

Standard-Essential Patents and Pooling

July 2016 – September 2016 Developments

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Pooling

Medicines Patent Pool Signs New Generic Manufacturing Licenses for HIV and Hepatitis C Treatments

July 7, 2016: The Medicines Patent Pool (MPP) announced it signed nine new generic sub-licensing manufacturing agreements for manufacturing four antiretroviral HIV treatments and a Hepatitis C treatment. The MPP currently works with 13 generic manufacturing partners on more than 60 projects to improve access to medicines in the developing world.

(See <http://www.medicinespatentpool.org/genericsjuly16/>.)

Blockchain Technology Developer Announces Defensive Patent Strategy

July 19, 2016: One of the developers of blockchain technology used in Bitcoin cryptocurrency and other applications, Blockstream, announced it is implementing a defensive patent strategy. Blockstream's strategy includes two key components: a Patent Pledge and an Innovator's Patent Agreement. The Patent Pledge assures developers and users of Blockstream's technology that Blockstream will not sue them for patent infringement, as long as those developers and users are also not patent aggressors themselves (among other conditions). The Innovator's Patent Agreement is a contract between Blockstream and its engineers that patents to which they contribute will only be used for defensive purposes. (See [Blockstream Press Release](#).)

HEVC Advance Patent Pool Adds European Entertainment Provider

September 8, 2016: HEVC Advance, the independent licensing administrator of the HEVC (High Efficiency Video Coding)/H.265 video compression standard patent pool, announced the addition of Sky plc, a European entertainment provider as a licensee of its patent portfolio. According to the announcement, HEVC/H.265 offers video compression for Ultra HD technology. Launched in late 2015, the HEVC Advance patent pool includes over 700 patents worldwide that have been identified as HEVC Standard Essential Patents contributed by seven licensors, including affiliates of Dolby Laboratories, Inc., General Electric Co., and MediaTek, Inc., as well as Koninklijke Philips N.V., Mitsubishi Electric Corp., and Warner Bros. Entertainment Inc. (See [HEVC Advance press release](#); <https://www.hevcadvance.com/pdf/LicensorList.pdf>; https://www.hevcadvance.com/pdf/HEVC_Patent_List_161005.pdf.)

Patent Pool Developed for Internet of Things Applications

September 14, 2016: Avanci, a company established to offer licenses to standard-essential cellular patent portfolios on FRAND terms for Internet of Things applications, announced the launch of its licensing program. Avanci said it initially is focusing its licensing efforts on "2G, 3G and 4G cellular technologies for connected cars and smart meters with plans to quickly expand to other IoT product areas." Its patent pool members include Ericsson, Qualcomm, InterDigital, KPN, and ZTE. (See [Avanci Press Release](#).)

U.S. Litigation

Court Sets Framework for FRAND Determination

July 25, 2016: In *TCL v. Ericsson* (C.D. Cal.), the court established a framework for determining whether patent owner Ericsson adhered to its FRAND obligations for licensing standard-essential patents for telecommunications standards and what the FRAND terms would be.

According to this framework, the jury will first decide whether Ericsson complied with its obligations to offer licenses to standard-essential patents on FRAND terms. Next, the jury will consider whether the two license offers by Ericsson were FRAND licenses, without regard to whether Ericsson met its FRAND obligations; if either or both were FRAND licenses, the court would enter one of them in its judgment. Finally, should neither license be a FRAND license, the jury will determine the component terms of a FRAND license; the court then will determine whether the terms, in the aggregate, meet the requirements for a FRAND license.

The court also found that certain license terms did not breach FRAND obligations. Addressing a refusal to license non-essential patents, the court held Ericsson was not obligated to offer licenses to non-essential patents merely because Ericsson licensed those patents to others. Addressing separate fee requirements for 2G and 3G technologies, the court stated that “[t]wo separate ‘dips’ for two separate technologies is not ‘double dipping.’” Characterizing TCL’s argument as “desiring a royalty-free deal for certain technologies in phones that integrate a chipset from a partially-licensed chipset manufacturer,” the court found that “Ericsson’s refusal to forego compensation for otherwise unlicensed technology cannot be unfair or unreasonable” (See [TCL Communications Technology Holdings Ltd. v. Telefonaktenbolaget LM Ericsson, et al.](#), No. SACV 14-00341 JVS, 2016 WL 4150033 (C.D. Cal. July 25, 2016)).

Court Holds Enhanced Damages for Willful Infringement Not Forbidden Merely Due to Standard-Essential Nature of Patents

September 3, 2016: An E.D. Texas court denied defendants LG Electronics, Inc.’s and LG Electronics MobileComm U.S.A., Inc.’s (LG) motion for summary judgment of no willful infringement in a litigation involving patents alleged by plaintiff Core Wireless Licensing S.a.r.l to be essential to mobile communications standards.

