an

[5] ICC 2012 Statistical Report, ICC International Court of Arbitration Bulletin, 2013, Vol. 24 No. 1.

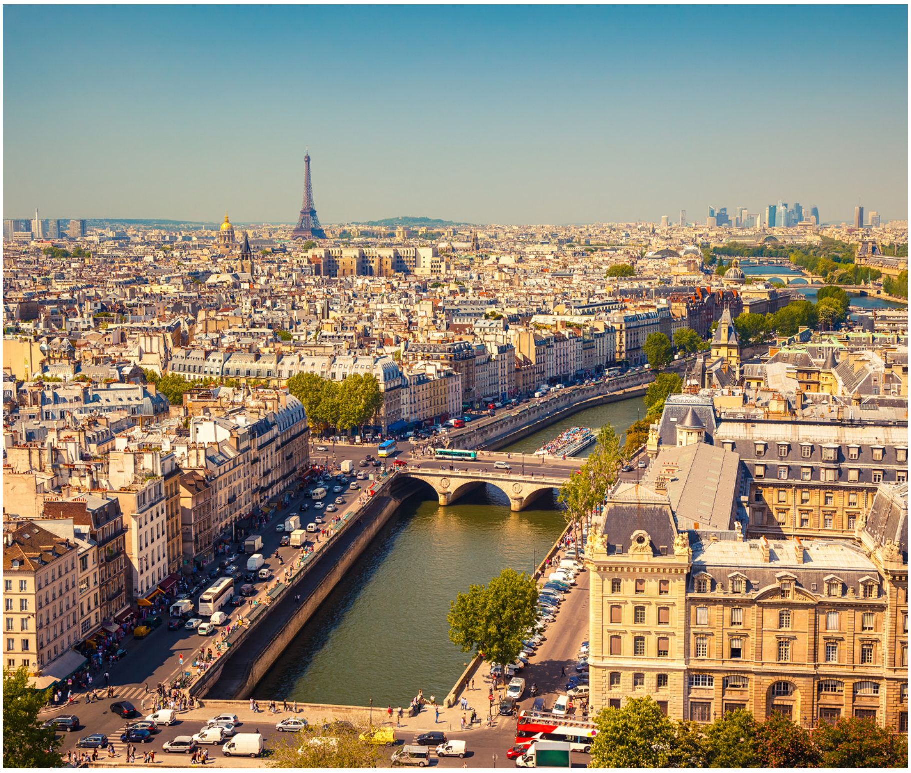
[6] Cour de cassation, June 12, 2013 Victocor technologies, No. 12-16.864.

[7] Articles R. 613-4 to R.613-9 of the French Intellectual Property Code.

arbitration clause in the licence agreement, which will apply in case a dispute arises in the course of the performance of the agreement. The question of whether or not the granting of FRAND licences to Standard Essential Patents ("**SEP**") is arbitrable is another interesting question. There is no specific legal framework in France regarding such FRAND licences at the moment. However, both the European Commission[8] and the World Intellectual Property Organisation ("**WIPO**")[9] clearly promote IP mediation and arbitration with the view to facilitate the granting of FRAND licences to SEP.

Lastly, the position adopted by the French Supreme Court in its abovementioned decision of 12 June 2013 is not really satisfactory. Indeed, an arbitral award with no absolute effect creates legal uncertainty as a patent declared valid by an arbitrator could still be found invalid by a judge. Conversely, an arbitrator may find a patent invalid while it is still considered to be in force by a judge. Practitioners therefore advocate for an *erga omnes* effect of arbitral awards in this respect, as is already the case in the Belgian and Swiss systems.

In conclusion, the recent legislative trends tend to broaden the horizons of intellectual property arbitration. It will be up to lawyers to jump on the bandwagon.



[8] Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, COM(2017) 712, November 29, 2017.

[9] Guidance on WIPO FRAND Alternative Dispute Resolution, 2017.

ITALY: ARBITRABILITY OF UNFAIR COMPETITION DISPUTES

Since 2006, Italian Law has allowed in principle the arbitrability of extra-contractual disputes. This reflects a reform issued in 2006 (Legislative Decree no. 40/2006) that profoundly modified the previous system by introducing Article 806 bis of the Italian Code of Civil Procedure ("**ICCP**"), which expressly allows the parties, in a break from the past, to arbitrate specific extra-contractual disputes, including unfair competition disputes and pre-contractual liability. The only condition required under penalty of nullity is that the arbitration clause is set down in writing.

In principle, no issue arises when the parties specifically sign a written agreement by which they also submit future extra-contractual disputes to arbitration under art. 806 bis ICCP. But very often the clauses are drafted using ambiguous language or catch-all wording (such as, for example, "all the disputes arising from the contract" or "all the disputes in connection with the contract").

A recent decision of the Italian Supreme Court of Cassation makes some useful findings that clarify this issue.

The dispute between Alitalia and Wind Jet: ballot between arbitration and judicial courts

The case was brought before the Court of Catania by a Sicilian Air company called Wind Jet S.p.A. ("**Wind Jet**") against the national Italian airlines Alitalia-Compagnia Aerea Italiana S.p.A. ("**Alitalia**").

In 2012, the parties signed a memorandum of understanding regarding the acquisition of Wind Jet by Alitalia and a supplemental agreement containing an arbitration clause. However, Alitalia decided to stop the negotiations, thereby breaching the initial agreement.

In particular, the arbitration clause stated that all disputes arising out of the contract, including those relating to the validity, interpretation, performance and termination of the agreement would be deferred to the Chambers of Arbitration of Milan. Any other disputes in any way related to the agreement would fall under the exclusive jurisdiction of the Tribunal of Milan.

