

Standard-Essential Patents and Pooling

October 2015 - February 2016 Developments

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U.S. Litigation

A. Ericsson and Apple - ITC proceeding

ITC ALJ denies motion to compel FRAND-related discovery: November 10, 2015: The ALJ denied Ericsson's motion to compel discovery relating to whether Ericsson had offered a fair, reasonable, and non-discriminatory (FRAND) license to Apple for standard-essential patents. Ericsson argued it wanted evidence to refute Apple's contention for the public interest and remedy phases of the ITC proceeding that Ericsson unfairly held up licensing negotiations. Rejecting that argument, the ALJ held that FRAND obligations are contractual, and Section 337 does not give the ITC authority to decide contractual disputes. "The Commission has never held that disputes over FRAND pricing must be considered either in deciding whether there is a violation or in the public interest/remedy phase of section 337 proceedings." The ALJ explained, however, that if a court decides a FRAND dispute, the evidence could be considered in the ITC concerning the remedy. *In the Matter of Certain Wireless Standard Compliant Electronic Devices, Including Communication Devices and Tablet Computers*, Inv. No. 337-TA-953 (ITC (ALJ Lord), November 10, 2015).

B. CSIRO v. Cisco

Federal Circuit holds infringement damages must account for standard-essential status of patent, even if patentee did not give RAND commitment: December 3, 2015: Cisco appealed the district court's damages determination for a standard-essential patent (SEP), asserting that the district court did not adjust applied *Georgia-Pacific* factors to account for the asserted patent being essential to the 802.11 wireless standard. The Federal Circuit agreed, holding that the district court erred by not adjusting the *Georgia-Pacific* factors, and not excluding the value due to the standard's adoption. It held that a damages award for a standard-essential patent must be premised on capturing the asserted patent's value from technological superiority, not from value added by a standard's widespread adoption. The Federal Circuit explained this principle applies even though CSIRO had not agreed to license the patent on RAND terms. Accordingly, the Federal Circuit remanded for further consideration of the impact that standardization may have had on damages, and for consideration of a prior license. *Commonwealth Sci. & Indus. Research Organisation v. Cisco Sys. Inc.*, No. 2015-1066, 2015 WL 7783669 (Fed. Cir. Dec. 3, 2015).

Settlements of Litigation

Apple and Ericsson Settle Litigation with License Agreement

December 21, 2015: Apple and Ericsson announced an agreement to settle all ongoing patent infringement litigation between the companies. They said the agreement includes a global cross-license for patented standard-essential technologies as well as collaboration across multiple technology areas. (See [Ericsson Press Release](#)).

Legislation and Regulations

1. U.S. Justice Department Antitrust Division denies SEP licensee favoritism

November 5, 2015: Antitrust Division Deputy Assistant General Renata Hesse reportedly responded to assertions that the Division has showed favoritism toward smartphone licensees regarding standard-essential patent negotiations. Hesse reportedly explained that the Division

has instead attempted to discourage anticompetitive behavior. In particular, she reportedly referred to unfair royalties as those that provide value to the standard as opposed to the value of the technology, and defended the concept of “patent holdup.” (See [Law360 Article](#)).

International

1. China’s Ministry of Commerce (MOFCOM) conditionally clears Nokia’s acquisition of Alcatel-Lucent

October 21, 2015: MOFCOM expressed concerns that Nokia may use standard-essential patents to “exclude or restrict the relevant market competition” once its acquisition of Alcatel-Lucent is complete. In response, Nokia agreed to abide by FRAND rules, and also reportedly made promises regarding the transferring of standard-essential patents. MOFCOM conditionally cleared the acquisition, but will supervise Nokia to ensure that it fulfills its commitments regarding the deal’s potential threat to market competition. (See [MOFCOM Press Release](#)).

2. ABA sections weigh in on Korean IP Antitrust Guidelines

November 4, 2015: The American Bar Association’s Antitrust and Intellectual Property Sections urged South Korea’s antitrust authority, the Korea Fair Trade Commission (KFTC), to be clearer in its planned guidelines for antitrust violations involving the abuse of IP rights, and explained that patent holders could be forced into licensing agreements they did not agree to. Among other points, the Sections offered recommendations that the KFTC consider revisions to its definition of standard-essential patents, and consider whether the nondiscriminatory aspects of FRAND should be enforced according to contractual law or competition law remedies. (See [ABA Comments](#)).

3. German regional court discusses FRAND defense and grants injunction based on SEP in *Sisvel v. Haier*

November 16, 2015: In *Sisvel v. Haier*, a German regional court reportedly granted an injunction against infringement of an alleged telecommunications SEP for the first time in a German court since the European Court of Justice’s (ECJ) ruling on the FRAND defense in *Huawei v. ZTE*. In *Huawei*, the ECJ set requirements for licensors and licensees in making and responding to FRAND license offers. Sisvel reportedly offered a license to Haier for an alleged SEP assigned to Sisvel. Haier reportedly did not accept Sisvel’s terms before Sisvel filed suit, but later responded with a counteroffer. While subsequent offers and counteroffers followed, Haier reportedly did not provide any sales data or a bond to cover accrued royalties until a year later, at the time of an oral hearing. The court granted an injunction and rejected Haier’s FRAND defense. It reportedly held that Haier had delayed responding with a counteroffer after rejecting Sisvel’s original offer, and failed to promptly provide a bond and reporting for accrued royalties as required by *Huawei*. (See [Sisvel Press Release](#)).

4. Industry group formed regarding licensing of standard-essential patents on FRAND terms

November 19, 2015: A number of multi-national firms announced they had joined to form the “Fair Standards Alliance,” based in Europe, to make the use of standards more transparent and predictable, and to address varying interpretations of what constitute FRAND licensing terms. The Alliance stated that the following key principles should apply to FRAND licensing: “(1) A license for an SEP should be available at any and every point in the value chain where the standard is implemented, and important terms of those licenses should be transparent to other companies implementing the same standards; (2) A FRAND royalty should be based on the smallest device that implements those patents, and should take into account the overall royalty that could be

reasonably charged for all patents essential to that standard; (3) Injunctions and similar legal threats should be a last resort; (4) A FRAND commitment made in respect of an SEP should not fall away simply because the SEP is sold to another company.” (See [Fair Standards Alliance Press Release](#) and the [Fair Standards Alliance Website](#)).

5. AIPLA comments on Korea Fair Trade Commission (KFTC) Amended IP Guidelines

January 6, 2015: The AIPLA submitted comments to the KFTC regarding standard-essential patents. AIPLA suggested, among other points, that the proposed amendment be revised to change the definition from “patents that are essential” to “patents that are technically essential.” (See [AIPLA Comments](#)).

6. ABA comments on China anti-monopoly guidelines

February 4, 2016: The ABA’s Antitrust, Intellectual Property, and International Law Sections commented, among other points, that the guidelines for IP abuse proposed by China’s National Development and Reform Commission (NDRC) need more specific guidance and detail. The ABA explained that it “would be very helpful if guidelines provided examples of how the factors would be applied in various common situations, as is done in the U.S. IP Licensing Guidelines.” (See [ABA Comments](#)).

7. AIPLA comments on China anti-monopoly guidelines

February 9, 2016: The AIPLA also provided comments on the proposed NDRC Guidelines. The AIPLA commented, among other points, that the negotiation of a reasonable royalty should be left to the parties. (See [AIPLA Comments](#)).

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