

Standard-Essential Patents and Pooling

July - September 2015 Developments

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U.S. Litigation and PTAB Proceedings

1. Microsoft v. Motorola

Ninth Circuit upholds \$14.5 million jury award based on a finding that Motorola breached its RAND obligations, affirming Judge Robart's RAND rate determination: July 30, 2015: The Ninth Circuit affirmed a jury verdict awarding \$14.5 million to Microsoft based on a conclusion that Motorola had breached its contractual obligation of good faith and fair dealing regarding licensing standard-essential Wi-Fi and video coding patents on RAND terms. Microsoft alleged that Motorola breached its RAND obligations with its high opening offer to license its standard-essential patents and by seeking an injunction in Germany. The jury, relying in part on a court-determined RAND rate and range that was far less than Motorola's opening offer, awarded Microsoft \$14.5 million in damages and attorney fees for the injunction action after finding that Motorola breached its obligation to license the patents on RAND terms by the opening offer or bringing the injunction suit. Motorola appealed. The Ninth Circuit held that the lower court's decision, notable for being the first judicial determination of a RAND royalty rate, was not based on a legal error or on a clearly erroneous view of the facts, but was well-reasoned and in accordance with the Federal Circuit's approach for establishing damages in the RAND context, even though this was a contract case and not a patent infringement suit. The parties announced settlement of all ongoing litigation on September 30, 2015. *Microsoft Corp. v. Motorola Inc.*, No. 14-3593, 2015 WL 4568613 (9th Cir. July 30, 2015).

2. TCL v. Ericsson

Court partially grants anti-suit injunction motion barring Ericsson from pursuing foreign litigation based on standard-essential patents: July 10, 2015: A district court issued an order partially granting TCL's anti-suit injunction motion to bar Ericsson from pursuing foreign litigation on Ericsson's standard-essential patents related to 2G, 3G, and 4G standards, pending resolution of a related negotiation between the parties to license Ericsson's standard-essential patent portfolio on RAND terms. TCL sued Ericsson, alleging breach of Ericsson's contractual obligation to license its standard-essential patents on RAND terms. Ericsson filed a counterclaim for a declaratory judgment, alleging that TCL had failed to act in good faith during negotiations. The anti-suit injunction would expire after final judgment, including all appeals, on the pending litigation between the parties. *TCL Communication Technology Holdings Ltd. et al. v. Telefonaktiebolaget LM Ericsson et al. and Telefonaktiebolaget LM Ericsson et al. v. TCL Communication Technology Holdings Ltd. et al.*, No. 8:14-cv-00341 (C.D. Cal. July 10, 2015).

3. ASUS v. InterDigital

Court issues order partially granting InterDigital's motion to compel arbitration of ASUS's antitrust lawsuit alleging that InterDigital abused its market position by refusing to license its patents on RAND terms: August 25, 2015: A court partially granted InterDigital's request to force arbitration of ASUS's antitrust lawsuit against InterDigital or to stay proceedings pending resolution of the arbitration. ASUS alleged that InterDigital abused its market position by charging unreasonable royalty rates for its standard-essential patents and threatening action before the ITC to force acceptance of the licensing terms. InterDigital alleged that ASUS's lawsuit sought to bypass a previously-negotiated dispute resolution process between the parties. *ASUS Computer International et al. v. InterDigital Inc. et al.*, No. 5:15-cv-01716 (N.D. Cal. August 25, 2015).

4. InterDigital ITC Investigation: Nokia and ZTE

ITC terminates the investigation against Nokia, finding that Nokia does not infringe InterDigital's standard-essential patents: August 28, 2015: The ITC found that Nokia's accused mobile phones did not infringe InterDigital's standard-essential patents related to the 3GPP standard. The Commission, disagreeing with an ALJ's final initial determination issued in April 2015, found that issue preclusion applied with respect to the proper construction of a claim limitation, based on an earlier Commission determination in the case that was affirmed by the Federal Circuit. The Commission did not address the RAND-related defenses. Certain 3G Mobile Handsets and Components Thereof, Inv. No. 337-TA-613, Commission Determination Finding No Violation of Section 337; Termination of Investigation (ITC, August 28, 2015).

