Taking Contracts Seriously: The Meaning of the Voluntary Commitment to Licence Essential Patents on “Fair and Reasonable” Terms

Roger G. Brooks & Damien Geradin(*)

The literature addressing the meaning of a commitment made by holders of patents ‘essential’ to a standard to licence such patents on ‘fair, reasonable, and nondiscriminatory’ (FRAND) terms and conditions is now substantial. While reaching quite different conclusions, a number of authors have addressed this as a question of economic theory: what limitations (if any) on the freedom of the parties negotiating a licence to essential patents will best ensure efficient outcomes?

On the basis of such analyses, authors have variously argued that, in order to satisfy a ‘fair and reasonable’ commitment, a patent holder:

- Must charge no more than the incremental value of his invention over the next best technical alternative;  

- Must not negotiate for a royalty-free cross-licence as part of the consideration for a licence;  

- Must set his royalty rate based on a mathematical proportion of all patents essential to the practice of a standard;  

(*) Roger G. Brooks is a partner at Cravath, Swaine & Moore LLP; Damien Geradin is a Professor of Competition Law & Economics at Tilburg University, a William W. Cook Global Law Professor at the University of Michigan Law School, and a partner at Howrey LLP. The authors represent Qualcomm Inc. in a variety of matters involving FRAND-related issues. The views expressed in this paper cannot however be attributed to Qualcomm Inc. or any of the authors’ other clients.


2 Dolmans (n 1 above) 14 (arguing that it would be ‘unreasonable for a licensor to insist that licensees provide cross-licenses of (or non-assertion of patent clauses covering) their technology royalty-free or on below-competitive rates’).

• Must set his royalty rate in such a way as to prevent cumulative royalties on the standardised product from exceeding a low percentage of the total sale price of that product; 4

• Must not raise requested royalty rates after the standard has been adopted, or after the relevant market has grown to maturity; 5

• Is not entitled to seek injunctive relief against a standard implementer should they fail to agree on licence terms. 6

The types of economic arguments relied on by these authors to justify these restrictive regimes may well be useful in debating public policy and the proper application of national competition law – although one of the present authors and others have elsewhere critiqued the merits of many of these calls for what is essentially government intervention in the private licensing process. 7 But in this paper we step back to ask a different question: What do these arguments and proposed regimes have to do with the contract which is the source of the FRAND obligation?

4 Lemley & Shapiro (n 1 above) 2010-11.

5 Chappatte, (n 3 above) 336; C Shapiro & H Varian, Information Rules: A Strategic Guide to the Network Economy (1999) 241 (‘Reasonable should mean the royalties that the patent holder could obtain in open, up-front competition with other technologies, not the royalties that the patent holder can extract once other participants are effectively locked in to use technology covered by the patent.’); DG Swanson & WJ Baumol, ‘Reasonable and Nondiscriminatory (RAND) Royalties, Standards Selection, and Control of Market Power’, (2005) 73 Antitrust Law Journal 1, 10 (‘If the primary goal of obtaining RAND licensing commitments is to prevent IP holders from setting royalties that exercise market power created by standardization, then the concept of a ‘reasonable’ royalty for purposes of RAND licensing must be defined and implemented by reference to ex ante competition.’).

6 J Farrell et al., ‘Standard Setting, Patents, and Hold-Up’, (2007) 74 Antitrust Law Journal 603, 638 (‘[A] patent holder that has made a commitment to license on a FRAND basis should not be able to get (or threaten) an injunction against use of the technology to comply with the standard.’); Temple Lang, (n 1 above) 10 (arguing that ‘a licensor that is subject to a FRAND obligation has no right to seek an injunction against a company that is willing to take a licence on FRAND terms’).

This paper is divided in five Parts. Part I reviews the basic fact that a FRAND commitment is the result of a voluntary contract between essential patent holders and a standards-setting organization such as ETSI, with the important corollary that the meaning of that commitment must be determined through the legal methods of contractual interpretation. Using a FRAND undertaking to ETSI as an example, it identifies the main categories of information potentially relevant to contract construction, including for instance the contract language itself, and the 'negotiation history' of the ETSI IPR Policy. Part II shows that none of these categories of information support any of the restrictive limitations listed at the opening of this introduction. On the contrary, ‘fair and reasonable’ are on their face flexible terms the specific content of which is substantially left to the negotiation between the parties. Our research also shows that all attempts made subsequent to the ETSI IPR Policy’s adoption to alter the balance of interests between essential patent holders and implementers by changing the meaning of FRAND have been rejected by the ETSI membership. Part III addresses issues regarding the judicial enforcement of a FRAND undertaking. First, we demonstrate that, when it is alleged that a patentee has failed to offer ‘fair and reasonable’ terms, the role of a court is not to determine what ‘fair and reasonable’ terms would be, but whether the terms offered, taking into account all of the specific circumstances between the parties and prevailing market conditions, fall outside the range of reasonableness contemplated by the FRAND commitment. Second, we conclude that a licencsee should not be able to collaterally attack the enforceability of a licence based on a prior FRAND commitment. Third, we note that what is ‘fair and reasonable’ after full adjudication of infringement and validity may be higher than what would have been ‘fair and reasonable’ in the context of pre-litigation negotiations. Part IV demonstrates that the assertion of some authors that the making of a FRAND commitment should be construed as a waiver of the patent-holder’s right to seek injunctive relief is contradicted rather than supported by the history of the adoption of the ETSI IPR policy. Part V invites further research into the ‘intent of the parties’ with respect to the ‘non-discriminatory’ component of FRAND, observing that considerable discussion of this term at the time of the ETSI IPR Policy’s development centered on fears of ‘protectionist’ discrimination based on the nationality of companies.

