Article 102 TFEU and the Enforcement of Standard-Essential Patents. The Huawei Decision in a Contract Law Perspective*

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1. Background
For some time, the legal community has discussed how to handle inefficient use of patent rights in connection with the implementation of technical standards,1 a discussion culminating with the decision of the Court of Justice of the European Union (CJEU) in case C-170/13, Huawei,2 concerning the application of Article 102 to patent enforcement in connection with technical standards.

The case concerned the Long Term Evolution (LTE) standard set by the European Telecommunications Standards Institute (ETSI), under which Huawei notified to ETSI a patent essential to the standard (SEP). A patent is essential to a standard if the standardized technology cannot be used without using the teachings of the patent, thus infringing the patent. Huawei had committed to license the patent on FRAND (Fair, Reasonable and Non-Discriminatory) terms. Huawei had made an offer to ZTE for a license on what it considered FRAND terms, hereunder a royalty rate. However, as ZTE sought a cross-licensing agreement with a smaller royalty payment on top, the parties failed to conclude a license agreement. Huawei filed for a patent injunction, which ZTE opposed as being contrary to Article 102 TFEU.

In its Huawei decision, the CJEU confirms that competition law is the common legal basis in Europe for correcting this inefficient consequence of the patent system. A balance must be struck between maintaining free competition as in Article 102 TFEU and safeguarding the right to effective judicial protection for proprietors of intellectual property rights, in the form of the right to enforce the rights, as guaranteed by Article 17(2) and Article 47 of the Charter.3 Therefore, the otherwise lawful exercise of an exclusive right linked to a patent, can only

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2 Case C-170/13, Huawei v. ZTE (Huawei), ECLI:EU:C:2015:477.
3 Huawei para 42.
amount to abuse under Article 102 TFEU in “exceptional circumstances”.\(^4\) Such circumstances would be present if the patent is an SEP to a standard established by a standardization body, and the right holder has undertaken to license the patent on FRAND terms, as this would create legitimate expectations on the part of third parties that licenses would actually be granted and on such terms.\(^5\) Though these circumstances cannot deprive the right holder of his right to enforce the patent, an irrevocable undertaking to license on FRAND terms, imposes an obligation on the proprietor to comply with specific requirements when bringing actions against alleged infringers.\(^6\) Those specific requirements compile a new test for abuse under Article 102 TFEU.\(^7\)

With the introduction of this test for abuse under Article 102, the CJEU seeks to establish a standard that will encourage real negotiations in good faith from both parties when seeking a license to an SEP. An initial warning of the patent that allegedly is infringed is warranted, thereby excluding the possibility that the patent is unknowingly infringed. To the contract negotiations, the CJEU applies the model of offer and acceptance, whereby both parties are obliged to act in good faith and with the intent of reaching agreement on what constitutes FRAND terms.\(^8\)

Here, I discuss how this test for abuse can be operationalized when examined from a contract law perspective. The obligations imposed by the CJEU in the test applied for abuse in Huawei in the test applied for abuse in Huawei has its basis in common European contract law standards regarding pre-contractual good faith. Approaching the Huawei decision from a contract law perspective also highlights how Article 102 TFEU encroaches upon contract law.

2. Placing the Huawei Decision in the Context of the Intellectual Property – Competition Law Interface

2.1 The “existence – exercise” Dichotomy. Case law from the CJEU concerning intellectual property rights under the Treaty, revolves around the “existence – exercise” dichotomy.\(^9\) Competition law must not be applied in a way that interferes with the “existence” of the right, but when the right is “exercised,” the proprietor must adhere to the competition rules in the Treaty.\(^10\) The “existence” of the right, a concept applied by the CJEU synonymously with the “specific subject matter” of the right, has two prongs: the exclusive right to license and