5. ZTE v. IPR Licensing

PTAB invalidates all challenged claims of InterDigital's standard-essential patent in AIA inter partes review: September 14, 2015: The PTAB held that Microsoft and ZTE had demonstrated that the challenged claims of InterDigital's wireless data communication patent were obvious in view of a combination of an earlier issued patent and technical publications by IEEE and ETSI. The IPR was related to two underlying infringement suits brought by InterDigital, the first against ZTE that resulted in a jury finding of infringement, and the second against Microsoft's Nokia unit that was pending a summary judgment determination of infringement. ZTE Corp. et al. v. IPR Licensing Inc., Case IPR2014-00525 (PTAB, September 14, 2015).

Settlements of Litigation

Microsoft and Google settle all ongoing patent infringement litigation

September 30, 2015: Microsoft and Google announced an agreement to settle all pending patent infringement litigation between the companies, including lawsuits related to Motorola Mobility. The terms of the license were not disclosed. (See [Bloomberg article](#)).

Legislation and Regulations

1. FTC Chairwoman submits comments to ITC regarding how the ITC should handle the RAND defense as part of its public interest analysis prior to issuing an exclusion order

July 13, 2015: FTC Chairwoman Edith Ramirez, writing for herself and not the Commission, submitted written comments in response to the ITC's request for written submissions in the InterDigital/Nokia Investigation No. 337-TA-613. She recommended that, to satisfy 13 U.S.C. §§ 1337(d)(1) and (f)(1)'s the public interest requirement, the standard-essential patent holder should bear the burden of rebutting an implementer's affirmative RAND defense. She said that the ITC should require a standard-essential patent holder to prove that the implementer is unwilling or unable to take a RAND license. She also suggested that the patentee could meet this burden with evidence showing that the implementer refused to negotiate for a license or otherwise engaged in reverse hold-up. (See [Ramirez's written submission to ITC](#)).

2. FTC Commissioners Ohlhausen and Wright submit comments to the ITC regarding how the ITC should handle the RAND defense as part of its public interest analysis prior to issuing an exclusion order

July 20, 2015: Also in Investigation No. 337-TA-613, FTC Commissioners Maureen Ohlhausen and Joshua Wright, similarly writing for themselves and not the Commission, submitted comments recommending against a presumption of patent hold-up when adjudicating the public interest inquiry, and that the complainant should not bear the burden of rebutting the respondent's affirmative RAND

defense. The Commissioners supported ALJ Essex's evidence-based approach to the public interest analysis. (See [Ohlhausen and Wright's reply submission to ITC](#)).

3. FTC Commissioner and U.S. Circuit Judge submit comments to Japan's Fair Trade Commission (Japan's FTC) regarding amendment to guidelines on the use of IP under Japan's Antimonopoly Act

August 3, 2015: FTC Commissioner Joshua D. Wright and Judge Douglas H. Ginsburg of the U.S. Court of Appeals in Washington, D.C. submitted comments to Japan's FTC in response to a request for public comments on the draft partial amendment to the guidelines for use of IP under Japan's Antimonopoly Act. Their comments criticized the draft amendment, which proposes that seeking injunctive relief against a party willing to license a RAND-encumbered standard-essential patent may constitute unlawful exclusion of business activity or an unfair trade practice under Japan's Antimonopoly Act. They explained that the draft amendment was premised upon a faulty assumption that lacked empirical support and was likely to deter patentees from participating in standard-setting. The comments recommended that the amendment be deleted in their entirety or amended to limit liability to where there is proof of a patent "holdup." (See [Wright and Ginsburg's comments to Japan's FTC](#)).