I. The Contractual Basis of FRAND Obligations

National (or EU) competition laws may impose their own limitations on patent owners, but a FRAND obligation is solely the result of a voluntary contract entered into by the patent owner on an identifiable date.8 We will take ETSI and its IPR Policy as

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8 J Miller, ‘Standard Setting, Patents, and Access Lock-In: RAND Licensing and the Theory of the Firm’(2007) 40 Indiana Law Review 351 (‘The RAND promise, embedded in SSO bylaws to which participants agree, is primarily a matter of contract law.’); M Lemley, ‘Intellectual Property Rights and Standard-Setting Organizations’ (2002) 90 California Law Review 1889, 1909 (‘SSO IP rules have legal significance only to the extent they are enforceable. Because the IP policies are at base agreements by members of the SSO to abide by certain rules regarding IP ownership, their enforceability is initially a question of contract law.’). ETSI’s IPR policy clearly recognizes and takes into account the strictly voluntary nature of any FRAND undertaking: Section 8 of the ETSI IPR Policy contains a mechanism for dealing with the ‘non-availability of licences’ including a member’s refusal to licence on FRAND terms.
typical of major standard setting organizations (SSOs), and note that it is crystal clear in the ETSI IPR Policy that an obligation to licence a patent on FRAND terms arises not by automatic operation of ETSI policy, but (at the earliest) only if and when the patent owner agrees, in writing, to licence on FRAND terms.9

A. The Contract and its Interpretation

If a FRAND undertaking is a contract, then there are legally proper methods for determining what that contract means, and they do not include lengthy flights of economic theory. On the contrary, both the Civil Law and Common Law traditions of contract interpretation and enforcement fundamentally look to discern and give effect to the intent of the parties.10

In that context, we note that the ‘parties’ to a FRAND undertaking are the patent owner and ETSI, while the ‘parties’ that developed and agreed upon the underlying ETSI IPR Policy were the diverse set of industry participants that make up the ETSI membership—not academic economists or competition authorities. As a result, there is no reason at all to suppose that the ‘founding fathers’ of ETSI settled on IPR policies that are functionally interchangeable with EU competition law, as some authors more or less suggest.11 Nor is there any reason to suppose that the agreement they reached did or was intended to implement idealized economic theory.

Where an IPR owner informs ETSI of such a refusal prior to the publication of a standard, the General Assembly first tries to find a ‘viable alternative technology’. If none exists, and the IPR owner refuses to reconsider its position, there is a procedure for ETSI to decide whether ETSI ‘should pursue development of the concerned parts of the STANDARD or a TECHNICAL SPECIFICATION based on the non-available technology and should look for alternative solutions.’ (§ 8.1.3).

9 Section 6.1 of ETSI’s IPR policy provides that when essential IPR is disclosed, ETSI will request—but not oblige—the owner of the IPR to undertake in writing that it is prepared to grant irrevocable licences on FRAND terms and conditions, and as such to waive its right to refuse to offer a licence to those seeking one. Even if the owner of an essential IPR decides not to make a FRAND commitment, it does not necessarily follow that the IPR in question will be excluded from the standard. For instance, under Article 8.1 of ETSI’s IPR policy, in such case ETSI’s General Assembly will examine whether alternate technical solutions exist. Where it concludes that this is not the case, the Director General may request the owner of the IPR to reconsider. However, the latter is under no obligation to agree to licence.

10 AL Corbin, Corbin on Contracts (1952) § 538. The intent of the parties also plays a fundamental role in the interpretation of contracts in Civil Law systems. See, for instance, Article 1156 of the French Civil Code whereby the judge must search for the intent of the parties when the contract was concluded or modified. Under this provision, the ‘subjective intent’ of the parties (‘what they really meant’) is more important that the literal language of the contract itself.

11 M Dolmans, ‘EC competition law and IP licensing in a standard-setting context: Are hold-up, royalty stacking and patent ambush serious concerns and, if so, what are possible responses?’, ABA Section of Antitrust Law, IP Committee, Brown Bag on Standards and IP, Brussels (June 22, 2007) (‘Article 82 obligations are substantially similar to the contractual obligations under FRAND commitments.’).
We propose, then, unlike others, to take the FRAND obligation seriously as a contract. Using a FRAND undertaking to ETSI as the example, we will ask when the contract was formed, and what the parties actually agreed to.12

B. The Contract and the Evidence of the Intent of the Parties

A particular FRAND obligation comes into existence as the last step in a lengthy history. The relevant terms of the ETSI IPR Policy were fixed by vote of the ETSI membership in 1994.13 However, the adoption of the ETSI IPR Policy did not create any FRAND commitment; it merely set out the terms under which ETSI may (if it follows its rules) consider member-owned IPR for inclusion in standards. No contract is formed, no FRAND commitment is created, until a patent holder submits a written agreement to licence identified patents (whether identified individually or categorically) on FRAND terms. Certainly it is this written agreement or ‘undertaking’ that is the contract, but since such undertakings commonly repeat or refer to the ‘fair, reasonable, and nondiscriminatory’ terminology of the ETSI IPR Policy, and are written against the background of that policy, such an undertaking cannot be construed as a free-standing document, but must be construed (as it was written) with reference to the IPR Policy.

However, such an ‘undertaking’ in many cases was not made until a decade or more after the ETSI IPR Policy was crafted and adopted. ETSI pronouncements and actions relating to the IPR Policy during those interim years may also cast light on the understanding of the parties at the time of contract formation, and so cannot be ignored. Such evidence will include ETSI policy documents, as well as the record of revisions to

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12 Some commentators have raised the specter that the contractual nature of a FRAND commitment could enable such a commitment to be evaded after a commitment is made by selling the patent to a third party that has not made such a commitment. However, despite decades of SSO operation in reliance on contractual FRAND commitments, the only two instances we are aware of in which a purchaser of patents has claimed not to be bound by a prior FRAND (or similar) commitment is the position taken but more recently abandoned by IPCom in connection with patents purchased from Bosch (See ‘Antitrust: Commission welcomes IPCom’s public FRAND declaration’ (European Commission welcoming ‘the public declaration by German IP licensing company IPCom, following discussions with the Commission, that it is ready to take over Bosch’s previous commitment to grant irrevocable licenses on fair, reasonable and non-discriminatory (FRAND) terms to patents held by IPCom which are essential for various standards set by the European Telecommunications Standard Institute (ETSI) and Universal Mobile Telecommunications System (UMTS’)), MEMO/09/549, Brussels (10 December 2009) available at http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/549&format=HTML&aged=0&language=EN, and N-Data’s attempt to ignore a prior owner’s agreement to license certain essential patents for $1000. We suggest that an argument can be made that, given the online publication of FRAND declarations by major SSOs and the sophistication of participants in such industries, a purchaser of a patent which has been made subject to a FRAND declaration takes with either actual or constructive notice of that declaration, can be presumed to have negotiated a price taking that ‘encumbrance’ into account, and should therefore be equitably estopped from asserting the patent in a manner inconsistent with that undertaking. This was essentially the result reached by the FTC in the N-Data case (Re NEGOTIATED DATA SOLUTIONS LLC, Order and Decision, No. C-4234 (22 September 2008) available at http://www.ftc.gov/os/caselist/0510094/080923ndsdo.pdf). Of course, the details of such an approach must be worked out within the legal doctrines of particular jurisdictions.

or ‘interpretations’ of the IPR Policy that have been proposed but rejected by the ETSI membership over time.