\(^4\) Huawei para 47.
\(^5\) Huawei para 47 to 53.
\(^6\) Huawei para 57 to 59.
\(^7\) Huawei para 71 ref. para 63 and 65. Whether Huawei held a dominating position, was not disputed.
\(^8\) Huawei para 71.
\(^10\) Cf. Huawei para 46. Cf. Article 345 TFEU: “The Treaties shall in no way prejudice the rules in Member States governing the system of property ownership”. Property ownership is inferred to also include ownership of intellectual property.
the right to enforcement. The right to license the patent ensures that the patent holder gets a return on the investment in R&D leading up to the invention. However, intellectual property right holders with a dominating market position, have had to accept restrictions on their freedom to refuse to license the patent, when such refusals negatively impacts competition.\textsuperscript{11}

The right to enforcement has also been considered to be part of the “specific subject matter” of the right, because the exclusive right to use an invention protected by a registered patent exists only because the right is granted by law, as opposed to tangible property where exclusivity is, at least partly, characteristic for possession of such property.\textsuperscript{12} This is confirmed by the Court in \textit{Huawei}.\textsuperscript{13} When applying Article 102 TFEU to practices within the “specific subject matter” of the intellectual property right, it follows from case-law concerning refusals to license, that it will only be “in exceptional circumstances” that enforcement of the patent can involve abusive conduct under Article 102. The definition of “exceptional circumstances” must therefore define those instances where enforcement of the patent causes particular competition concerns.

2.2 Competition Concerns Caused by Enforcement of SEPs. Standardization of technology has public benefits as it enables interoperability and facilitates distribution of technology. However, complying with the standard can be necessary for market entrance: in the mobile telecom sectors, manufacturers of smartphones and tablets are locked in to the 3G or 4G standards, as they must certify that their products conform to the standard to operate on UMTS or LTE networks. With regards to the SEPs there is no alternative technology to the teachings of the SEP. This technological dependence translates into economic dependence.\textsuperscript{14}

Enforcement of the patents included in the standard will effectively stop production and sales of downstream products using the teachings of the patent.\textsuperscript{15} The threat of patent enforcement translates into an extraordinary bargaining position for the SEP holder, enabling him to extract a large portion of the efficiencies caused by setting the standard. In economic terms, the patent holder extracts the \textit{intrinsic value} of the patent, which is the value of the patent before the standard is set, and is the price that the market is willing to pay (in royalties) for the quality of the technology. The intrinsic value reflects the contribution, by this patented invention to innovation. In addition the patent holder extracts the \textit{strategic value}


\textsuperscript{13} \textit{Huawei} para 46.


that the standard adds to the patent, i.e. the added cost of switching technologies after being locked in to the standard. That means the cost of switching technologies after the patent is implemented in a product – including the costs and risks of production and marketing.\textsuperscript{16}

Competition policy will allow the patent holder to appropriate the intrinsic value of the patent, as it is necessary to allocate these returns on the exclusive right to the patent holder, in order to create incentives to facilitate investment in innovation. The efficiencies created by the standard, attributed to the patent as its strategic value, should not be appropriated by one patent holder, but should benefit competition and ultimately consumers, as the objective of the standard is to facilitate new technology at a lower cost to the market.\textsuperscript{17} These economic concepts can be helpful to decide if a royalty rate is considered FRAND.\textsuperscript{18} The identification of those “exceptional circumstances” where enforcing the patent potentially could amount to abuse under Article 102 TFEU, should isolate those instances where there is an additional strategic value to the patent, and abuse in economic terms can be defined as practices resulting in the patent holder’s appropriation of this added value.\textsuperscript{19}

Striking a balance between free competition and effective judicial protection of intellectual property rights in the standard setting context, means to neutralize the extraordinary bargaining power connected with the threat of enforcement. However, if seeking injunctive relief in relation to the use of SEPs is banned, the extraordinary bargaining power is transferred to the licensee, enabling the potential licensee to appropriate the strategic value of the patent in the form of no or very low royalties (“patent hold-out”). The problem has been to find a solution both to the hold-up and the hold-out situations, in other words, to balance the extraordinary bargaining power resulting from the threat of enforcement of the SEP.\textsuperscript{20} It is in this context, that the abuse test applied by the CJEU in \textit{Huawei}, should be considered.


