

Standard-Essential Patents and Pooling

October 2016 – January 2017 Developments

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Pooling

HEVC Advance Announces New Software Policy

December 1, 2016: HEVC Advance, the independent licensing administrator of the HEVC (High Efficiency Video Coding)/H.265 video compression standard patent pool, announced in a new software policy that it will not seek a license or royalties on HEVC application layer software downloaded to mobile devices or personal computers after initial sale of the device. The stated goal of the new policy is to promote HEVC capability for devices without specific HEVC hardware implementations while the licensing program “driv[es] adoption of HEVC hardware in mobile device and desktop personal computers at initial sale.” According to the announcement, the new policy does not apply to operating systems, software that enables specialized hardware functionality, certain stand-alone software products, and certain downloadable updates/upgrades to software for devices for which no device royalty was previously paid. The policy became effective December 1, 2016. (See [HEVC Advance press release](#).)

MPEG LA Announces Patent Portfolio License for Patents Essential to MPEG-DASH Streaming of Media Content

November 17, 2016: MPEG LA, LLC announced a patent pool to license patents essential to the MPEG Dynamic Adaptive Streaming over HTTP (DASH) standard. According to MPEG LA, the DASH standard enables electronic devices to be dynamically adapted to changing network conditions to provide smooth, high-quality media content over HTTP. Its portfolio license covers multiple licensors’ standard-essential DASH patents. Among other terms, MPEG LA said new licensors and patents may be added to the license, but such additions would not cause licensees to incur additional royalties during a license term. (See [MPEG LA Press Release](#).)

U.S. Litigation

Apple Ordered to Pay \$7.3 Million for Infringing Cellular Standard-Essential Patents

December 15, 2016: A federal court ordered Apple to pay \$7.3 million in damages to Core Wireless Licensing for Apple’s infringement of two patents alleged to be essential to European Telecommunications Standards Institute (ETSI) and 3rd Generation Partnership Project (3GPP) standards for cellular communications. The jury calculating the damages award received instructions on Core Wireless’ previous agreement to license its patents on reasonable and non-discriminatory terms. In particular, the jury was instructed that the royalty awarded should “reflect the value of Core Wireless’ technological contribution, not the value of its widespread adoption due to standardization,” and that “the value of the patented feature must be apportioned from the value of any unpatented features included in the standard.” (See [Core Wireless Licensing S.a.r.l. v. Apple Inc., No. 15-cv-05008 \(Jury Instructions\) \(N.D. Ca. Dec. 12, 2016\)](#); [Core Wireless Licensing S.a.r.l. v. Apple Inc., No. 15-cv-05008 \(Jury Verdict\) \(N.D. Ca. Dec. 15, 2016\)](#).)

Court Awards Enhanced Damages for Willful Infringement of Standard-Essential Patents

November 1, 2016: Following a jury verdict finding that LG willfully infringed valid claims of Core Wireless’ standard-essential patents (SEPs), Eastern District of Texas Judge Gilstrap determined to award enhanced damages “toward the lower end of [the] spectrum.” The court noted that “[i]t is undisputed that LG had detailed knowledge of the patents-in-suit long before the filing of this lawsuit” and that “Core Wireless provided LG with claim charts that set forth detailed infringement contentions” during the course of licensing negotiations. The court characterized LG’s termination of the licensing negotiations as “abrupt,” noting that the negotiations ended with a

“terse one-page presentation” after seven prior meetings in Korea. (See [Core Wireless Licensing S.a.r.l. v. LG Elecs., Inc., No. 2:14-cv-912 \(E.D. Tex. Nov. 1, 2017\)](#).)