In sum, we identify four main categories of information potentially relevant to contract construction: (i) the contract language itself; (ii) information as to the pre-existing ‘understanding of the industry’ as to what a FRAND undertaking to an SSO meant, at the time the FRAND concept was incorporated into the ETSI IPR Policy; (iii) information concerning the actual deliberation and debate by the ETSI members at the time the policy was adopted; and (iv) subsequent comment and action relating to the meaning of FRAND by ETSI.

The specific language of a particular declaration made by a patent holder would of course also be relevant. However, since this class of evidence of intent would by its nature pertain only to individual declarations, we will not give it any further consideration in this discussion of general principles.

It is indeed possible that economic theory might make additional contributions by enabling us to better understand the course of the contract negotiations, or the contemporaneous industry practices, but nothing in either the Civil Law or Common Law tradition could permit economic theory to substitute for or overrule evidence of the actual intent of the parties. Further, if one did wish to use economic theory to predict or better understand the IPR Policy compromises actually reached by the ETSI members, one would need to look to game theory models that take into account the institutional interests and bargaining power of the ETSI member organizations, and we have not seen that complicated game attempted.

II. The Contractual Meaning of “fair and reasonable”

In this Part, we rely on the main categories of information potentially relevant to contract construction identified above to determine the meaning of the ‘fair and reasonable’ terms that are part of FRAND.

A. The Plain Language

The starting point of any contract interpretation must be the language of the contract itself. The terms ‘fair and reasonable’ are on their face terms implying wide latitude; they are permissive words to which there is even conceptually no one right answer.14 For example, in connection with the sale of a relatively illiquid property such as a house or a tract of real estate, negotiations between the seller and one or more potential buyers could result in a considerable range of prices (perhaps differing depending on the urgencies of the parties), any one of which the outside observer would

14 See for instance Case C-336/07 Kabel Deutschland, not yet reported, §46 (discussing the notion of ‘reasonable’ ‘must carry’ obligations that may be imposed by EU Member States upon cable operators on the basis of the Universal Service Directive).
have to concede to be at least ‘fair’ or ‘reasonable’. The same is surely true of prices and terms for patent rights.

But we can say more. When a patent holder commits to licence on ‘fair, reasonable, and nondiscriminatory’ terms in response to and pursuant to Section 6.1 of the ETSI IPR Policy, it is appropriate that, when considering the ‘plain meaning’, we look to what was before the declarant: the ‘plain meaning’ of FRAND as it appears in context within the IPR Policy.

The ETSI IPR Policy states as its ‘Policy Objectives’ the following:

‘3.1 It is ETSI’s objective to create STANDARDS and TECHNICAL SPECIFICATIONS that are based on solutions which best meet the technical objectives of the European telecommunications sector, as defined by the General Assembly. In order to further this objective the ETSI IPR POLICY seeks to reduce the risk to ETSI, MEMBERS, and others applying ETSI STANDARDS and TECHNICAL SPECIFICATIONS, that investment in the preparation, adoption and application of STANDARDS could be wasted as a result of an ESSENTIAL IPR for a STANDARD or TECHNICAL SPECIFICATION being unavailable. In achieving this objective, the ETSI IPR POLICY seeks a balance between the needs of standardization for public use in the field of telecommunications and the rights of the owners of IPRs.

3.2 IPR holders whether members of ETSI and their AFFILIATES or third parties, should be adequately and fairly rewarded for the use of their IPRs in the implementation of STANDARDS and TECHNICAL SPECIFICATIONS.

3.3 ETSI shall take reasonable measures to ensure, as far as possible, that its activities which relate to the preparation, adoption and application of STANDARDS and TECHNICAL SPECIFICATIONS, enable STANDARDS and TECHNICAL SPECIFICATIONS to be available to potential users in accordance with the general principles of standardization.’ (emphasis added)

The above language makes clear that the rationale behind the FRAND commitment – and the ‘fair and reasonable’ terms that are part of it – is twofold: (i) to ensure dissemination of the essential IPR contained in a standard, thereby allowing it to remain available for adoption by members of the industry, whilst at the same time (ii) making certain that holders of those IPR are able to reap adequate rewards from their innovations.15

15The latter goal lies at the heart of the patent system, and is as essential to the success of the standards enterprise as the former. As the United States Supreme Court observed in Verizon Comm. v Trinko 540 US 398 [2004], ‘The mere possession of monopoly power, and the concomitant charging of monopoly prices, is not only not unlawful; it is an important element of the free-market system. The opportunity to charge monopoly prices—at least for a short period—is what attracts “business acumen” in the first place; it induces risk taking that produces innovation and economic growth.’ Ibid. at 407.

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In this respect, the ETSI IPR Policy’s reference to the terms ‘fair and reasonable’ is not accidental. Because the circumstances surrounding the negotiation of licensing agreements can widely differ, only flexible terms such as ‘fair and reasonable’, the precise content of which is left to negotiation between the parties, can ensure the widest availability of the technology embodied in the standard in the widest possible variety of circumstances, without unduly diminishing the innovation incentives that patent law was designed to create. Thus, as pointed out by the European Commission in its Communication on ‘Intellectual property rights and standardization’ that was issued while the ETSI IPR Policy was being negotiated, beyond the broad goal that essential technology be available, ‘it is not feasible or appropriate to be more specific as to what constitutes “fairness” and “reasonableness” since these are subjective factors determined by the circumstances surrounding the negotiation.’

By contrast, the above extracts of the ETSI IPR Policy do not contain any language hinting at any of the very specific and restrictive limitations listed at the opening of this paper, which other authors attempt to read into ‘fair and reasonable’.

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16 Not all standard implementers seeking to obtain a license from a given essential patent holder will be similarly situated. Generally, a range of variables will traditionally be negotiated between licensors and licensees, all of which may be of appreciable value, such as cross-licensing, volume of licensed products, exhaustion of patent rights, technology transfer, technical support, upfront fees, jurisdiction, scope of license (eg, products, territory, have made rights, etc.), possible product purchases, the formation of broader business relationships and cooperation, etc. Granting a license cannot be confused with selling a product at a standard price (which would be the royalty). Because licensors and licensees seek to exchange a potentially diverse assortment of ‘value’ (the royalties being just one possible elements of consideration), any interpretation of a FRAND commitment as ‘dictating or specifying a particular licencing result’ would prove a Procrustean bed.