Key Issues

- Art. 806 bis of Italian Civil Procedural Code, as amended by Legislative Decree no. 40/2006, allows parties to arbitrate extra-contractual disputes, including unfair competition disputes and pre-contractual liability.
- Italian Supreme Court of Cassation, ruling no. 20763 of 13 October 2016 states that the arbitration is a derogation of the Judicial Authority's competence and, in case of doubt, the arbitration clause should be interpreted strictly in order to narrow the arbitral competence and extend the judicial one.
- In Italy, in order to avoid litigation, parties that want to defer disputes to arbitration should draft accurate and detailed arbitration clause and specify the types of dispute they want to defer to arbitration.

Monica Riva has been rewarded to be the "Litigation Lawyer of the Year". Legal Community IP & TMT Awards 2018 state that Monica "is *a very experienced litigator. This year she has been the protagonist of one of the most important cybercrime cases and she is now advising one of the world most important steel manufacturers in a particularly complex and unprecedented litigation.*"

Wind Jet brought action against Alitalia arguing that the latter, after signing the memorandum of understanding and the supplemental agreement and collecting confidential information of Wind Jet, intentionally revoked its consent in order to force the bankruptcy of Wind Jet and gain its market share.

Therefore, Wind Jet asked the Court of Catania to ascertain that Alitalia engaged in acts of unfair competition under art. 2598 of the Italian Civil Code ("**ICC**"). Moreover, Wind Jet also asked the Court to declare the pre-contractual liability of Alitalia and that it intentionally breached its pre-contractual obligations pursuant to articles 1337- 1338 ICC by stopping the negotiations regarding the acquisition.

In 2015, the Court of Catania declined jurisdiction deeming the Arbitrator Panel to have jurisdiction over the matter in light of the arbitration clause included in the agreement. The ruling was challenged by Wind Jet before the Italian Supreme Court of Cassation, which reversed the ruling of the Court of Catania and referred the case to the Court of Milan.

The Supreme Court's ruling

The ruling of the Supreme Court of Cassation provides some important instructions regarding the interpretation of the arbitration clause, especially in the field of extra-contractual responsibility and unfair competition.

In fact, the Court expressly remarked that arbitration is a derogation of the Judicial Authority's competence, so, in case of doubt, the arbitration clause should be interpreted strictly in order to narrow the arbitral competence and extend the judicial one.

The Italian Supreme Court pointed out that, unless otherwise agreed, the arbitration clause generally relating to disputes arising from the contract, should be interpreted as including only the contractual issues, thus excluding issues for which the contract is just mere "historical background".

In other words, if the contract represents merely necessary factual data, which is the historical basis for unfair competition acts, the extra-contractual disputes shall not be deferred to arbitration since they are not strictly connected to the contract.

Therefore, if the parties want to defer their disputes to arbitration, they should draft an explicit clause with very clear wording. They should specifically name the types of disputes they want to defer to arbitration (such as the unfair competition or IP related issues). In the case of doubt, the judicial competence will prevail over arbitral competence.

Conclusions

The arbitrability on extra-contractual claims, including unfair competition and IP related matters, should be expressly contemplated in the arbitration clause. Ambiguous or catch-all arbitration clauses may create serious problems of interpretation and run the risk of litigation that in Italy is generally very lengthy. In order to avoid disputes, it is advisable to draft accurate and detailed arbitration clauses. Otherwise, one would be better off not inserting any arbitration clause in at all.

GERMANY:
PROTECTION OF TRADE SECRETS UNDER GERMAN LAW – RECENT LEGISLATIVE DEVELOPMENTS

Over the last few decades, trade secrets have become an asset of significant value for companies. Information-driven industries require market players to watch out for information and data and to maintain their secrecy in order to consolidate market position. Protection provided by law, however, has not kept pace with the growing importance. Further, fundamentally different approaches between different jurisdictions have caused legal uncertainty and impeded cross border business. Germany in particular has neglected the legislative coverage of trade secret protection so far. This article will outline recent legislative developments against the background of previous German law and highlight important considerations to note when doing business in Germany.

Protection of trade secrets in Germany thus far

The potential value of trade secrets has been acknowledged in Germany for many years. Early statutory provisions were implemented at the end of the 19th century. Further, soon after its foundation in 1950, the German Federal Supreme Court (*Bundesgerichtshof* – "**BGH**") rendered judgments referring to the importance of trade secrets for market players, indicating that a trade secret might be and often indeed is more valuable for a company's strategy than a technical intellectual property right like a patent.[1]

However, in contrast to several other (European) jurisdictions,[2] German statutory law – like Austrian law – has tackled the protection of trade secrets primarily from a criminal law angle thus far. In particular no civil law provision explicitly conferring rights and duties on market participants with regard to trade secrets has been implemented. Hence, it is no surprise that no specific trade secret act or the like exists and the (criminal) provisions explicitly protecting trade secrets are to some extent hidden in the German Act against Unfair Competition (*Gesetz gegen unlauteren Wettbewerb* – "**UWG**").

Key Issues

- Germany has finally responded to the urgent transposition requirements of the European Trade Secrets Directive.
- The Draft German Trade Secrets Act likely to reform present German law.
- Reform calls for careful adjustments of business operations with respect to new requirements in order to maintain legal protection of trade secrets.
- The draft's provisions are likely to enhance legal certainty and – at least in theory – increase legal protection.
- The draft should thus provide better protection of trade secrets during court proceedings.

"**Claudia Milbradt** has been ranked as one of "The World's Leading Patent Professionals 2018" in IAM Patent 1000 in Germany."

[1] See for example BGH, judgment of 25 January 1955, I ZR 15/53 or BGH, judgment of 16 October 1962, KZR 11/61.

[2] E.g. Spanish, Swiss, Swedish or Italian law; see overview provided by Ohly, GRUR 2014, 1.

