

Standard-Essential Patents and Pooling

April 2016 - June 2016 Developments

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Federal Agencies

FTC Commissioner Terrell McSweeney Comments on Standard-Essential Patents

April 20, 2016: In a speech in Washington, DC, FTC Commissioner Terrell McSweeney highlighted the agency's efforts involving standard-essential patents (SEPs), especially against what the FTC deems a "hold-up" problem, which the FTC contends could arise from the enhanced bargaining position afforded an SEP holder. She also took the position that it would be "inappropriate, in most circumstances, for an SEP-holder to seek injunctive or exclusionary relief." She added that if a licensing commitment to a standard-setting organization is not honored by an SEP owner, "there may be a role for competition law." (See [Commissioner McSweeney's Remarks](#).)

International

1. U.K. Appeals Court Finds Standard-Essential Patent Transfer Arguably Anticompetitive for Failure to Fully Transfer Non-Discrimination Aspect of FRAND Obligation

May 27, 2016: A U.K. appeals court overruled a trial judge's holding that Ericsson's transfer of certain SEPs to Unwired Planet (UP), a patent-licensing organization, could violate UK competition law by failing to fully transfer the non-discrimination aspect of Ericsson's fair, reasonable, and non-discriminatory (FRAND) licensing obligation, and therefore could provide a defense to infringement. The court explained that both Ericsson before the transfer and UP after the transfer were obligated to license the SEPs on FRAND terms. "However, ... another aspect of this arrangement which is arguably just as objectionable is the ability it confers on UP to charge licence fees which are significantly higher than those which Ericsson itself charged and which would have been discriminatory having regard to Ericsson's existing licensees had Ericsson sought to charge them directly. Moreover, it is ... arguable that the effect of these higher licence fees will be to distort or restrict competition in downstream markets to the detriment of consumers." Allowing the competition defense to proceed to trial, the appellate court found that "Samsung has a realistic prospect of persuading a judge at a full trial that in the circumstances of this case [the competition law] required the effective transfer to UP of Ericsson's FRAND obligation so that UP could not obtain more favourable terms from its licensees than Ericsson could itself have obtained." (See [Court of Appeals' Judgment](#).)

2. Comments on India's Discussion Paper on Standard-Essential Patents by AIPLA and ABA Sections

April 22, 2016: The AIPLA responded to a request for comments on the March 2016 Discussion Paper issued by the Government of India regarding SEPs. The AIPLA's comments included several general comments regarding the availability for injunctive relief or damages for infringement of SEPs and the interplay between SEPs and competition laws, as well as responses to several specific issues for resolution set forth in India's Discussion Paper. The AIPLA also clarified a few points made in India's Discussion Paper regarding the state of U.S. law on SEPs and identified cases that it stated would provide further guidance on the status of SEPs in the U.S. (See [AIPLA comments](#).)

April 21, 2016: Several Sections of the American Bar Association also jointly responded to the request for comments on India's Discussion Paper. The Sections provided general comments regarding SEPs and standard-setting organizations, and insight into U.S. practice relevant to the

issues presented in India's Discussion Paper, as well as recommendations pertaining to those issues. (See [ABA comments](#).)

3. European Commission Adopts Binding FRAND Commitments on Proprietary Information to Settle Credit Default Swap Antitrust Investigation

July 20, 2016: The European Commission adopted a decision that makes binding FRAND licensing commitments offered by International Swaps & Derivatives Association (ISDA) and Markit Group Ltd. to settle an antitrust investigation concerning practices that allegedly hindered the emergence of exchange trading platforms for credit default swaps. Extending the FRAND concept beyond patents, each party's commitments include an agreement to license on FRAND terms certain of its proprietary information for exchange trading and exchange-traded products. The Commission adopted its decision following a comment period announced in April 2016 that market tested the parties' initial FRAND commitments. (See [European Commission Press Release; July 20, 2016](#).) (See [European Commission Press Release; April 28, 2016](#).)