4. FTC Commissioner and U.S. Circuit Judge issue comments on Canadian Competition Bureau's update of its IP Enforcement Guidelines

August 10, 2015: FTC Commissioner Joshua D. Wright and Judge Douglas H. Ginsburg of the U.S. Court of Appeals in Washington, D.C. submitted comments to Canada's Competition Bureau in response to the draft update of the Bureau's IP Enforcement Guidelines. The comments proposed various amendments to the update and recommended against the imposition of a competition law sanction for seeking injunctive relief in an infringement action involving a RAND-encumbered standard-essential patent. They commented that there is no empirical evidence to support such a sanction, and that the sanction was likely to result in a reduction in incentives to innovate and deterrence of participation in standard setting. (See [Wright and Ginsburg's comments to Canada's Competition Bureau](#)).

5. U.S. Federal Trade Commission issues policy statement outlining enforcement principles under Section 5 of the FTC Act

August 13, 2015: The FTC issued a statement describing the legal framework and public policy underlying the agency's application of its standalone statutory authority to take action against unfair methods of competition under Section 5 of the FTC Act. The statement, which the Commission asserted aligns Section 5 of the FTC Act with the Clayton and Sherman Acts, said that the promotion of consumer welfare will guide the Commission's actions. Commissioner Ohlhausen issued a dissenting statement criticizing the manner in which the policy was issued. In particular, she noted that the approach was too abbreviated in substance and raised more questions than answers. The Commissioner also took issue with the FTC's failure to seek public input on the interpretation of Section 5, an interpretation she criticized as being unbounded and likely to encourage exercise of the standalone authority. (See [FTC statement](#); [Commissioner Ohlhausen's dissenting statement](#)).

6. Department of Justice Assistant Attorney General issues statement on role of competition agencies when patents become standard-essential

September 11, 2015: Asserting that competition may suffer when standard-essential patent holders breach their contractual obligations to license the patents on RAND terms, Assistant Attorney General for the Antitrust Division Baer also noted that competition agencies should be cautious about when to intervene. AAG Baer explained that the agencies may address such behavior in appropriate circumstances, for instance, by giving guidance to standard-setting organizations on rules that can

address such behavior without risking antitrust challenge from the competition agencies. (See [U.S. Assistant Attorney General Bill Baer's speech](#)).

International

1. Japan - Japan's FTC requests public comments on Draft Amendment to the Guidelines for the Use of Intellectual Property under Japan's Antimonopoly Act

July 8, 2015: Japan's FTC published a press release inviting public comments on its draft modifications to guidelines for use of IP under Japan's Antimonopoly Act. The amendments specify that seeking an injunction against a party willing to license a standard-essential patent on RAND terms may constitute an unlawful exclusion of business activities or an unfair trade practice under Japan's Antimonopoly Act, irrespective of whether the action for injunctive relief is brought by the patentee who made the RAND commitment or a party that is either assigned or entrusted to manage a RAND-encumbered patent. The comment period ended on August 6, 2015. (See [Japan's FTC press release](#)).

2. EU - European Union High Court gives guidance on seeking injunctive relief on RAND-encumbered standard-essential patents (Huawei v. ZTE)

July 16, 2015: The European Court of Justice (CJEU) held that an infringement action for injunctive relief, when brought by a standard-essential patent owner who has a dominant market position, may constitute abuse of a dominant position in certain circumstances, and gave guidance on how to avoid that abuse. Huawei entered into licensing negotiations with ZTE regarding Huawei's standard-essential patents related to the LTE standard. When the negotiations failed, Huawei sued ZTE, seeking damages and an injunction. A lower court found that Huawei had a dominant market position, but sought the CJEU's guidance on whether Huawei had abused its market position by seeking injunctive relief. The CJEU held that, to protect against a violation, prior to seeking injunctive relief a patentee who has a dominant market position must alert the alleged infringer about the infringement and make a specific written license offer on RAND terms, outlining details such as the proposed royalty and how it is to be calculated. The CJEU clarified that an alleged infringer also must respond to the patentee's offer diligently and in good faith by making a specific written counter-offer on RAND terms and providing a security based on alleged past infringement prior to challenging the patentee's behavior. (See [CJEU's decision](#)).