The UWG provisions (Section 17 UWG et. seq.) penalize – if additional requirements are met – certain actions such as the deliberate betrayal of trade secrets by an employee,[3] industrial espionage,[4] the use of trade secrets obtained by either betrayal or industrial espionage[5] and the so-called piracy of samples.[6] In light of the above, German case law has established four requirements that information has to meet in order to be legally protectable:[7] (i) the information must be linked to a certain business; (ii) the information must be secret (i.e. it must not be obvious); (iii) the owner of the information must have a legitimate economic interest in maintaining its secrecy; and (iv) the owner's intention must be to maintain secrecy.

Under current national German law, civil law consequences according to general civil law provisions only arise if the (rather strict) requirements of the criminal offences are met (accessory system of civil law protection). As the criminal protection of trade secrets is – due to compelling constitutional demands on the drafting of criminal offences – limited to certain actions by certain parties and requires certain purposes or intentions of the infringing party, the accessory system of civil law protection lacks flexibility. This has been criticised by legal scholars.[8] Thus, a reform in accordance with the growing demands of a modern economy with regard to the protection of trade secrets has been called for.

Trade Secrets Directive

Such trade secrets demands have been acted upon by a comprehensive European approach. On 8 June 2016, the European Union enacted Directive (EU) 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure ("**Trade Secrets Directive**"). The European Union acknowledged the value and importance of trade secrets for businesses and indicated significant differences in its member states' legislation leading to a fragmentation of the internal market. In order to ensure a sufficient and consistent level of civil law protection of trade secrets within the European Union, the EU considered a comprehensive directive appropriate.

The Trade Secrets Directive harmonizes Member States' legislation to a large extent. For instance, it establishes a universal definition of a trade secret and requires that information must meet the following criteria: (i) be secret,[9] (ii) have commercial value because of the secrecy; and (iii) have been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret. This definition is in line with a previous definition provided by Article 39 (2) TRIPS and requires German law to adjust its treatment of trade secrets.

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3 Section 17 (1) UWG.

4 Section 17 (2) No. 1 UWG.

5 Section 17 (2) No. 2 UWG.

6 Section 18 (1) UWG.

7 See exemplarily BGH, judgment of 26 February 2009, I ZR 28/06.

8 Ann, GRUR 2007, 39; Ohly, GRUR 2014, 1; McGuire, GRUR 2015, 424; McGuire, GRUR 2016, 1000.

9 'Secret' means that the information is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question, Article 2(1)(a) Trade Secrets Directive.

As regards the required transposition of the Trade Secrets Directive into national law, the EU stipulates that Member States shall bring compliant provisions into force by 9 June 2018.

German transposition efforts

Due to significant transposition efforts required and internal difficulties in forming a new government, it has become more and more obvious that Germany will fail to transpose the Trade Secrets Directive into valid national law in time.

In the meantime, however, a trade secrets act was drafted and published in April 2018 ("**Draft German Trade Secrets Act**"). The irony here is that this very draft was leaked prior to its publication. Parliament will now discuss the draft, which is expected to become binding law in late 2018 at the earliest.

The Draft German Trade Secrets Act implements a similar definition of trade secrets as provided for in the Trade Secrets Directive. For the owner of trade secrets in Germany, this terminological adjustment is rather far-reaching as German law has thus far not required the owner to undertake reasonable (objective) actions to keep the information secret in order to seek legal protection. German case law will determine what particular actions meet this requirement. The Ministry of Justice has shed some light on this issue and indicates that restricting access physically or technically, contractual arrangements or the similar steps will be pertinent.

Moreover, apart from terminological adjustments, the Ministry of Justice has taken the European harmonization efforts as an opportunity to reform existing German law comprehensively and has opted for Germany's first approach towards a civil law system of trade secret protection. Current criminal provisions of the UWG are adopted in the draft's final section.

Even though it is explicitly stated that a trade secret does not constitute an intellectual property right due to its non-exclusiveness, the draft approximates the protection of trade secrets and general IP law. To this end, the draft clarifies which actions (i.e. acquisition, use and disclosure of trade secrets) are considered lawful,[10] unlawful or exceptionally justified due to higher interests.[11] Further, it provides a framework of legal consequences common in IP law, including, amongst others, claims for cease and desist orders, destruction or recall claims, damage claims or claims to information.[12]

Finally, the Draft German Trade Secrets Act provides stipulations in order to protect the secrecy of information during court proceedings. These are supposed to resolve the trade secrets owner's dilemma of either disclosing the secret (with the consequence of cessation of its legal protection) or losing the dispute. Against this background, the draft seeks to authorize courts – upon request by a party – to classify an information

[10] For instance, Section 2(2) No. 2 of the Draft German Trade Secrets Act considers – as a novelty in German law – so-called reverse engineering of a product publically made available lawful.

[11] Section 4 of the Draft German Trade Secrets Act provides for example exceptions owing to the freedom of exception or whistleblowing.

[12] This commonness in IP law is particularly due to the harmonizing effect of the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.

as secret and, thus, require the parties to maintain that secrecy. Further, courts shall be authorized to provide only limited access to documents or oral hearings or to provide only redacted copies of the judgment and other court orders. Desirable though those provisions might be in theory, they are likely to lack efficacy in practice as fines imposed by the courts in case of infringement of the secrecy obligation are very low (only up to EUR 1,000) and the opposing party's access to documents or oral hearings disclosing the information cannot be entirely excluded.[13] Thus, the draft does not significantly exceed present legal provisions.