\textsuperscript{18} As done by the Commission and the General Court in case T-167/08, \textit{Microsoft}, ECLI:EU:T:2012:323, para 142. Cf. Maurits Dolmans and Daniel Ilan, \textit{ibid.} note 16.

\textsuperscript{19} Nicholas Petit, “Injunctions for FRAND-pledged SEPs: The quest for an appropriate test of abuse under Article 102 TFEU”, ECJ 2013 p. 677, on p. 701 f., DOI:10.5235/17441056.9.3.677, argues that a test for abuse relating to the bargaining process is inconsistent with the concept of abuse under Article 102.

\textsuperscript{20} In its investigation of Samsung, IP/14/490, the Commission cleared Samsung under Article 102 TFEU after Samsung committed to not to seek injunctions in Europe on the basis of its SEPs against licensees who signed up to a specified licensing framework; that framework setting out that any dispute over what is FRAND would be decided by an arbitrator. Hereby, the terms of license were not subject to negotiation, but post-closing arbitration, ensuring that Samsung would not have to carry the risk of the licensee’s ability to pay royalties. Moreover, the license terms would have to be publicly available, thereby providing some guarantee that the terms are non-discriminatory. It is not clear whether this would be acceptable after \textit{Huawei}. 

3. The Competition Law – Contract Law Interface

The concept of abuse under Article 102 TFEU is an autonomous economic concept, and it asks if the undertaking unilaterally has used its dominating market position to apply business methods differing from methods governing normal competition, thereby distorting competition.21 Contract negotiations take place within national contract law regimes, as contract law is not generally harmonized in the EU. When Article 102 is applied to license negotiations, a top-down uniform standard for negotiation of FRAND licenses to SEPs, is established.

When referring to contract law principles to define what constitutes abusive business methods, the conceptual differences between contract law and competition law must be observed. First, abuse is an economic concept, aimed at eliminating threats to competition, and directed at unilateral behavior, whereas a pre-contractual good faith standard is a normative concept, which is reciprocal and relative to the relationship between the negotiating parties. Second, the objectives of contract law and competition law are fundamentally different: Competition law protects the market and ultimately consumers by preventing business methods that are restrictive of competition, whereas a pre-contractual good faith standard in contract law protects one contract party against the opportunistic behavior of his counterparty.

There are also variations in the European countries regarding the form and contents of a pre-contractual good faith standard and the remedies available for breach of the standard. In some jurisdictions, contract law has provided a flexible and effective remedy when the threat of enforcement is used inefficiently in license negotiations.22 Other national courts, such as the German courts, led by the BGH in its *Orange Book* decision,23 have applied Article 102 TFEU, and have arrived at a specialized good faith standard as the decisive element in the abuse test.

In jurisdictions, as in the Nordic countries, where there is no clear precedent for denying an injunction if it is contrary to contract law, the remedy for breach of a pre-contractual good faith standard is invalidity if a license has been agreed, or liability for damages.24 The Norwegian Supreme Court in Rt. 1995 p. 1460 found that the omission to notify the buyer of a company that the seller owned a patent potentially preventive to the company’s core business, was disloyal and contrary to the Agreements Act § 33,25 rendering the share purchase agreement

21 *Huawei* para 45.
25 *Act on the Conclusion of Agreements (“Agreements Act”)* of 31 May 1918 no. 4. The pre-contractual good faith standard is only implied in the law of the Nordic countries, its casuistic effects to be seen in the Act § 33 and § 36.
The Supreme Court did state that the patent holder would not be able to enforce the patent in a way that would be disloyal to the buyer. However, this statement was made obiter dictum.

Following the *Huawei* decision, it is clear that enforcing a patent can be contrary to Article 102 TFEU, and to identify abusive conduct, national courts will have to apply the good faith standard defined by the CJEU. National contract law will provide context for this standard, but must not lead to national differences, as this would be contrary to the principle of efficiency in EU/EEA law. Therefore, the uniform model law, as stated in PECL, is used for reference here. National law references are to Norwegian law, which is very closely related to contract law in other Nordic countries.