17 In this respect, FRAND is very much akin to a general clause, albeit a contractual one. ‘General clauses or standards (‘Generalklauseln’, ‘clauses générales’) are legal rules which are not precisely formulated, terms and concepts which in fact do not even have a clear core. They are often applied in varying degrees in various legal systems to a rather wide range of contract cases when certain issues arise such as abuse of rights, unfairness, good faith, fairness of duty or loyalty or honesty, duty of care, and other such contract terms not lending themselves readily to clear or permanent definition.’ S Grundmann & D Mazeaud (eds), General Clauses and Standards In European Contract Law – Comparative Law, EC Law and Contract Law Codification (Kluwer Law International 2006).


19 For instance, nothing can be read in such extracts as suggesting that FRAND imposes any specific and concrete obligations on the owner of standard essential patents with regard to the actual level of royalties or any other terms and conditions provided for in licencing agreements. Nokia’s Vice President for Intellectual Property Rights, Dr. Ilkka Rahnasto, makes a similar observation. He explains that ‘the [FRAND] rule leaves the determination of exact terms for the parties to decide. This case-by-case determination allows parties to a particular licencing transaction to find their own interpretation of “fair and reasonable”.’ I. Rahnasto, Intellectual Property Rights, External Effects and Anti-trust Law ¶ 4.105 (Oxford Univ. Press 2003). He further adds: ‘In connection with standardization, the term “fair and reasonable” is usually understood as a reference to the economic reality. Generally, a licence is fair and reasonable if the terms would be acceptable in arm’s-length-negotiations.’ Id. at ¶ 6.34. ‘Fair and reasonable’ licencing terms would therefore consist of those terms determined through fair, bilateral negotiations between
B. ‘Fair and Reasonable’ in the Standards Context Prior to the ETSI IPR Policy

As will be set out below, ETSI very explicitly picked up the ‘FRAND’ concept from the pre-existent ‘RAND’ policy of the International Standards Organisation (ISO), and similarly worded policies were at that time already in place at other internationally important SSOs. It is reasonable, then, to suppose that the understanding of technology industry companies as to what ‘fair and reasonable’ meant in this context was informed by the usage in those other SSOs.

One could review that context at length, but we will limit ourselves here to only a few illustrations. For instance, an ISO document circulated by the ISO/IEC Secretariat in 1999 stated that, even by that date, ‘ISO has no guidelines as to what constitutes ‘reasonable’ since each patent holder sets its own fee which is based upon commercial considerations at the time.’\(^{20}\) Similarly, the patent policy of the International Telegraph and Telephone Consultative Committee (CCITT) (now known as ITU-T) in place in 1994 aimed to ensure that patentees ‘would be willing to negotiate licences with other parties on a non-discriminatory basis on reasonable terms and conditions’, but emphasized that the ‘detailed arrangements arising from patents (licensing, royalties, etc.) are being left to the parties concerned, as these arrangements might differ from case to case.’\(^{21}\) Finally, in a 1992 letter to ETSI, the American National Standards Institute (ANSI) noted that ‘under the ISO/IEC and ANSI policies licensors remain free to negotiate such license terms as they may deem appropriate so long as such licenses are fair and non-discriminatory.’\(^{22}\)

Here again, what our initial research has not found is any indication, by the time ETSI adopted its current FRAND policy in 1994, that ‘fair and reasonable’ in the context of the ISO – or other SSOs – had ever been held by the ISO or by any court to imply any of the detailed restrictions recently hypothesized by various authors.

C. ‘Negotiation History’ of the ETSI IPR Policy

Key points in the negotiation and adoption of the ETSI IPR Policy itself may also shed light on what ETSI members understand that they are agreeing to when they make a FRAND undertaking.

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\(^{21}\) ETSI/GA15(93)18 (enclosure to letter dated 29 October 1992 from CCITT to Eurobit). (We use the ETSI nomenclature to identify ETSI documents. Thus, this document was ‘Permanent Document’ number 18, submitted at the 15th ETSI General Assembly meeting in 1993; ‘Temporary Documents’ are given a ‘TD’ designation.)

\(^{22}\) ETSI/GA12(92)TD3 at p 4.
ETSI as an organization was established in 1988, by the European Conference of Postal and Telecommunications Administrations (‘CEPT’). From an early stage ETSI looked to the ISO IPR policy as the baseline. For example, a document submitted by the ETSI Technical Assembly Chairman in 1991 proposed that ‘The licenc[or] is required to grant licences on fair and reasonable non discriminatory terms as for the ISO policy.’\(^{23}\) Similarly, the ETSI Director submitted the ETSI Annual Report to the 12th ETSI General Assembly in 1992, which stated that ETSI was ‘developing a policy, based on that of the International Standards Organisation (ISO) and the International Electrotechnical Commission (IEC)’.\(^{24}\)

However, in other respects ETSI’s draft policy aimed at what the ETSI Technical Assembly Chairman believed would be an ‘advance’ over the ISO IPR policy.\(^{25}\) This proposed package of heightened restrictions on IPR owners included what became referred to as an ‘automatic licencing’ or ‘licencing by default’ provision, a requirement of advance declaration of maximum royalty rates, a rule precluding required cross-licences, and a mandatory arbitration requirement.\(^{26}\)

Commencing at the 12th ETSI General Assembly meeting in April 1992, fierce debate broke out over these proposed heightened restrictions.

At the March 1993 15th ETSI General Assembly, an IPR Policy and Undertaking including some of the novel provisions noted above was approved over heated opposition including threats by some participants to withdraw from ETSI.\(^{27}\) However, following the approval, even louder opposition broke out. Several important IPR owners objected strongly to the ‘automatic licencing’ provision, and the Computer and Business Equipment Manufacturers’ Association (‘CBEMA’) filed a complaint with the European Commission asserting that novel aspects of the policy (including the requirement of advance disclosure of royalty rates) were anticompetitive. Important participants threatened to withdraw from ETSI if the policy was implemented;\(^{28}\) so serious was the dissent among the membership that the ETSI Technical Assembly Chairman warned that ‘other entities with simpler rules may have ambitions to take over ETSI work and ETSI could be out of business in five or ten years’.\(^{29}\) On 22 July 1994, the ETSI General

\(^{23}\) 12 TA TD 7 at p 4 (attached to GA 11 TD 20).

\(^{24}\) ETSI/GA 12 TD 15 at p 6.

\(^{25}\) 12 TA TD 7 at p 3.