Conclusion

The Draft German Trade Secrets Act breaks new legislative ground as it seeks to transform the present German system mainly shaped by criminal law into a primarily civil law-based system in line with the European Trade Secrets Directive. This legislative shift will require market players to carefully evaluate and, if necessary, adopt their internal secrecy policy. In general, the draft's provisions are to be welcomed since they enhance legal flexibility on behalf of the trade secret owner and contributes to legal certainty in cross border European business. However, it is uncertain whether the draft sufficiently addresses one of the main quandaries of trade secret protection, namely the handling of secrets during court proceedings.

[13] Note that German civil law does not provide in camera proceedings.

ITALY: THE COURT OF MILAN ISSUES ON AMBUSH MARKETING IN ADVERTISING

In marketing, popular events, such as the Olympic games or the World Cup, as well as a film release, have become nearly synonymous with the practice of "ambush marketing". This is an advertising strategy that event sponsors, corporate stakeholders, and organizers have complained about for nearly thirty years. Yet, despite the innumerable cited instances of alleged ambush marketing, the case law on ambush marketing is quite limited.

Italian courts only recently recognized this phenomenon as a specific and abusive marketing strategy.

In particular, in an earlier case indirectly addressing an ambush marketing strategy, the Court of Turin as well as the Italian Institute for Self-Governance in Advertising concluded that for consumers to be misled by a marketing strategy, the party engaging in such tactics should (i) expressly claim, untruthfully, to be the official sponsor of the event which it seeks to be associated with, (ii) make explicit references to the event or brand, or (iii) use its logos.[1] Needless to say these circumstances are hardly met, considering that ambush marketing's main characteristic is subtlety.

In two recent decisions however, the Court of Milan took a step forward in defining this marketing technique and providing a viable solution to counteract potential abuse.

Background of the case

The case was brought before the Court of Milan in December 2017 by an advertising agency involved in a sponsorship agreement with a major film distribution company. The agreement was to organize an advertisement campaign for the release of the last film in a very successful series, on behalf of an Italian telecommunication company.

The plaintiff claimed that an advertising campaign of a competitor telecommunication company (the "**Competitor**") was ambush marketing and misleading for consumers. According to the plaintiff, the Competitor's advertising campaign, which began a few days before the film's release date, exploited the name and image of one of the characters of the film, misleading consumers into believing that the Competitor was associated with the film.

The Competitor's advertising campaign consisted of offering certain gadgets to its clients at a reduced price. While the campaign included several different prizes, the cornerstone of the advertising strategy focused on a gadget representing one character of the film.

Key Issues

- The Court of Milan, with two recent decisions issued on 15 December 2017 and on 18 January 2018, again addressed ambush marketing and sanctioned the relevant conducts for unfair competition.
- The Court of Milan relied upon Article 2598 (3) of the Italian Civil Code which sanctions as unfair competition conducts those acts which do not conform to the principles of correct behavior and are likely to injure aother's business.

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1 Court of Turin, 8 July 2014 and Italian Institute for Self-Governance in Advertising, 8 July 2014, San Carlo vs. Lay's.

The plaintiff applied for interim measures, requesting an injunction against the Competitor's advertising campaign. The measure requested by the plaintiff was granted by the court of first instance and subsequently upheld by the second instance court in its decision in January 2018.

The Court of Milan's Ruling

The decisions of the Court of Milan provide a clear picture of what can be considered ambush marketing, analyzing the Competitor's illegitimate conduct and identifying the relevant legal framework.

The Court defines ambush marketing as a marketing strategy where a competitor tries to illegitimately create an association between its trade mark or image and a high-profile event, without having any sponsorship or other contractual relationship with the event organizer. This allows the competitor to capitalize on the popularity of the event, without bearing the costs related to a sponsorship. As the Court clarifies, the damage relating to this practice can affect different subjects: (i) the event organizer; (ii) the official sponsor and (iii) the consumers.

The Court's analysis focused on the underlying contractual relationships in place among the different stakeholders. While a sponsorship agreement was in place between the plaintiff and the film distribution company for its advertising campaign, as well as between the telecommunication company represented by the plaintiff and said film distribution company, no such contractual relationship existed with the Competitor. The latter had no rights relating to the use of the name and image of the character of the film in question, besides those strictly pertaining to the sale and distribution of the gadgets, legitimately purchased from a third party.

This notwithstanding, the Competitor focused its advertising on the gadget representing one character of the film, displaying said character as the symbol of its campaign in its website, in its brochures as well as on dedicated posters in its points of sale. Additionally, the Competitor launched its campaign a few days before the release date of the film, overlapping with the plaintiff's own advertising campaign.

In light of the above, the Court classified the defendant's conduct as ambush marketing, which, according to the Court's reasoning, can be qualified as a particular aspect of the broader notion of unfair competition and, as such, can be sanctioned.

UK: THE IMPORTANCE OF CLARITY AND PRECISION IN TRADE MARK APPLICATIONS

On 6 February 2018, Mr Justice Arnold ("**Arnold J**") handed down his judgment in respect of *Sky v SkyKick*.[1] He considered that many of the issues raised required a preliminary resolution of fundamental European legal principles with respect to the validity of trade mark registrations. Accordingly, he made a reference for a preliminary ruling by the Court of Justice of the European Union ("**CJEU**").

Key Issues

- English law requires trade mark specifications to be drafted with sufficient clarity and precision.
- The High Court has sought guidance from the CJEU as to whether existing registrations could be wholly or partially invalid on the grounds that (i) some or all of the terms in the specification are lacking in sufficient clarity or precision and for (ii) the registration being made in bad faith because it covered goods and services that the proprietor had no intention to use.

Background

The claimants (collectively "**Sky**") contended that the defendants (collectively "**SkyKick**") had infringed various UK and EU trade marks owned by defendant Sky entities (the "**Sky Marks**") by use of the sign "SkyKick". SkyKick denied the claim and counterclaimed for a declaration that the Sky Marks were wholly or partially invalid, claiming that the specification of goods and services lacked clarity and precision and that the applications were made in bad faith.