### 4. The *Huawei* Test for Abuse under Article 102 TFEU Operationalized

#### 4.1 Defining the “exceptional circumstances”

Filing for an injunction to stop patent infringement may only amount to abuse under Article 102 in “exceptional circumstances.” Such circumstances are found if the patent at issue is essential to a standard established by a standardization body, and the patent holder has given an irrevocable undertaking to the standardization body that it is prepared to grant licenses on FRAND terms. This promise creates a legitimate expectation on behalf of third parties that a license can be obtained and that the terms will be FRAND. These legitimate expectations can make standard setting effective, if protected by law. However, to balance the effect that the injunction or the denial of the injunction can have, the protection must be reciprocal, and include the legitimate expectations of the patent holder.

In this situation, the contract law principle of pre-contractual good faith will also apply. Article 1:201 PECL establishes an overriding principle of good faith: “(1) Each party must act in accordance with good faith and fair dealing”. The concept protects legitimate expectations to the counterparty’s behavior, resulting in specific duties, such as the duty of a party not to negotiate a contract with no real intention of reaching an agreement in Article 2:301 and the obligation not to disclose confidential information given by the other party in the course of negotiations in Article 2:302. The concept is broader than any of its specific

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26 The Swedish Supreme Court in NJA 1990 p. 745, applied a pre-contractual good faith standard to failed negotiations for an exclusive dealership agreement. Patent enforcement issues were not raised.


29 *Huawei* para 47.

30 *Huawei* para 49 and 51.

31 *Huawei* para 51.
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applications, and applies in the pre-contractual phase. It is, however, difficult to generalize what can legitimately be expected of the counterparty in individual contract negotiations, as this will largely rest on the discretion of the court, including its morality and contract tradition. The concept, and the ensuring specific duties, is designed to promote efficiency in contract negotiation and negotiation results, which is also one aim of the test for abuse when applied to negotiations for licenses to SEPs.

The comments to UNIDROIT Article 1.7, address the situation where an otherwise legal right is enforced contrary to good faith, characterized as “abuse of rights”: “(…)It is characterised by a party’s malicious behaviour which occurs for instance when a party exercises a right merely to damage the other party or for a purpose other than the one for which it had been granted, or when the exercise of a right is disproportionate to the originally intended result.” The “patent misuse doctrine” in US law allows the courts to deny an injunction if enforcement of the patent constitutes an abuse of the patent right. However, the concept is less used in European law which generally does not recognize inherent remedies in patent law if rights are enforced in a way that does not harmonize with the objectives of patent law.

4.2 Defining the Obligations of the Patent Holder under the Abuse Test by Applying a Pre-contractual Good Faith Standard. 4.2.1 The Obligation to Alert the Alleged Infringer. The CJEU requires of the patent holder first, that he alerts the “alleged infringer of the infringement complained about by designating that SEP and specifying the way in which it has been infringed”. Because of the number of patents involved in some standards, there is a chance that the alleged infringer is unaware that he could be using the teachings of the patent. When preparing to enforce a patent, it is good business practice to alert the infringer of the possible infringement, by sending a so-called “cease and desist”-letter. The definition of patent infringement does not carry a subjective requisite, but to be able to claim damages in addition to a license fee, the patent holder must demonstrate that the infringer acted in bad faith or with negligence.

Under the Norwegian Patent Act § 58, the patent holder can claim a reasonable license fee from infringers acting in good faith. When the patent holder has undertaken to license the patent on FRAND terms, it is unlikely that the patent holder will suffer other losses than the FRAND royalty rate. Whether the licensee has acted in good faith or with negligence will in that case be less important. However, the courts will be reluctant

35 Huawei para 61.
36 Huawei para 62.
to award compensation for lost royalties or damages for losses that the patent holder could have avoided by alerting the alleged infringer of the patent.\textsuperscript{40}

The obligation to alert the alleged infringer is in patent enforcement not a condition for filing an injunction, but a normative element in the qualitative assessment of the parties’ actions under the law, impacting the degree of protection that the law offers for the respective interests of the parties.\textsuperscript{41} When tied in with the abuse test under Article 102 TFEU, the “cease and desist” letter becomes a prerequisite for injunction in those instances.