\(^{26}\) ETSI/GA12(92)3.

\(^{27}\) For example, IBM called the proposal ‘a source of deep divisions within the ETSI membership’ and stated that for ‘many members it is the company’s strategic assets and policies which are at stake’. ETSI/GA15(93)26. IBM said ‘IBM has to evaluate now its future involvement in ETSI’. ETSI/GA15(93)96. Other companies said words to the same effect. ETSI/GA15(93)23.

\(^{28}\) EJ Iversen, ‘Standardization and Intellectual Property Rights: ETSI’s controversial search for new IPR-procedures’ (September 1999) (Paper presented at the first IEEE conference on standardisation and innovation in information technology, Aachen, Germany) (‘ETS1 received between 12-14 letters from parties . . . who threatened to pull out of ETSI if it implemented the 1993 Policy.’).
Assembly voted to ‘abandon the IPR Undertaking as adopted by the General Assembly meeting during its meeting on 18 March 1993’. The 1993 draft IPR Policy and Undertaking was never actually implemented by ETSI, and following the July 1994 vote ETSI was again without an IPR policy.

Finally, at the 21st ETSI General Assembly in November 1994, the ETSI membership approved an IPR policy from which the heightened restrictions described above had been removed. The 1994 policy remains in effect today, with minor changes.

What this history documents is that not merely was FRAND a concept borrowed in its inception from prior use by the ISO, but that the ETSI membership did not pour new meaning into FRAND, as all attempts to do so were rejected. Thus, any one who wishes to argue some restrictive or idiosyncratic meaning for an ETSI FRAND undertaking, whether based on economic argument or idiosyncrasies of EU or French law, should thus face a substantial burden of proof as a matter of contract interpretation.

D. Post-1994 ETSI Comment on the FRAND Undertaking

Post-adoption ETSI commentary and actions establish that the ETSI membership has consistently rejected subsequent efforts to alter the balance of interests between IPR owners and licencees by changing the meaning of FRAND.

In 2003, a number of ETSI members promoted an effort to make FRAND less flexible and discretionary by defining or giving examples of practices that would violate FRAND. The ETSI General Assembly authorized the creation of an Ad Hoc Group (AHG) to consider and report on such proposals. During this process, multiple participants in the ETSI AHG noted their understanding that the meaning of FRAND was a matter of global consensus, not an ETSI question. A representative of Microsoft observed that ‘FRAND is a standard principle throughout all SDOs’, while a representative of Motorola asserted that the ‘FRAND term is identical in ITU policy, Japan SDO, US SDO . . . and this [“FRAND”] is the standard way to express it’.

But even if FRAND had historically been a global concept, other AHG participants argued that ETSI should nevertheless endorse new specific restrictions under the FRAND umbrella for its own purposes. Proposals included prohibitions on licences that require a royalty-free cross licence, prohibitions on requiring ‘grantbacks’ of rights to improvements, and prohibitions on licencing for certain regions of the globe at rates different from those charged for other regions. But none of these restrictions ever were agreed to, whether by the AHG or by the ETSI General Assembly. Instead, the AHG

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20 ETSI/GA20(94)22 Rev.1 at p 4.
30 ETSI/GA20(94)20; ETSI/GA20(94)22 Rev.1.
31 ETSI/GA21(94)3; ETSI/GA21(94)39 Rev.2 at pp 17-18.
32 ETSI/GA42(03)20.
33 ETSI/GA/IPR02(03)05 at p 3.
reported to the ETSI General Assembly that ‘The ETSI IPR Policy does not define FRAND’, and that ‘The ad hoc group was unable to define FRAND conditions’. Further, it reported that ‘holders of big IPR portfolios’ ‘saw no sense in . . . attempts’ ‘to indirectly define FRAND conditions by giving several examples of bad practices’. The AHG provided with its report an ‘Annex A’ that contained a list of supposed ‘bad practices’ that had been proposed by those members who advocated additional restrictions, while noting that these had not been agreed to by the AHG. The ETSI GA, while accepting the report itself, went farther and deleted this Annex A entirely.

In 2006 another effort to tighten the permissive nature of ‘fair and reasonable’ was made within ETSI, with Nokia and two other manufacturers advocating that ETSI should ‘make changes to the [ETSI] IPR regime and practices’ by ‘introduc[ing] the principles of AGGREGATED REASONABLE TERMS and PROPORTIONALITY into the FRAND definition’. The proposal was once again intensely controversial within ETSI, and was not adopted by the General Assembly.

Thus, any party contemplating making a FRAND commitment that looks to the ETSI record to understand what such a commitment would mean will find the ETSI membership declining to approve restrictions or interpretations identical or analogous to many of those advocated today by the proponents of the restrictive FRAND regimes.

Most recently, ETSI’s ‘Guide on IPRs’, published in 2007, once again specifically disclaims any notion that ETSI does or intends to impose any more specific (and therefore more restrictive) definition of FRAND terms and conditions, stating instead that ‘such commercial terms are a matter for discussion between the IPR holder and the potential licensee, outside of ETSI’ (§2.2), and ‘Specific licensing terms and negotiations are commercial issues between the companies and shall not be addressed within ETSI’ (§4.1).

III. Enforcing FRAND Contractual Commitments

A. What is the Role of the Court?

To say that ‘fair and reasonable’ are contract terms that leave wide latitude is not to say that they are meaningless or unenforceable terms. In circumstances where an essential patent holder and a standard implementer are unable to agree on licencing

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34 ETSI/GA42(03)20 at p 8.
36 ETSI/GA42(03)20 Rev.1; ETSI/GA42(03)34 at pp 4-5.
37 ETSI/GA/IPRR01(06)08 at pp 2-3. For a discussion of this proposal and the negative impact it would have had, see D Geradin, ‘Standardization and Technological Innovation: Some Reflections on Ex-ante Licensing, FRAND, and the Proper Means to Reward Innovators’, (2006) 29 World Competition 511.
38 ETSI GA/IPRR06(06)24 Rev.1 at p 14.
39 The intended beneficiaries of a FRAND declaration appear to be any parties who wish to perform actions identified in Paragraph 6 of the ETSI IPR Policy with respect to a standard-compliant product. This
terms, the standard implementer, once accused of infringement, may simply wait and assert defensively that the IP owner has failed to satisfy its obligation to offer fair and reasonable terms, or possibly (depending on the procedures available in a given jurisdiction) could seek a determination through a breach of contract action that FRAND terms have not been offered, and an order requiring compliance with that obligation. If the essential IP owner has in fact failed to offer fair and reasonable terms consistent with its FRAND commitment, then this will represent a breach of contract.