The Sky Marks were registered for an extensive range of goods and services in multiple classes including, *inter alia*, "computer software" in Class 9. Sky had made use of the Sky Marks in relation to a wide range of goods and services, and in particular television services. Sky's television services, through its set top boxes have incorporated various interactive and recording services. Through the provision of its services, Sky incidentally supplies various kinds of software to make delivery of its services possible.

SkyKick supplies software under the SkyKick brand which enables users to migrate their email infrastructure to Office 365 and sells its software to Microsoft Partners whom in turn provide the migration service to its customers.

Lack of clarity and precision in a specification as a ground of invalidity against an existing registration

The Nice Classification (the international classification of goods and services applied to the registration of trade marks) applies in respect of EU and UK trade marks.[2] Article 33 of the EU Trade Mark Regulation has codified the decision of the CJEU in the IP Translator case[3], in that proprietors of EU trade marks applied for before 22 June 2012 and which are registered in respect of the entire heading of a Nice class may declare that their intention on the date of filing had been to seek protection in respect of goods or services beyond those covered by the literal words in the class, provided that the

1 Sky Plc and others v SkyKick UK Limited and others [2018] EWHC 155 (Ch).

2 Regulation (EC) No 2868/95, Rule 2; Trade Mark Rules 2008, Rule 7.

3 Case C-307/10 Chartered Institute of Patent Attorneys v Registrar of Trade Marks [EU:C: 2012:361].

goods or services so designated are included in the alphabetical list for that class in the edition of the Nice Classification in force at the date of filing. Sky had not filed such a declaration, therefore the specifications for the Sky Marks which merely used the entire heading of a Nice class only extend to the previous goods and services set out in the class headings.

Whilst the use of Nice headings is not precluded, applicants who use class headings in applications filed after 22 June 2012 would be required to expressly state whether they intended to cover the additional goods and services in the alphabetical lists of such classes, and such identification must be sufficiently clear and precise. However, Arnold J held that it does necessarily follow that, if the applicants failed to do so and the competent office fails to ensure that the applicant rectifies the lack of clarity or precision due the course of examination, the trade mark can be declared invalid on that ground after registration.

Arnold J stated that whilst lack of clarity and precision in a specification may not be a ground of invalidity against an existing registration[4], it has been stated that the contrary is arguable.[5]

Arnold J also held that the registration of a mark simply for "computer software" is unjustified and contrary to the public interest because it confers on the proprietor a monopoly of immense breadth which cannot be justified by any legitimate interest commercial interest (Mercury Communications Ltd v Mercury Interactive (UK) Ltd [1995] FSR 850).

Arnold J deemed these issues to be an important matter of European law and consequently referred the following questions to the CJEU: (i) can an EU trade mark or a national trade mark registered in a Member State be declared wholly or partially invalid on the ground that some or all of the terms in the specification are lacking in sufficient clarity or precision to enable the competent authorities and third parties to determine the extent of the protection conferred by the trade mark? (ii) If the answer to (i) is yes, is a term such as "computer software" lacking in sufficient clarity or precision to enable the competent authorities and third parties to determine the extent of the protection conferred by the trade mark?

Bad Faith

Under English law, pursuant to Section 32(3) Trade Mark Act 1994, an application for registration is required to contain a statement to the effect that the mark is being used by the applicant in relation to the goods and services. However, under EU trade mark law there is no equivalent requirement.

Arnold J held that the specifications of the Sky Marks include goods and services which Sky could have no reasonable commercial rationale for seeking registration[6], such as the provision of "computer software" and, therefore, its deceleration in relation to its UK mark under Section 32(3) of the Trade Mark Act 1994 was in part false, as it

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4 Stitching BDO v BDO Unibank Inc [2013] EWHC 418 (Ch).

5 Total Ltd v YouView TV Ltd [2014] EWHC 1963 (Ch).

6 Decon Laboratories Ltd v Fred Baker Scientific Ltd [2001] RPC 17.

did not intend to use the mark in respect of the full specification of goods and services. Arnold J also considered that a trade mark may be declared to be partly invalid if the application was made partially in bad faith.

In respect of the EU trade marks, Arnold J stated that the question as to whether the applications were made in bad faith as a result of Sky not intending to use the marks in relation to some of the goods or services, and whether this would result in partial or total invalidity of the EU marks, required a resolution of the present legal principles.

Accordingly, Arnold J referred the following questions to the CJEU (i) can it constitute bad faith to apply to register a trade mark without any intention to use it in relation to the specified goods or services? (ii) If the answer to question (i) is yes, is it possible to conclude that the applicant made the application partly in good faith and partly in bad faith if the applicant had an intention to use the trade mark in relation to some of the specified goods or services, but no intention to use the trade mark in relation to other specified goods or services? (iii) Is section 32(3) of the 1994 Act compatible with the Trade Mark Directive and its predecessors?

Infringement

Arnold J considered Sky's claim of infringement under Article 10(2)(b) of the Trade Mark Directive (Recast)/Article 9(2)(b) of the EU Trade Mark Regulation. The relevant comparison of goods and services is in relation to the goods and services to which the Sky Marks are registered. SkyKick provide Cloud Migration and Cloud Backup software, Arnold J held that these goods are identical to the specifications of "computer software" in Class 9 in respect of the registrations of the Sky Marks.