Federal Agencies

FTC Sues Qualcomm for Alleged Exclusionary Conduct in Licensing SEPs and Chip Sale Practices

January 17, 2017: The Federal Trade Commission filed suit against Qualcomm in a California federal district court, alleging that Qualcomm unlawfully maintained a monopoly in baseband processors that enable cellular communications in cell phones and other devices, claiming it to be an unfair method of competition in violation of the FTC Act. According to the complaint, Qualcomm manufactures baseband processors and licenses patents that Qualcomm declared essential to cellular technology for which Qualcomm has given commitments to license on fair, reasonable, and non-discriminatory (FRAND) terms. The FTC contends Qualcomm excluded competitors by withholding its baseband processors unless a customer accepts a license to its SEPs with “elevated royalties that the customer must pay when using competitors’ processors;” refusing to license its SEPs to competitors in violation of its FRAND commitments; and entering into exclusive dealing arrangements with Apple. The FTC seeks an injunction. FTC Commissioner Maureen K. Ohlhausen filed a dissenting statement on the FTC’s 2 to 1 decision to bring this action. (See [Federal Trade Comm. v. Qualcomm Inc., No. 5:17-cv-00220 \(N.D. Ca. Jan. 17, 2017\)](#); Commissioner Ohlhausen’s Dissenting [Statement](#).)

FTC Commissioner McSweeney Comments on SEPs

December 6, 2016: In a talk in Brussels, FTC Commissioner Terrell McSweeney focused on SEPs and “a risk of hold-up,” i.e., “that the bargaining position of a patent-holder may increase considerably after a patent is included in the standard.” She noted that “hold-up becomes an antitrust issue when parties obtain their leverage as a result of the standard-setting process, which substitutes collective decision making for market forces.” She pointed to standard-setting organizations’ solution to this problem, the FRAND commitment, noting that because of that commitment, it is “inappropriate, in most circumstances, for an SEP-holder to seek injunctive or exclusionary relief.” To support her position that hold-up should continue to be taken seriously, she identified two U.S. cases where the courts “found the appropriate [FRAND] rates to be orders of magnitude smaller than what SEP-holders were demanding.” (See [Commissioner McSweeney’s Remarks](#).)

DOJ Appeals Court’s Finding that ASCAP and BMI Consent Decrees Do Not Bar Fractional Licenses for Music

November 11, 2016: The Department of Justice (DOJ) has appealed a federal court ruling in favor of Broadcast Music Inc. (BMI) that found consent decrees governing BMI and the American Society of Composers, Authors, and Publishers (ASCAP) do not preclude fractional licenses for music. As discussed in [a previous article](#), the ruling rejected a DOJ interpretation that fractional licenses, in which a partial owner of a work can give permission to license only his or her share of the work, violated the consent decrees. (See [United States v. Broadcast Music, Inc., No. 64 Civ. 3787 \(Notice of Appeal\) \(S.D.N.Y. Nov. 11, 2016\)](#).)

International

Korea FTC Levies Large Fine Against Qualcomm for SEP Patent Licensing and Chip Sale Practices

December 28, 2016: The Korea Fair Trade Commission (KFTC) fined Qualcomm 1.03 trillion won (\$854 million) for what it referred to as an abuse of market dominance with respect to SEPs.

According to the KFTC, Qualcomm declared a FRAND commitment to standard-setting organizations, including ITU and ETSI, regarding certain mobile communication standard technologies but “refused or restricted the licensing of mobile communications SEPs . . . that are essential in manufacturing and selling the chipsets in [the] market.” The KFTC found that Qualcomm “coerced handset makers to sign unfair license agreements by linking the chipset supply with patent license agreements” and “forced unilaterally-decided licensing terms without undergoing a reasonable value assessment process.” Qualcomm said it will seek a stay of the fine and appeal the decision. (See [KFTC Press Release](#); [Qualcomm Press Release](#).)

European Commission Publishes Studies on SEPs

Dec. 12, 2016: The European Commission published two studies on SEPs and the standardization process. The first study, by Charles River Associates, addresses issues associated with SEP licensing, and the costs and benefits of different policy interventions. The issues studied include hold-up, royalty stacking, reverse hold-up and hold-out, licensing practices, and the Internet of Things. The second study, by IPlytics GmbH at the Technical Institute of Berlin, looks at the importance of SEPs for key technologies in Europe, using a dataset compiled from declared SEPs published by major standard-setting organizations. This study looks at trends at major standardization organizations and behavior of SEP owners, and includes a discussion of essentiality checks for SEPs, the value and licensing patterns for SEPs, and the timing of SEP declarations and standard releases by those organizations. The European Commission said these studies are part of its ongoing effort to assess the interplay between standardization and patents in the EU. (See [EC Studies](#).)

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