

Standard-Essential Patents and Pooling

July - September 2014 Developments

By Kenneth M. Frankel, John C. Paul, and Flora M. Amwayi

U.S. Litigation

1. SD3 v. Black & Decker

Court dismisses antitrust and “standards conspiracy” lawsuit, finding allegations that plaintiff’s technology was excluded from industry’s standards insufficient to support plaintiff’s antitrust claim: July 15, 2014: A District Court recently dismissed an antitrust and “standards conspiracy” lawsuit brought by plaintiffs SD3 and SawStop against about twenty defendant manufacturers, including Black & Decker, Emerson, and Ryobi. Plaintiffs alleged that the manufacturers conspired to boycott plaintiffs and exclude their technology from the industry’s product-safety standards. Plaintiffs further alleged that they suffered economic harm from the resulting exclusion of plaintiffs’ technology from the standards. The court held that the standard-setting organization did not exclude plaintiffs’ technology from the market but merely declined to impose it upon the market, choosing instead to allow other technologies to compete with plaintiffs’ technology. The court also found that defendants’ alleged domination of the standard-setting process in accord with their own economic interests did not amount to an antitrust violation. The decision is on appeal in the Fourth Circuit. *SD3 v. Black & Decker (U.S.), Inc.*, 2014 U.S. Dist. LEXIS 96256 (E.D. Va. 2014).

2. Fujitsu v. Tellabs

Jury finds that plaintiff breached RAND obligation by pursuing injunctive relief and failing to offer RAND license: July 23, 2014: A jury found that plaintiff Fujitsu breached its RAND obligation by failing to offer a RAND license and suing defendant Tellabs for injunctive relief based on the alleged infringement of a standard-essential patent. In its counterclaims, defendant alleged that plaintiff’s letter to ITU, a standard-setting organization, was an agreement to license the patent-at-issue on RAND terms, and that the patent-at-issue was standard-essential. Plaintiff argued that the patent was not standard-essential, that ITU had not an accepted offer to grant a license to the patent on RAND terms, and that plaintiff was therefore under no obligation to offer a RAND license. The jury found that the patent was standard-essential, and that plaintiff Fujitsu had breached its RAND obligation. *Fujitsu Network Communications Inc. et al. v. Tellabs Inc. et al.*, Case No. 1:09-cv-04530 (N.D. Ill. 2014).

3. CSIRO v. Cisco

Court uses end product price instead of product component price as basis for reasonable royalty rate for standard-essential patent: July 23, 2014: A district court held that defendant Cisco’s end product price was the most appropriate royalty base for a reasonable royalty rate determination. Plaintiff CSIRO sued Cisco for infringement of a standard-essential patent. The parties stipulated the patent to be infringed and essential to various versions of the IEEE 802.11 standard, with a RAND obligation applying only to one version of the standard, a version that covered a small set of the accused products. The parties also agreed to try the case only on damages. Finding that CSIRO’s RAND obligations would insignificantly impact the royalty determination, the court relied instead on the traditional *Georgia-Pacific* royalty analysis. The court held that product component prices did not accurately capture the value of the patent in light of pervasive infringement of plaintiff’s patent, which artificially deflated the price of the product components. The court ultimately determined a reasonable royalty of \$16 million based on defendant’s end product prices. *Commonwealth Scientific and Industrial Research Organisation v Cisco Systems, Inc.*, 6:11-cv-00343-LED (E.D. Tex. 2014).

4. InterDigital's ITC investigation against Nokia and ZTE

ITC terminates InterDigital's ITC investigation against Nokia and ZTE without addressing RAND-related defenses:

August 28, 2014: The ITC issued a decision finding no violation by respondents' Nokia and ZTE, and terminating the investigation. The Commission did not address the ALJ's Initial Determination that respondents failed to demonstrate that complainant InterDigital had breached any RAND obligations, reasoning that it would be more efficient to address the issue, if needed, following the final disposition of a pending appeal in *InterDigital Communications LLC v. ITC*, No. 2014-1176 (Fed. Cir.). *In the Matter of Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof*, Inv. No. 337-TA-868 (ITC August 28, 2014).

Settlements of Litigation

1. Following Carsem's settlement with Amkor, ITC rescinds decision where the Commission issued a limited exclusion order against Carsem and rejected Carsem's RAND-related defenses

June 24, 2014: Amkor and Carsem filed a joint petition to rescind a limited exclusion order entered against Carsem. The joint petition was based on the parties' settlement agreement following an ITC decision issuing the limited exclusion order and rejecting Carsem's RAND-related defenses. Under the settlement agreement, the parties agreed to end all related proceedings and to non-exclusive worldwide cross-licenses to the respective patents. Additionally, Carsem will pay Amkor an undisclosed sum. (See [Federal Register notice](#); [Amkor's press release](#); [Carsem's press release](#))

2. Court grants joint petition to vacate final judgment finding that Belkin infringed Ericsson's standard-essential patents