Arnold J stated that the goods supplied by SkyKick are identical to "computer software" in Class 9, and thus Sky Kick's goods and services are identical to some, but not all, of the goods and services covered by the Sky Marks. Further, the average consumer may perceive the SkyKick sign to be a sub-brand of Sky. However, Microsoft Partners are unlikely to be confused as to the origin of SkyKick's products, given the high degree of attention they would exercise, nevertheless there exists a likelihood of confusion with respect to the end users of the migration software as such consumers would exercise a lower degree of attention. As a result, Arnold J held that if the Sky Marks had been validly registered, then SkyKick had infringed the Sky Marks pursuant to Article 10(2)(b) of the Trade Mark Directive/Article 9(2)(b) of the EU Trade Mark Regulation.

In the absence of a finding of a likelihood of confusion, Sky claimed infringement under Article 10(2)(c) of the Trade Mark Directive (Recast)/Article 9(2)(c) of the EU Trade Mark Regulation. Arnold J held that there was no risk of detriment to the distinctive character or reputation of the Sky Marks, as the Sky Marks did not have a reputation in relation to "computer software", as such there was no risk of detriment to the distinctive character of the Sky Marks as the marks did not possess distinctive character in respect of "computer software". Nor did SkyKick intend to take an unfair advantage of the Sky Marks. Accordingly, Arnold J dismissed Sky's claim for infringement under Article 10(2)(c) of the Trade Mark Directive/Article 9(2)(c) of the EU Trade Mark Regulation.

Own Name Defence

SkyKick relied, if necessary, on the "own name" defence under Article 12(a) of Regulation 2007/2009 (in respect of the EU trade marks) and Article 6(1)(a) of Directive 2008/95 (in respect of the UK trade marks).

Pursuant to Article 54(1) of the Trade Mark Directive (Recast), the UK government has until 14 January 2019 to amend the Trade Mark Act 1994 to restrict the availability of the "own name" defence to natural persons. However, the UK has not yet implemented this restriction. Arnold J stated that SkyKick would be able to rely on the defence if the use of its sign was in accordance with honest practices in industrial and commercial matters.[7] Arnold J considered that SkyKick knew of the Sky's use of the Sky Marks in the EU and should have appreciated that there was a likelihood that Sky would object to SkyKick's use of the signs in question and that a likelihood of confusion existed in respect of the signs. As such, Arnold J held that SkyKick's use of its own name was not in accordance with honest practices in industrial and commercial matters and consequently denied the defence in respect of the Sky's UK mark.

In respect of the EU trade marks, SkyKick cannot rely on the own name defence as Regulation 2015/2436 (now the EU Trade Mark Regulation) amended Regulation 2007/2009 to restrict the own name defence to natural persons. Nevertheless, SkyKick contended that the amendment was invalid as it was an unjustified or disproportionate interference with its EU fundamental rights. Arnold J held that the restriction of the own name defence was a restriction on the fundamental right of the commercial freedom of expression and the freedom to conduct business of legal person. Nevertheless, this restriction was justified by legitimate objectives, that being the protection of intellectual property, namely trade marks. Accordingly, Arnold J rejected SkyKick's contention that the amendment to the "own name" defence by Regulation 2015/2424 was invalid.

Comment

The outcome of the preliminary ruling by the CJEU may have serious implications for proprietors as to the validity of their existing trade mark registrations. The ruling could result in registrations being wholly or partially invalid on the grounds that (i) some or all of the terms in the specification are lacking in sufficient clarity or precision and for (ii) the registration being made in bad faith because it covered goods and services that the proprietor had no intention to use. Notwithstanding that ruling, it will remain good practice to draft specifications with the sufficient clarity and precision, and to only include those goods and services that the applicant has sufficient commercial intention to use. Anything beyond that will be at risk, with significant adverse consequences for the proprietor.

[7] Samuel Smith v Lee [2011] EWHC 1879 (CH).

SPAIN: RECENT DECISIONS HANDED DOWN BY THE BARCELONA COMMERCIAL COURTS WITHIN THE CONTEXT OF THE 2018 MOBILE WORLD CONGRESS

During the latest edition of the Mobile World Congress (the "**MWC**"), the Barcelona Commercial Courts handed down several decisions regarding protective writs, the carrying out of investigations of facts, and interim injunctions applications. We will analyse some of these decisions, which have provided us with a clearer picture of the approach followed by these Courts when dealing with such actions within the context of the MWC.

The latest MWC took place in Barcelona late February this year and was met with great success. The Congress is excelling itself year after year in terms of the numbers of visitors and new mobiles and innovative technologies that are presented during the event. Additionally, as is to be expected bearing in mind the MWC's evolution in recent years, the number of proceedings brought in defence of the exhibitor's intellectual property rights during the Congress has also increased.

In order to swiftly deal with any action brought in relation to intellectual property rights within the context of the MWC, the Barcelona Commercial Courts specialising in patents followed the protocol approved in December 2017. The purpose of which is to ensure the smooth running of the Congress and the right balance between, on the one side, the protection of the exhibitor's intellectual property rights and, on the other side, the right of the potential infringers to defend themselves and to fully participate in the event.

On 2 March 2018, a report summarising the matters brought before the competent Commercial Courts within the context of the 2018 MWC was published. A total of 35 cases were brought before the Barcelona Commercial Courts, and also before the Alicante Commercial and Community Trade Mark Court. These matters include 22 protective writs, 3 applications for investigations of facts and 8 interim injunctions applications (7 were granted *ex parte*, i.e. without having heard the potential infringer, and 1 was granted *inter partes*, i.e. after holding a hearing where the potential infringer could challenge the interim injunctions application). As some of these decisions have already been made public, we have been able to ascertain the approach followed by the Barcelona Commercial Courts specialising in patents when dealing with these cases.