4.2.2 The Obligation to Engage in Good Faith in Real Negotiations. When the potential licensee has expressed his willingness to conclude a license on FRAND terms, the relationship between him and the patent holder evolves into a negotiation for license terms.\textsuperscript{42} When defining how the negotiations must be carried out, the CJEU applies the model of offer and acceptance, but with some deviations from the model in PECL. The patent holder is required to present a “written offer for a license”.\textsuperscript{43} Article 2:201 PECL, is neutral with regards to which party makes the offer. The requirement, for the offer to be in writing, also deviates from the general principle that oral and written agreements are equally binding.\textsuperscript{44}

The obligation on the potential licensee to respond, closely corresponds with the applications of the good faith principle in PECL. The potential licensee must “diligently respond to that offer, in accordance with recognized commercial practices in the field and in good faith, a point which must be established on the basis of objective factors, and which implies, in particular, that there are no delaying tactics.”\textsuperscript{45} The time allowed for deliberations before responding, must be decided individually.\textsuperscript{46} Article 2:206(2) PECL requires that the acceptance must reach the offeror “within reasonable time”. Under Nordic law, the legit-

\textsuperscript{40} Under the Norwegian Civil Disputes Act of 17 June 2005 no. 90 § 5-2, the claimant is obliged to alert the defendant of his claim in writing before filing a writ. The obligation has the form of a prerequisite for filing the writ, but the breach of this obligation will only have an impact on the award of costs, ref. § 20-4.
\textsuperscript{41} Cf. discussion in Are Stenvik, “Patentrett”, 2013, pp. 405–406.
\textsuperscript{42} The CJEU refers to the infringer as both “competitor” and “licensee”, muddling the analysis of the effects on competition of the actions in question, cf. Bjørn Lundquist, “The Interface between EU Competition Law and Standard Essential Patents – from Orange-Book Standard to the Huawei Case”, ECJ, 11:2-3, 367–401, on p. 391, DOI:10.1080/17441056.2015.1123455.
\textsuperscript{43} Huawei para 63. In the Orange Book decision of 6 May 2009, KZR 39/06, GRUR 2009 p. 694, the duty to make the first offer was placed on the licensee.
\textsuperscript{44} Cf. Article 2:101(1) PECL. For Norwegian law, see Kong Christian V Norske Lov 15 April 1687 5–1–1.
\textsuperscript{45} Huawei para 65.
\textsuperscript{46} Cf. Opinion of the Advocate General, case C-170/13, Huawei, ECLI:EU:C:2014:2391, para 89: “The time frame for the exchange of offers and counter-offers and the duration of the negotiations must be assessed in the light of the ‘commercial window of opportunity’ available to the SEP-holder for securing a return on its patent in the sector in question”.

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imate expectations of the offeror are decisive, allowing time only for the other party to consider the offer.47

Only if the licensee does not accept the terms, is he obliged to respond in writing: he must submit to the right holder, “promptly and in writing, a specific counter-offer”. 48 “Promptly” implies a very short response time. Article 2:208 PECL applies the “reasonable time” standard to all correspondence during negotiations. The time limit for a counter-offer is relative and individual, and can be quite strict depending on the circumstances. When the licensee is already using the patent, a license must be concluded quickly, and a counter-offer initiates negotiations about the license terms, thus the time-limits should be strict.

Identifying “delaying tactics” will also depend on individual analysis. A delay that is in fact a withdrawal from negotiations can be contrary to Article 2:301 PECL. In Nordic law, the pre-contractual good faith standard includes possible liability for damages if negotiations are broken off contrary to good faith49 or if a party enters into negotiations without a real intention of reaching agreement.50 However, to decide if a “delaying tactic” is employed, the courts must make a qualitative assessment of whether the potential licensee is acting in good faith, falling back on the overriding principle of pre-contractual good faith, cf. Article 1:201 PECL.