According to the court’s opinion, LG argued that “*enhanced damages* are in effect punitive and thus inappropriate in the context of standard-essential patents where infringement is an expected part of the standard setting model.” The court said LG argued that “*enhanced damages* are simply not appropriate in standard-essential patent cases because the patent owner has committed to licensing standard-essential patents on FRAND terms to any implementer of the standard.” The court added that LG further argued that “enhanced damages amount to punitive damages and that the primary rationales for awarding punitive damages (such as to deter concealed infringement) do not exist in the standard-essential patent context.” The court found LG’s arguments premature, however, explaining that “[w]hether the Court finds it appropriate to enhance damages based on a finding of willfulness is a separate question from whether a defendant willfully infringed a patent.” Thus, the court denied LG’s motion for summary judgment, finding that LG’s arguments regarding the propriety of enhanced damages for infringement of standard-essential patents would be “more appropriately analyzed after a jury finding of willfulness.” (See [Core Wireless Licensing S.A.R.L. v. LG Elecs., Inc.](#), No. 2:14-cv-911, 2016 WL 4596118 (E.D. Tex. Sept. 3, 2016).)

Court Finds ASCAP and BMI Consent Decrees Do Not Bar Fractional Licenses for Music

Sept. 16, 2016: A federal court ruled in favor of Broadcast Music Inc. (BMI), finding that decades-old consent decrees governing BMI and the American Society of Composers, Authors, and Publishers (ASCAP) do not preclude fractional licenses for music.

The consent decrees, designed to protect against anticompetitive effects, have governed collective licensing of music performance rights by BMI and ASCAP since 1941, and modified since then. In response to a proposal by BMI and ASCAP to further modify the consent decrees, the Antitrust Division of the Department of Justice (DOJ) recently launched an investigation. On August 4, 2016, while finding the proposed modifications unwarranted, the DOJ offered an interpretation of the consent decrees under which BMI and ASCAP were required to offer only full

licenses for music performance, in which a partial owner of a musical work could give permission to license the entire work; fractional licenses, in which the partial owner can give permission to license only his or her share of the work, however, would violate the consent decrees. BMI brought suit against the DOJ, arguing that the consent decrees were silent on the issue of fractional licenses. The S.D.N.Y. court agreed, holding that “The Consent Decree contains no . . . provision concerning the values of fractional versus full-work licensing.” Accordingly, the court concluded, “[t]hat area of dispute is left to the applicable law.” (See [United States v. Broadcast Music, Inc.](#), 64 Civ. 3787, 2016 WL 4989938 (S.D.N.Y. Sept. 16, 2016); <https://www.justice.gov/opa/pr/justice-department-completes-review-ascap-and-bmi-consent-decrees-proposing-no-modifications>.)

Federal Agencies

Comments to Proposed Revisions to DOJ/FTC IP Licensing Guidelines Note Agencies Treat SEPs the Same as Non-SEPs

October 3, 2016: Comments by former Federal Trade Commission and Justice Department Antitrust Division officials and a law professor responding to the agencies’ Proposed Update to their IP Licensing Guidelines point out that the update treats standard-essential patents the same as non-SEPs, and “reject[s] the invitation to adopt a special brand of antitrust analysis for SEPs in which effects-based analysis is replaced with unique presumptions and burdens of proof.” The commenters advocate that “SEP holders, like other IP holders, do not necessarily possess market power in the antitrust sense, and conduct by SEP holders, including breach of a voluntary assurance to license its SEP on fair, reasonable, and nondiscriminatory (FRAND) terms, does not necessarily result in harm to the competitive process or to consumers.” Instead, the commenters explain that whether a particular SEP holder has market power, or whether particular conduct involving SEPs has a net anticompetitive effect, requires a case-by-case fact specific inquiry. The comments are by Joshua D. Wright, who is a former U.S. Federal Trade Commissioner; Koren W. Wong-Ervin, who is a former Counsel for Intellectual Property and International Antitrust at the U.S. Federal Trade Commission; Douglas H. Ginsburg, who is a Senior Judge, United States Court of Appeals for the District of Columbia Circuit, and a former Assistant Attorney General in charge of the Antitrust Division of the U.S. Department of Justice; and Bruce H. Kobayashi, who is an Associate Dean and Professor of Law at the Antonin Scalia Law School at George Mason University. All are associated with The Global Antitrust Institute, a division of the Antonin Scalia Law School at George Mason University. (See [Global Antitrust Institute Comment](#).) All comments to the proposed update ([Proposed Update to IP Licensing Guidelines](#)) are available at <https://www.justice.gov/atr/guidelines-and-policy-statements-0/antitrust-guidelines-licensing-intellectual-property-proposed-update-2016>.

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