In relation to the protective writs filed, the Courts stated that, in general terms (and unless reasons of urgency justified the adoption of *ex parte* interim measures), any interim injunctions brought against the company filing the protective writ would be dealt with *inter partes*. The Rulings admitting that the protective writs also stated they should

Key Issues

- During the 2018 MWC, the Barcelona Commercial Courts saw an increase in the number of actions brought in defence of exhibitors' intellectual property rights.
- The Rulings granting protective orders were notified to the intellectual property right holder, as this notification is compulsory under the Spanish Patent Act.
- The Courts agreed to carry out investigations of fact when they were necessary to verify potential infringements. While conducting the investigations, they sought to lessen the impact to MWC and the image of the exhibitors as little as possible.
- When dealing with interim injunction applications, the *Huawei* principles were followed for patents which, despite not being standard-essential patents, protect a universal and predominant technology.

"**Miquel Montana** has been ranked as one of "The World's Leading Patent Professionals 2018" in IAM Patent 1000 in Spain" be notified to the intellectual property right holder, as this notification is compulsory under Article 132 of the Spanish Patent Act 24/2015.

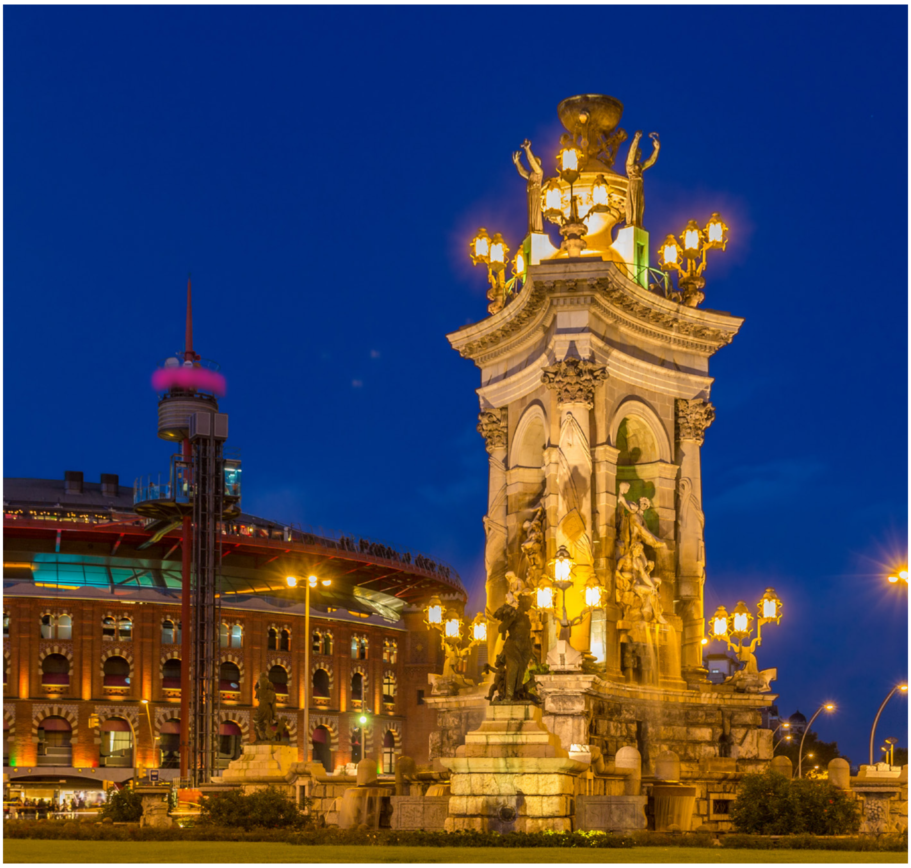
As for the applications for the investigations of facts carried out during the MWC, these were granted after concluding that there were no other reasonable alternatives for verifying the infringement. The investigations involved the Court committee (formed by the Judge, the Court clerk, an officer of the MWC organisation and a manager of the exhibition centre) appearing at the stall of the potential infringer exhibitor on the first day of the MWC (26 February) at 8:00 am (before doors opened to the public) and seizing several samples of the devices in dispute. These devices were examined by the expert appointed by the applicant, who undertook to appear before the Judge the next following day (27 February) before 9:00 am and supply an expert opinion analysing whether the devices fell within the scope of protection of the applicant's patents. If the opinion confirmed the infringement, and provided that the other requisites for granting the interim injunctions had been fulfilled, the Court would grant them and they would become effective as soon as the applicant deposited the corresponding bond. As can be seen, by means of these investigations carried out first thing in the morning before the MWC had even opened its doors, the Courts sought to lessen the impact to the MWC and the image of the exhibitors affected by these measures as little as possible.

When dealing with the interim injunctions applications, the Courts applied the Court of Justice of the European Union ("**CJEU**") doctrine developed in the *Huawei* case (CJEU Judgment, 16 July 2015, C 170/13), not only in relation to Standard Essential Patents (SEP), but also in relation to non-SEP patents which, apparently, protected a technology that was considered universal and predominant in the market. Although the Courts were aware that this doctrine is not compulsory for non-SEP patents, they considered that the *Huawei* case provides guidance to make a reasonable and fair assessment of the rights and interests existing between licensee and the licensor when a patent infringement action is brought while negotiations for obtaining a licence are taking place. This was stated, for instance, by Barcelona Commercial Court no. 5 in its Ruling dated 16 February 2018, in which it summarises the *Huawei* doctrine as follows: "*In summary, on the one hand, the CJEU imposes on the patent holder a requirement to provide prior notice to the potential infringers, mentioning the patent and the licence conditions in writing; and on the other hand, it imposes on potential infringers the obligations to treat these offers diligently and in good faith, to prohibit any undue delays and, if the disputed products are already on the market, an additional obligation to deposit a sufficient bond during the period in which a licence has not been obtained.*"

On the basis of the *Huawei* principles, in three cases the Barcelona Courts agreed to replace the interim injunctions granted against the infringer with the deposit of a bond by the latter in order to avoid seriously restricting the potential infringer's commercial activity during the MWC. Two of these cases referred to actions brought by the company Fractus, S.A. (Fractus) against the following companies:
(i) Wikomobile Iberia, S.L. (Wiko), which filed a protective writ against Fractus and was heard before the interim injunctions were granted (imposing a replacement bond of 500,000 euros); and (ii) Shenzhen New-Bund Network Technology Co., Ltd. (imposing a replacement bond of 50,000 euros and 25,000 euros, respectively).