In such cases, however, a court radically misunderstands the FRAND commitment that the IP owner has made, and misunderstands the court’s own role, if it seeks to answer the question ‘What is the reasonable royalty for this IPR?’ As discussed in Section II, the term ‘fair and reasonable’ was intended to convey substantial latitude and discretion, and excludes the possibility that there is just one ‘right’ answer.

In agreeing to licence on FRAND terms, the IP owner has not agreed to constrain its licencing terms more tightly than the ‘range of reasonableness’. Thus, if an offer has been made and refused, then the only contractual question to be adjudicated is whether the terms offered, taking into account all of the specific circumstances between the parties and prevailing market conditions, fall outside the range of reasonableness contemplated by the FRAND commitment.

This type of analysis is not foreign to courts. Under US patent law, for example, after a jury has awarded ‘reasonable royalty’ damages, the appeals court does not seek to second guess that decision and substitute its own view of what is ‘most reasonable’. Rather, the appeals court engages in a deferential review, asking only whether the jury’s award falls outside the range of what could be considered reasonable. Similarly, European courts use a ‘going rate’ or benchmarking method to identify a range of reasonable royalty rates that can serve as the basis for the calculation of damages after a finding of patent infringement, and the trial court enjoys significant judicial discretion in

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includes those who wish to ‘manufacture, including the right to make or have made customized components and sub-systems to the licensee’s own design for use in manufacture’. The ability of intended third party beneficiaries of a contract to enforce their rights under that contract is well recognized within the Common Law Tradition, while Civil Law jurisdictions provide comparable enforcement rights under (in the case of France, for example) the doctrine of ‘stipulation pour autrui’. Fr. Civil Code Art. 1121.

40 Geradin & Rato (n 7 above) 119.

41 Micro Chem., Inc. v Lextron, Inc. 317 F 3d 1387, 1394 [Fed Cir 2003] [a lower Federal court case] (discussing the differences between the experts’ opinions regarding royalty rates and affirming jury’s determination as reasonable); Rite-Hite Corp v Kelley Co., Inc. 56 F 3d 1538, 1554-55 [Fed. Cir. 1995] (noting range of possible royalties and affirming lower court’s determination of royalty rate as reasonable); Monsanto Co. v Ralph 382 F 3d 1374, 1383 [Fed. Cir. 2004] (giving deference to jury’s determination of royalty rate based on expert testimony regarding Georgia-Pacific factors).

42 It must, however, be noted that in Europe, by contrast with the United States, injunctive relief is considered the primary remedy for patent infringement, over and above monetary compensation. Moreover, any damages awarded must only be compensatory in nature and may not have a punitive character. For these reasons, many cases are settled out of court after a finding of patent infringement and the existing case law on the calculation of damages is therefore very sparse.
its appraisal. Where a decision awarding damages is appealed, the task of the appeals court is not to determine *ex novo* what the ‘reasonable rate’ and resulting damage award is, but only to examine whether the lower court exceeded its considerable discretion in awarding reasonable damages.\(^{43}\)

In the case of FRAND licencing, the initial discretion as to what is ‘reasonable’ is entrusted to the negotiating parties or, in the absence of agreement, to the IP owner. If the would-be licencee ‘appeals’ to a court, that court’s task is comparable to that of the appeals court in the US and European patent systems. And, as the party advancing the proposition that specific offered terms fall outside the range of reasonableness and thus do not satisfy the FRAND commitment, one would expect that the burden of proof would rest with the potential implementer.

In order to determine whether offered terms and conditions pass this ‘range of reasonableness test’, there is no reason that courts should not make use of analytical tools already existing in the law. For instance, while the question of what is ‘reasonable’ continues to be a flexible inquiry, the much-cited *Georgia-Pacific*\(^ {44}\) case identifies 15 specific factors that US courts routinely consider, and the factors from the *Georgia-Pacific* list have been invoked as useful in other jurisdictions. Interestingly, in one discussion paper created by the ETSI General Assembly Ad Hoc Group in 1993, the reporters (themselves representatives of RIM, not a US corporation) wrote that ‘If one were to read the important *Georgia-Pacific* case cited in United States law as a method to determine a “reasonable royalty”, it can readily be seen to be a test that closely parallels the concept of “fair, reasonable, and non-discriminatory” license obligations.’\(^ {45}\)

Of course other important jurisdictions use different language, but we believe that they fundamentally agree that, when a court must determine a royalty rate, it may and should consider the wide range of information that would be relevant to a business decision-maker confronting the same question.\(^ {46}\) Similarly, we believe that non-US jurisdictions can also find within their own structures examples of the type of deferential review that is appropriate where a court is tasked not to decide what the ‘right’ answer is,

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\(^{44}\) *Georgia-Pacific Corp v US Plywood Corp*. 318 F Supp 1116 [SDNY 1970] [a lower Federal court].

\(^{45}\) ETSI GA/IPR02(03)05 at p 1.

\(^{46}\) *General Tire & Rubber Co. v Firestone Tyre & Rubber Co.* [1975] F.S.R. 273 (H.L) (‘[E]vidence may consist of the practice, as regards royalty, in the relevant trade or in analogous trades; perhaps of expert opinion expressed in publications or in the witness box; possibly of the profitability of the invention; and any other factor on which the judge can decide the measure of loss.’); *Cofrinex v Helary*, Paris Court of Appeal 12 July 1977; Sec. 139 Para. 2 German Patent Act (royalty rate of a hypothetical license agreement must be determined in the light of all relevant circumstances).
but to decide whether terms offered fall entirely outside the range of possibility contemplated by the word ‘reasonable’. 47

Not all of the Georgia-Pacific factors will necessarily be relevant to the question of whether proffered licence terms are within the range of reasonableness, and peculiarities of a particular industry or standardised industries in general may properly enter into the equation. Nevertheless, a court may well find that the Georgia-Pacific list provides a useful framework or starting point for the inquiry. 48 Notably, royalties received under prior and existing licences for the very patents being litigated often represent the most influential factor in determining “reasonableness” under the Georgia-Pacific framework, and should arguably have the same role in the context of FRAND litigation.

B. FRAND Commitments and Subsequent Licences

If a would-be licensee refuses offered terms and objects that those terms do not satisfy the patent owner’s agreement to offer FRAND terms and conditions, then the court must undertake the analysis discussed above. However, after the parties have negotiated and executed a licence agreement, a complaint by the liceneree that the terms of that licence are not FRAND presents very different issues.