In order to facilitate effective negotiations, despite the fact that the licensee is already using the patent, the CJEU obliges the licensee to provide appropriate security from the point at which his counter-offer is rejected.51 Thereby, the risk that no license is concluded, or that the licensee is unable to pay the accumulated royalties, is minimized.52

The validity of the patent and the patent’s status as essential to the standard, are subject to ex post judicial control. The good faith standard in contract law, could entail an implied obligation on behalf of the licensee not to challenge the validity of the patent or its status as a SEP.53 Competition policy, however,

47 See the Agreements Act § 3 and Jo Hov og Alf Petter Høgberg, “Almannelig avtalerett”, 2009, p. 131. Jan Ramberg and Christina Ramberg, “Allmän avtalsrätt”, 2016 p. 92 emphasizes that the acceptance time is short. See also NJA 2004 p. 862, concerning settlement negotiations, taking into account the costs related to prolonged negotiations.
48 Huaweipara 66.
51 Huaweipara 67. One month after rejection of a counter offer was too late to be “Huaweicompliant”, Regional Court of Düsseldorf, judgment of 3 November 2015, cases no 4a O 93/14 and 4a O 144/14, under appeal.
52 Huaweipara 68.
requires that agreements do not contribute to maintain invalid patents, and this is implemented in the abuse test under Article 102 TFEU.54

4.2.3 Judicial Control with FRAND Terms. An important question remaining, after Huawei, is the definition of FRAND terms.55 The CJEU requires that the SEP holder offers a license “on FRAND terms, in accordance with the undertaking given to the standardization body, specifying, in particular, the amount of the royalty and the way in which that royalty is to be calculated”.56 A counter-offer from the potential licensee must also “correspond(s) to FRAND terms”.57 Hence, the CJEU first recognizes that there is room for negotiation, and so FRAND should be seen as an interval, within which the parties can negotiate the terms appropriate for their agreement.58 Second, by including the contents of the offer and counter-offer in the abuse test, the parties will have to carry the risk of their own definition of FRAND. The question is whether the courts will have to define FRAND or if judicial control is limited to an overall control with the good faith standard. This depends on interpretation of the CJEU’s statements in Huawei.

The pre-contractual good faith standard requires that negotiation efforts are real, and that both parties enter into negotiations with the intent to reach an agreement, cf. Article 2:301 PECL. This obligation is also embodied in the specific requirements of the offer. An offer must be intended to result in a contract if accepted, and therefore the offer must contain sufficient terms to form a contract, cf. Article 2:201 PECL.59 The offer should be sufficient to create a legitimate expectation on behalf of the other party that an agreement can be reached on

54 Huawei para 69. See for example the Technology Transfer Regulation, Regulation (EU) 316/2014, Article 5 (1) b).

55 Recent case-law from Germany is illustrative: The Higher Regional Court of Düsseldorf, decision of 13 January 2016, I-15 U 65/15 and I-15 U 66/15, examined whether the license offer was on FRAND terms. The Regional Court of Mannheim, however, has limited its examination to whether the license terms were obviously non-FRAND, cf. decisions of 3 March 2016, 7 O 96/14 and of 27 November 2015, 2 O 106/14. The Higher Regional Court of Karlsruhe, on 31 May 2016, 6 U 55/16, overturned the latter decision, finding it necessary to review whether the offer was FRAND, but granted the SEP owner leeway in determining the license terms, thereby defining FRAND as an interval. The cases are still under appeal. Further questions discussed by Pedro Henrique D. Batista and Gustavo Cesar Mazutti, “Comment on ‘Huawei Technologies’ (C-170/13): Standard Essential Patents and Competition Law – How Far Does the CJEU Decision Go?”, IIC (2016) 47:244–253, DOI 10.1007/s40319-016-0447-z.

56 Huawei para 71 ref. 63.

57 Huawei para 66, but not repeated in 71 or 77. The Advocate General, case C-170/13, Huawei, ECLI:EU:C:2014:2391, para 92, had proposed that the courts must assess whether there “was a real possibility of negotiating FRAND terms”, but with regards to a counter-offer, judicial control could be limited to assess whether its contents were appropriate under the circumstances, i.e. only assessing its relativity to the offer from the patent holder.