The third case referred to the action brought by Tot Power Control, S.L. against Xiaomi, Inc., in which the replacement bond was established at 200,000 euros (Ruling dated 20 February 2018 of Commercial Court no. 4 of Barcelona). The Rulings did not explain the criteria taken by the Courts when determining the amount of these replacement bonds.

According to the Barcelona Commercial Courts dealing with these cases, the replacement of the interim injunctions by a bond would not undermine the patent holder's right as, by means of depositing this bond, the potential licensees would have fulfilled one of the obligations that the *Huawei* doctrine imposes on the licensee in order to assure the patent holder that it is actually willing to obtain a licence and does not intend to unduly delay the negotiations, i.e. constituting a guarantee in case it does not accept the offer of the licensor.



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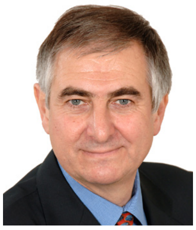

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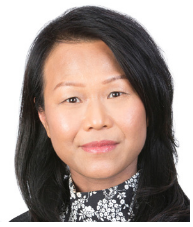

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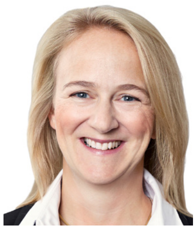

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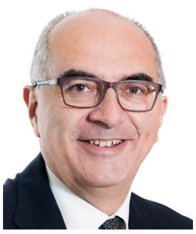

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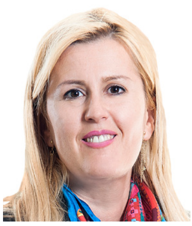

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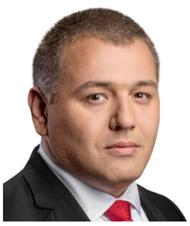

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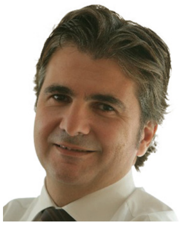

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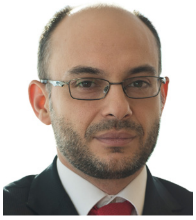

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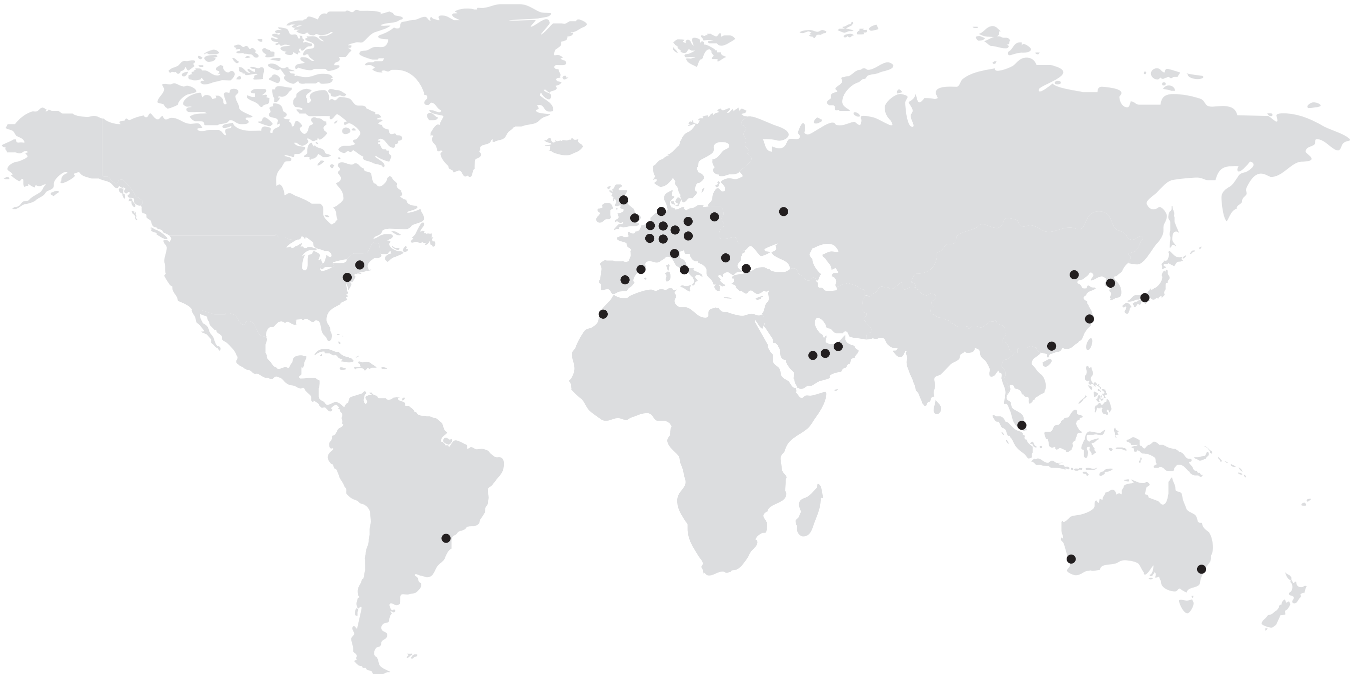

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