While the doctrinal description will differ in different jurisdictions, the point is not complicated: It cannot be proper for a party, aware of rights it is entitled to claim under an existing contract (here, the FRAND commitment), to negotiate and sign a licence, enjoy the benefit of that licence for as long as it pleases, and then collaterally attack the licence as unenforceable (and perhaps claim past damages) on the theory that the licence terms violated the preceding contractual commitment. Within the Common Law tradition, this is a result of the doctrine of integration, 49 or alternatively of the rule that, even in the absence of complete integration, a collateral contract may not be used to contradict the terms of a subsequent agreement. 50

47 Flint v Lovell [1935] 1 K.B. 354 (CA) (Greer, L.J.) (explaining that an award of damages is reversible only if ‘the amount awarded [is] an entirely erroneous estimate of the damage to which the plaintiff is entitled’).

48 At least one US court has adopted the Georgia-Pacific factors to assess the reasonableness of a licencing offer challenged on FRAND grounds. ESS Tech., Inc. v PC–Tel, Inc., No. C-99-20292, 2001 WL 1891713, at *3–6 [N.D. Cal. Nov. 28, 2001] [a lower Federal court].

49 Restatement (Second) of Contracts (1981) § 213 (‘(1) A binding integrated agreement discharges prior agreements to the extent that it is inconsistent with them. (2) A binding completely integrated agreement discharges prior agreements to the extent that they are within its scope. (3) An integrated agreement that is not binding or that is voidable and avoided does not discharge a prior agreement. But an integrated agreement, even though not binding, may be effective to render inoperative a term which would have been part of the agreement if it had not been integrated.’).

50 RA Lord 11 Williston on Contracts (4th ed 2009) § 33:26 (‘Evidence of a collateral agreement is not barred by the parol evidence rule if such evidence does not contradict the written contract.’).
An extremely important economic truth underlies this principle. It is widely understood that uncertainty itself imposes an economic cost; accordingly, businesses often use the ‘stabilizing force of contracts’\(^{51}\) to reduce or eliminate unpredictability. For this reason, companies commonly negotiate long-term licence agreements at fixed royalty rates, giving the two parties predictability as to revenues and costs, respectively. As the US Supreme Court has explained, ‘Markets are not perfect, and one of the reasons that parties enter into . . . contracts is precisely to hedge against the volatility that market imperfections produce.’\(^{52}\) Private parties are of course free to negotiate short-term licence agreements, or agreements under which the royalty rate is subject to frequent renegotiation, or periodic modification based on some external criteria. But they don’t do this, precisely because predictability is extremely important to many aspects of the conduct of a business, including, eg, decisions about investments in research and development. As a result, uncertainty relating to ‘contract sanctity can have a chilling effect on investments and a seller’s willingness to enter into long-term contracts and this, in turn, can harm customers in the long run.’\(^{53}\) Yet, a rule that would permit a licencee to collaterally attack a licence agreement—potentially years after the fact—on the theory that its terms violate a prior FRAND commitment, would make it impossible for licencing parties to negotiate for long-term predictability.

C. What Is ‘Fair and Reasonable’ Will Be Higher After Adjudication of Infringement and Validity

US courts and commentators routinely recognize that a ‘reasonable royalty’ will be higher after a patent has been held valid and infringed in court than it was before that adjudication.\(^{54}\) Providing empirical and theoretical support for this judicial view, Lemley and Shapiro have demonstrated that nearly half of patents litigated to a final determination in the US are held invalid, while a significant number of those held valid are held to be not infringed.\(^{55}\) They report in a later paper that average ‘reasonable

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\(^{51}\) NRG Power Marketing v Main Public Utilities 558 US __, 130 S. Ct 693, 696 [2010].

\(^{52}\) Morgan Stanley Capital Group, Inc. v Public Utility District 1 of Snohomush County 128 S Ct 2733, 2746 [2008].

\(^{53}\) Ibid at 2749 (quoting Market Based Rates, para. 6, 72 Fed. Reg. 33906-33907).

\(^{54}\) Maxwell v J. Baker, Inc. 86 F 3d 1098, 1109-10 [Fed. Cir. 1996] [a lower Federal court] (‘[T]hat an infringer had to be ordered by a court to pay damages, rather than agreeing to a reasonable royalty, is also relevant’ to ‘an amount sufficient to adequately compensate the patentee for the infringement’); Stickle v Heublein, Inc. 716 F 2d 1550, 1563 [Fed. Cir. 1983]; Endress & Hauser, Inc. v Hawk Measurement Sys. Pty. Ltd. 892 F. Supp. 1123, 1130 [S.D. Ind. 1995] (‘Although courts employ the ‘willing licensor/willing licensee’ model as the basis for determining a reasonable royalty, they do so with the understanding that a ‘reasonable’ royalty after infringement is likely to be higher than that arrived at between truly willing patent owners and licensees.’); Vincent E. O’Brien, ‘Economics & Key Patent Damages Cases’ (2000) 9 U. Balt. Intell. Prop L.J. 1, 19 & 20 n.70 (observing that ‘the hypothetical negotiation already has a built-in bias toward a royalty rate that is higher than those observed in practice’ and that the Federal Circuit often sustains awards ‘based on a royalty several times that observed in the real world’).

royalty’ damage awards set rates more than double estimated average negotiated patent royalties, and conclude that this difference is at least in part attributable to the uncertainty surrounding the strength and value of untested patents.56

Shapiro points out that, in light of these facts, what is ‘fair and reasonable’ in the context of an offer to licence patents that have not been tested in litigation should be something lower than would be awarded after adjudication of infringement and validity, because of the uncertain strength of the patents.57 But the reverse is equally true: After a patent has been tested and the uncertainty eliminated, then what is ‘fair and reasonable’ no longer needs to include any ‘uncertainty discount’, and should be substantially higher than would have been the case pre-litigation.