58 Confirming the opinion of the General Court in case T-167/08, Microsoft v. Commission, ECLI: ECLI:EU:T:2012:323.

59 Cf. Opinion of the Advocate General in case c-170/13, Huawei, ECLI:EU:C:2014:2391, para 85 “(…) contains all the terms normally included in a licence in the sector in question (…)”.

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the offered terms.60 Nordic law normally requires that the contract object is
defined, that the price is agreed and that the facts defining the price are clear.61
Judicial control with the contents of agreements based on a pre-contractual good
faith standard, would, however, be limited to determining whether the offer and
counter-offer were made in good faith, and any control with the contents would
only be to ensure that the offers were “real” offers.62

The CJEU requires that the patent holder must ensure that the offer is com-
pliant with the condition of non-discrimination, if he has chosen not to make
public his standard license terms or his license agreements with other licensees.
The CJEU has applied Article 102 to contract obligations in other cases, but not
more precisely than by finding abusive conduct where there is a severe mismatch
between the price and the contract object.63 To assess whether the terms are in
fact FRAND, will entail a far more detailed and complex assessment.

Finally, the CJEU does not provide any guidance as to the contents of
FRAND. In my opinion, contract law is useful for defining the good faith
standard, and to provide context for the duties that the parties must fulfil during
license negotiations, but less helpful to define FRAND terms.64 The definition
of FRAND, especially the royalty rate, is decisive for how the efficiencies created
by the standard will benefit the market (or be appropriated by the SEP holder),
and so the courts should incorporate patent economics as well when defining
FRAND.65 The level of judicial control will have to be set by national courts
applying the Huawei rationale and subject to control by the CJEU.

5. Conclusion. The Efficiency of Standards is Improved,
but FRAND is still a Hazy Concept

The Huawei decision represents an important step in the continuously devel-
oping interface between intellectual property law and competition law. The
CJEU confirms that Article 102 TFEU applies to license negotiations under de
jure standards, thus it provides a potent remedy against ineffective license
negotiations. Under Article 102 TFEU it is possible to balance out the extraordinary
bargaining power that the threat of enforcement of an SEP entails.

sen, “Avtaler”, 2012 p. 49, Torgny Håstad, “Avtaldagens modell for för avtals ingående, disens,
fullmakt, misstag med mera”, in Mads Bryde Andersen et al. (ed.), “Aftaleloven 100 år”, 2015,
62 Cf. also the Agreement Act § 33 and § 36.
63 Cf. cases C-52/07, STIM, ECLI:EU:C:2008:703 and C-385/07, Der Grüne Punkt,
ECLI:EU:C:2009:456. Both concerned the level of royalty rates in a copyright and a trademark
license.
64 Cf. Kristian Henningsson, “Injunctions for Standard Essential Patents Under FRAND Commit-
016-0474-9, emphasizing that a FRAND royalty level must be defined to assess the behavior of
the parties.
65 Cf. discussion under paragraph 2.2 and note 20 especially.
To define abusive practices, the CJEU applies a good faith standard. This standard can be better understood when analyzed from a contract law perspective, as a pre-contractual good faith obligation has firm basis in common principles in European contract law. Through the application of Article 102 TFEU, the CJEU imposes a uniform good faith standard to license negotiations under de jure standards, thereby contributing to the efficiency of standardization, but also demonstrating that contract law concepts must take content from other areas of law, such as competition law.

Finally, it remains open to what extent national courts must define FRAND terms under Article 102 TFEU. To apply a good faith standard, it suffices to review whether the offer and counter-offer are real efforts to reach an agreement, and, as demonstrated here, FRAND is an interval. However, to correctly define FRAND, it is necessary to apply a test for abuse which is directed at the contents of the agreement contents, and the royalty rate in particular. When defining this test, patent economics should be incorporated to ensure that the economic efficiencies created by the standard, shown in the patent’s strategic value as opposed to its intrinsic value, benefit the market and ultimately consumers, and is not appropriated by either the patent holder or the licensee.