July 14, 2014: A District Court granted a petition to vacate a final judgment against Belkin following settlement between Ericsson and Belkin. The settlement followed a jury verdict finding that Belkin and several other WiFi equipment manufacturers infringed Ericsson's standard-essential patents. The petition granted the parties' request to dismiss the claims with prejudice and to have the final record reflect the same. The case as to the other manufacturers, including D-link, Acer, Gateway, Dell, Netgear, and Toshiba, is under appeal. (See [court order](#))

3. Apple and Samsung agree to end all non-US litigation following decision by Japan's High Court allowing SEP damages but denying injunctive relief

August 5, 2014: Apple and Samsung reportedly agreed to drop all pending non-US patent litigation, including SEP-related lawsuits. The settlement comes just months following a May 2014 decision by Japan's IP High Court denying Samsung injunctive relief against Apple in its enforcement of a standard-essential patent but granting Samsung the equivalent of a RAND royalty in damages. The agreement does not include licensing agreements and does not affect litigation in the US. (See [Financial Times article](#))

Legislation and Regulations

1. The House of Representatives' Energy and Commerce's Trade Subcommittee reviews Targeting Rogue and Opaque Letters (TROL) Act

July 10, 2014: The Targeting Rogue and Opaque Letters (TROL) Act, which was introduced to address abuse of demand letters by so-called "patent trolls," was reviewed by the House Subcommittee on Commerce, Manufacturing and Trade. The subcommittee amended and forwarded the bill to the full Committee for further consideration. The bill would call for more transparency and precision in patent infringement demand letters and codify the power of the Federal Trade

Commission and state Attorneys General to police abusive demand letters and impose penalties. (See [House Committee on Energy and Commerce release](#))

2. Office of Management and Budget Action approves FTC's study on patent assertion entities

August 8, 2014: The Office of Management and Budget Action approved the U.S. Federal Trade Commission's study on Patent Assertion Entities. The study will look at PAEs' corporate legal structures, acquisition, and holding of patents, and patent assertion activities, and will consider, among other topics, FRAND commitments made to standard-setting organizations and third parties. (See [Office of Management and Budget Action notice](#); [FTC's Federal Register notice](#))

International

1. China - AIPLA and ABA provide comments on China's proposed regulation related, respectively, to China's Antimonopoly law and interpretation of patent infringement cases

July 10, 2014 and August 29, 2014: AIPLA recently provided comments on specific articles of China's State Administration for Industry and Commerce published proposal of Rules related to Antimonopoly law. The proposed Rules address anti-competitive conduct with respect to intellectual property rights, including standard-essential patents and patent pools. ABA similarly provided comments to the Chinese Supreme People's Court on a draft interpretation of law related to patent infringement cases. (See [AIPLA's comments](#); [ABA's comments](#))

2. Europe – European Court of Justice (CJEU) hears arguments on whether injunctive relief should be prohibited in the context of standard-essential patents

September 15, 2014: The EU Court of Justice heard arguments in Huawei v. ZTE, a case referred to the CJEU from German lower court. The case arises from Huawei's lawsuit against ZTE for injunctive relief based on the alleged infringement of a standard-essential patent relating to the LTE standard. The CJEU is expected to decide on the issue of whether injunctions should be prohibited in the context of SEPs, before returning the case to the lower court. (See [World Intellectual Property Review article](#)).

Portfolio Acquisitions and Licensing Agreements

1. Technology companies enter into license-on-transfer agreement

July 9, 2014: A group of technology companies, including Asana, Canon, Dropbox, Google, Newegg, and SAP, announced the formation of a private alliance called License on Transfer (LOT) network. Under the alliance, while participants can sue each other for infringement, each participant grants other participants a royalty-free license that becomes effective only when the patent is sold to a non-participating third party. (See [Bloomberg article](#); [Google release](#); [LOT Network website](#))

2. Xerox sells 546 patents in sealed-bid auction

July 15, 2014: Xerox, in conjunction with ICAP Patent Brokerage, conducted a sealed-bid patent auction of 546 US and foreign patents and patent applications across over 25 technologies. The auction date, originally slated for end of July 2014, was extended to September 2014. It is unclear whether SEPs were included in the portfolio. (See [ICAP Patent Brokerage article](#))

3. Alcatel Lucent sells over 820 patents in sealed-bid auction

August 4, 2014: Alcatel Lucent, using ICAP's Patent Brokerage Service, announced a plan to conduct a sealed-bid auction of over 820 patents that included patents across 14 technologies. The Auction was slated for early October. It is unclear whether SEPs were included in the portfolio. (See [ICAP Patent Brokerage article](#))

4. Intel acquires portfolio of over 1,400 patents from affiliate of Gores Group

September 10, 2014: Intel acquired over 1,400 patents and patent applications from an affiliate of the Gores Group. The patents, acquired by Gores Group during PowerWave Technologies' chapter 11 bankruptcy, relate to "telecommunications infrastructure" technologies. Financial terms were not disclosed. It is unclear whether SEPs were included in the portfolio. (See [Intel's press release](#))

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