This ‘that was then, this is now’ aspect of FRAND is not only theoretically correct, it stands as a critically important deterrent to excessive litigation. Lemley and Shapiro have also noted that, in the ordinary licensing context, the risk of injunction and complete exclusion from the market motivates prospective infringers to obtain a licence instead of litigating.58 However, if an infringer of essential patents is entitled to the same terms after unsuccessful litigation as he was entitled to before, then this incentive disappears; the infringer will have strong incentives to litigate even a weak case in the hopes of ‘getting lucky’ with an invalidity or non-infringement ruling, and will face no downside risk beyond attorneys’ fees. The Former Chief Judge of the Federal Circuit has noted exactly this incentive problem in the context of Georgia-Pacific royalty determinations, explaining that an infringer who, after unsuccessful litigation, ‘could count on paying only the normal, routine royalty non-infringers might have paid . . . would be in a ‘heads-I-win, tails-you-lose’ position’.59 Thus, a static definition of ‘fair and reasonable’ unaffected by litigation would expose FRAND declarants to a much greater risk of non-meritorious litigation than faces parties unconstrained by FRAND. It is unlikely that any standards-setting organization intended, by requiring FRAND declarations, to create this perverse incentive to attack rather than to pay for the intellectual property of its members.

IV. A FRAND COMMITMENT CONTAINS NO AGREEMENT NOT TO SEEK INJUNCTIONS

A number of authors have argued that by making a FRAND commitment an essential patent holder waives its right to seek injunctive relief in case of infringement (the ‘waiver theory’).60 One of the present authors has shown elsewhere that there is no

56 Lemley & Shapiro, ‘Patent Holdup and Royalty Stacking’ (n 1 above) 2032-2033.
57 J. Farrell (n 6 above) 637 n.134 (citing to and discussing Shapiro).
58 Lemley & Shapiro, ‘Probabilistic Patents’ (n 57 above) 75, 80.
support for such assertions in either statute nor case-law. But we would emphasize here the contractual starting point: the idea that there has been a waiver of all injunction rights can find no basis in the language of the IPR policies of ETSI and other major SSOs. In the case of ETSI, at least, there is evidence of the intent of the parties, and it points just the other way. This is so because injunction waiver language was in at least one version of the ‘aggressive’ ETSI policy debated and (temporarily) adopted in 1993, but was entirely removed from the replacement policy adopted in November of 1994.

Given the base-line fact that a patent owner’s right to injunctive relief against infringement is recognized under EU law, international trade law, and US federal law, clear evidence should be required to establish that a patentee by making a FRAND undertaking has intentionally and voluntarily waived that right, as is required in both Civil and Common Law legal systems. Given the history of ETSI’s policy, it does not appear that this showing could possibly be made in regard to undertakings made to ETSI.

This is not to say that a FRAND undertaking has no impact on a party’s ability to obtain an injunction; it does. If a patentee has failed to comply with its undertaking to offer a licence on FRAND terms, then no injunction should be available. But conversely, if it is determined that the patentee did comply with its obligation to offer FRAND terms, and the infringer continues to practice without taking a licence, then we can find no contract-based argument that the patentee has waived its right to enjoin that ongoing infringement.

V. The Other Half of FRAND

We have focused in this paper on the ‘fair and reasonable’ component of FRAND, because the meaning of ‘fair and reasonable’ has attracted far more controversy than the

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61 Geradin & Rato (n above 7) 116 et seq. Lemley explicitly admits that he is ‘aware of no cases treating this issue’, stating that it is his ‘policy preference’ that an IPR owner’s commitment to an SSO be construed as itself implying the grant of a license, with the result that the IP owner is precluded from seeking an injunction for patent infringement. Lemley (n. 8 above) at 1926.

62 ETSI/GA15 TD 25, sec 13 (‘The Signatory hereby undertakes not to seek an injunction against a Party in respect of any Essential IPR in respect of [enumerated situations] . . . ’).


64 Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS agreement), Article 41(1), the Annex 1C to the Marrakech Agreement Establishing the World Trade Organisation (signed in Marrakech, Morocco on 15 April 1994).


meaning of ‘non-discriminatory’, and because space does not permit a thorough examination of the contractual meaning of the entirety of FRAND in a single article. Yet ‘ND’ remains something of a cipher. No serious commentator suggests that it means that all licencees must be given ‘the same’ terms,68 but nor is there any consensus as to what it does mean—why it is included in the policy at all. Does it mean anything more, less or different than meeting the requirements of various competition laws, such as the Robinson Patman Act in the United States or Article 102(c) of the Treaty on the Functioning of the European Union?

We urge that a ‘contract interpretation’ investigation of the meaning of ‘ND’ in SSO IPR policies is much needed. And interestingly, while it is ‘FR’ that gets all the attention today, there was actually more discussion of the meaning of ‘ND’ in the course of the ETSI debates that resulted in the adoption of the ETSI IPR Policy. While a systematic study remains to be done, we remark that much of that discussion addressed fears of ‘protectionist’ discrimination based on the nationality of companies, or based on membership in the EU.69 These fears have not materialized as real-world issues, and it may be that the ‘meaning of ND’ has become somewhat mysterious precisely because the requirement has been so successful that the fears it primarily targeted have become forgotten, and thus invisible. But, with regard to ND, a careful ‘intent of the parties’ analysis remains to be done.

Conclusion

The effort to conflate a contractual FRAND commitment with either idealized economic theory or the competition law of any jurisdiction is ill-conceived. In short, a FRAND commitment and the limitations that competition law may impose on intellectual property rights are simply two separate things, and intellectual clarity requires that each be considered in its own right, and according to the analytical methods appropriate to it.

Our research shows that, if a FRAND commitment is taken seriously as a contract—as it should be—then efforts to look to FRAND as a source of cumulative royalty caps, particular formulas for calculating or apportioning royalties, or limitations

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68 Given that many licensees will be differently situated (for the reasons discussed above in note 16), such an approach would in fact lead to discrimination.

69 For example, at the July 1992 ETSI GA meeting, the Technical Assembly Chairman explained certain features of the Technical Barriers to Trade Agreement: ‘There are two relevant articles. The first is Article 2. This is the one that gives a legal obligation on the European Community. It requires that an entity importing into the European Community is given no less favourable treatment than an entity established in the Community. However, Article 2 covers technical regulations and the obligations fall on Governments and the Community. It does not apply to voluntary standards or impose obligations on private standards bodies or individuals. However Article 4 obliges Governments and the Community to make best endeavours so that private standards making bodies also meet the requirements of Article 2.’ ETSI/IPR/GA(92) 4. Earlier, ETSI had approved an agreement with the Standards Institution of Israel agreeing that the ‘application of international standards free of discrimination is essential for the development of global telecommunications and removal of barriers to trade. Both agree to pursue Intellectual Property Right policies in respect of telecommunications standards that support this objective.’ ETSI/GA 11(91) 8; ETSI/GA 11(91) 25 Rev.1.
on remedies against unlicensed infringers are not only without basis, but are contradicted by the ordinary methods of contract interpretation.