4. Interpreting *Huawei v. ZTE*, German Appeals Court Requires Comprehensive Review of an SEP Owner's FRAND Compliance When FRAND Defense to Infringement Is Raised

May 31, 2016: In a decision on determining whether an SEP owner failed to comply with its FRAND obligations to establish a competition law defense to infringement, the German Karlsruhe Appeals Court held the lower court should not limit itself to a summary examination of limited evidence of FRAND non-compliance and should do a full review of whether the license offer complied with the FRAND commitment. The appeals court based its decision on the Court of Justice of the European Union's decision in *Huawei v. ZTE* last year, which outlined detailed steps an SEP owner with a dominant position and accused infringer should take before an injunction is sought by the SEP owner. (See [Appeals Court Decision May 31, 2016 \(German language\)](#); [English-language Commentary June 13, 2016](#).)

5. EU Clears Payment Services Acquisition with Commitment to FRAND Licensing

April 20, 2016: The European Commission, which assesses acquisitions to maintain effective competition in the European Economic Area, approved an acquisition by payment services company Worldline SA of another payment services company, Equens SE, subject to conditions, including a FRAND licensing commitment. To address its concern that Worldline, owner of patented Poseidon software used in the provision of merchant-acquiring services in Germany, would discriminate in licensing the Poseidon software to minimize competition for Equens' subsidiary PaySquare, the Commission required Worldline to accept and comply with FRAND terms in licensing Poseidon, to give access to the Poseidon source code in certain instances, and to transfer governance of the ZVT protocol, used in point-of-sale terminals across Germany, to an independent industry organization. (See [European Commission Press Release](#).)

6. European Commission Alleges Google's Android Open-Source Software Licensing Restrictions Violate Antitrust Rules

April 20, 2016: The European Commission issued a Statement of Objections in its ongoing antitrust investigation of Google Inc. and its parent company, Alphabet, alleging Google exploits licensing of its Google Play application store to minimize competition from manufacturers of Android devices for search engines and browser applications. The Commission expressed its concern that Google's practices may lead to further consolidation of Google Search's dominant position in general internet search services. The Commission asserted that Google conditions manufacturers' licenses to Google Play on pre-installation of both the Google Search search engine and the Google Chrome browser application. According to the Commission, through pre-installation of Google Search, Google restricts the use of rival search engines on Android

devices, and pre-installation of Google Chrome minimizes manufacturers' incentives to pre-install competing browser applications. The Commission further alleged Google also provides financial incentives to manufacturers to ensure exclusivity of Google Search on Android devices. The Commission additionally contended that, despite the open source nature of Android, Google denied Google Play licenses to manufacturers whose devices use modified versions of the Android operating system ("Android forks"), thereby dissuading manufacturers from developing competing versions of the Android operating system. (See [European Commission Press Release](#).)

Pooling

Medicines Patent Pool Releases 2015 Annual Report

May 26, 2016: The Medicines Patent Pool (MPP), a public health organization backed by the United Nations that works to increase access to medicine through pooling of intellectual property, released its Annual Report recounting its achievements through licensing in 2015. They include four licensing and thirteen sub-licensing agreements. Working with seven patent holders and a dozen generic manufacturers, MPP has delivered 3.5 billion doses of HIV treatments in over 100 low- and middle-income countries over the past five years. It said a 2015 license with Abbvie will help ensure supply of a widely used antiretroviral to treat HIV in Africa, and an agreement with the University of Liverpool will facilitate innovation in antiretrovirals based on the university's Solid Drug Nanoparticle technology. Also in 2015, MPP expanded efforts to provide treatments for hepatitis C and tuberculosis, signing a license with Bristol-Myers Squibb that permits development of daclatasvir for treatment of tuberculosis. It also signed an agreement for raltegravir, an HIV treatment for young children. MPP estimates that the discounted treatments for HIV made possible by the licenses have saved the international community \$195 million. (See [MPP Press Release](#).)

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