3. South Korea - South Korea's Fair Trade Commission (Korea's FTC) conditionally approves Microsoft's acquisition of Nokia's mobile devices and service business

August 24, 2015: After over two years of review, Korea's FTC conditionally approved Microsoft's acquisition of Nokia's devices and service business, but imposed conditions aimed at addressing concerns that Microsoft, which controlled a significant number of standard-essential patents, may use the acquisition to gain an unfair market advantage over local mobile device manufacturers, LG and Samsung. This was the last remaining regulatory review of the transaction, which was announced in September 2013. (See [IAM Media article](#); [CNET article](#); [Business Korea article](#)).

4. India - Delhi court issues interim order granting injunction in Ericsson v. iBall

September 2, 2015: The Delhi High court issued an interim order granting Ericsson an injunction against electronics manufacturer iBall, prohibiting iBall from importing and selling devices that allegedly infringe Ericsson's standard-essential patents. The case arose when Ericsson filed a lawsuit alleging that iBall had refused to sign a license agreement covering Ericsson's standard-essential patents. iBall argued that Ericsson had failed to specify which patents were allegedly infringed or proven that the patents were standard-essential. Ericsson countered that iBall had admitted to essentiality of the patents in suit in prior antitrust proceedings before India's competition

commission. The court held that there was prima facie evidence that iBall was an unwilling licensee, and that Ericsson would suffer irreparable injury if iBall kept marketing the allegedly infringing devices without entering into a RAND agreement or paying royalties. Explaining that an interim injunctive relief order would not harm any non-infringing products, the court concluded that the balance of convenience favored Ericsson. (See [Delhi High Court order](#)).

Portfolio Acquisitions and Licensing Agreements

1. Google's reports results of Patent Purchase Promotion

August 3, 2015: Google reported receiving thousands of entries as part of its patent purchase promotion program. Under the program, which aimed at simplifying the patent marketplace for smaller participants and eliminating complications that exist in the secondary patent market, Google opened a portal in May 2015 for patentees to submit details on patents they were willing to sell. Google would then review all submissions, notify participants whose patents they were interested in purchasing by June 2015, and close the transaction by August 2015. Google reported that 47% of the entries were priced under \$100,000 while 21% were priced over \$1 million. Companies, brokers, and individuals submitted 40%, 35%, and 25% of the entries, respectively. (See [Inside Counsel article](#); [Google Patent Purchase Promotion program](#)).

2. Technicolor and Fraunhofer IIS announce licensing program for standard-essential patents for MPEG-H Audio Alliance TV system

August 25, 2015: Technicolor and Fraunhofer IIS announced a licensing program as part of the market launch of an MPEG-H Audio Alliance TV system, which is being considered for the ATSC 30 standard. The licensing program, which will cover standard-essential patents for the TV system, will reportedly be administered by Technicolor's subsidiary, Thomson Licensing, SAS. (See [Technicolor press release](#); [Fraunhofer IIS press release](#)).

3. Ericsson invites participation in joint licensing program for standard-essential patents related to Internet of Things (IoT) technologies

September 10, 2015: Ericsson announced the launch of a joint licensing program for cooperatively licensing standard-essential patents for IoT devices. In addition to simplifying emerging use and promoting faster adoption connectivity technologies such as LTE-based LPWA, the program is aimed at promoting competition, offering customers more choice, and rewarding the companies that develop the technologies enabling the IoT standards. (See [Ericsson's press release](#)).

4. 3G-4G Licensing S.A. reportedly acquires over 400 patents and patent applications from Orange S.A.

September 24, 2015: 3G-4G Licensing S.A., a subsidiary of Sisvel Group, reportedly acquired over 400 patent and patent applications from Orange S.A. The portfolio includes standard-essential patents related to various ETSI mobile communication standards. 3G-4G Licensing reported plans to make acquired LTE patents available through Sisvel's LTE patent pool. Sisvel Group previously licensed Orange's patents through the MPEG Audio patent pool. (See [Business Wire article](#)).

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