Litigation Webinar Series: INSIGHTS
Our take on litigation and trial developments across the U.S.

Injunctive Relief for Standard-Essential Patents

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Overview

• Monthly Webinars
  ▪ Generally 3rd Wednesday at 1pm ET
  ▪ Key Developments & Trends

• Housekeeping
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• Next Webinar – December 4th
• #fishwebinar
Injunctive Relief for Standard-Essential Patents

Standard Essential Patents

• “Smart Phone Wars” put spotlight on “SEPs” and “FRAND.”
• Current Issues:
  ▪ Fair, Reasonable and Non-Discriminatory Royalties and Licensing Terms
  ▪ Availability of injunctive relief for infringement
    o Remedies for the accused infringer:
    o Injunctions against patentees
    o Damages for refusal to license on FRAND terms
Injunctive Relief for Standard-Essential Patents

Smartphone Competitor Patent Suits

- **VirenX**
  - VirenX v. Apple
    - E.D. Tex. filed 11/1/11
    - ITC filed 11/4/11
- **Nokia**
  - Nokia v. Apple (settled)
- **InterDigital**
  - InterDigital v. Huawei, Nokia, ZTE
    - D. Del. filed 7/26/11
    - ITC filed 7/26/11
- **Digititude Innovations**
  - Digititude Innovations v. RIM, HTC, LG, Motorola, Samsung, Sony, Amazon, Nokia, Palm
    - ITC filed 12/2/11
    - D. Del. filed 12/2/11
- **Motorolla**
  - Motorola v. Apple
    - D. Del. filed 10/8/10
- **HTC**
  - HTC v. Apple
    - ITC filed 5/12/10
- **Samsung**
  - Samsung v. Apple
    - N.D. Cal. filed 4/15/11
    - ITC filed 7/5/11
- **Openwave**
  - Openwave v. RIM & Apple
    - ITC filed 8/31/11
    - D. Del. filed 8/31/11
- **Microsoft**
  - Microsoft v. Motorola
    - W.D. Wash. filed 10/1/10
    - ITC filed 10/1/10
- **Google**
  - Google v. Motorola
    - S.D. Fla. filed 11/10/10
- **Oracle**
  - Oracle v. Google
    - N.D. Cal. filed 8/12/10
- **Sony**
  - Sony v. LG (settled)
- **Kodak**
  - Kodak v. Apple
    - W.D.N.Y. filed 1/14/10
    - Kodak v. RIM & Apple
      - ITC filed 1/14/10
    - Kodak v. HTC
      - W.D.N.Y. filed 1/10/12
    - Kodak v. Apple & HTC
      - ITC filed 1/10/12

Chart by Richard Gilbert
Injunctive Relief for Standard-Essential Patents

FRAND Royalties

• What is “reasonable”?
  ▪ *Ex ante* incremental value of the patent before firms and consumers make investments that are specific to a standard.
  ▪ Rate that would have resulted from arms-length bargaining in the absence of standard.
  ▪ The *Georgia-Pacific* factors adjusted to eliminate value from group’s joint action?

• How to apportion value to many SEPs?
  ▪ Royalty-stacking problem?
FRAND – Recent Cases

  - 207-page FRAND analysis based on modified *Georgia-Pacific* analysis, including focus on contribution of patents to the standard and “ex ante” considerations.
  - Existence of H.264 patent pool “comparable” for “FRAND” royalty determination.
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FRAND – Recent Cases

  ▪ Standards essential means no other commercially or technically feasible way to implement the standard.
  ▪ Optional standards were treated same as mandatory standards.
  ▪ Essentiality could not be established from infringement allegations but must be shown by evidence.
  ▪ Rate is on smallest unit infringing – chip not system.
  ▪ Ultimately, followed Microsoft analysis to derive low royalty rate on chip.
Innovatio’s application of its approach did not credibly apportion the value of the end-products down to the patented features. In light of that failure of proof, the court has no choice based on the record but to calculate a royalty based on the Wi-Fi chip.
FRAND – Recent Cases

• *Hynix v. Rambus*, No. C-00-20905 RMW (N.D. Cal. 5/8/13)
  - Infringement had been established.
  - FRAND rate imposed as a cap as a sanction for spoliation.
  - FRAND was based on other Rambus licenses.
  - FRAND rate was based on effective royalty rates, not stated rates.
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FRAND – Recent Cases

- *Realtek Semiconduction v. LSI Corp and Agere*, No. C-12-03451-RMW (N.D. Cal. 5/20/13)
  - LSI and Agere breached their licensing obligation by failing to offer a license on RAND terms *before* seeking an exclusion order and injunctive relief in a Section 337 action.
  - Granted Realtek's request for a preliminary injunction barring defendants from enforcing any exclusion order or injunctive relief by the ITC until court has determined defendants’ RAND obligations.
FRAND – Recent Cases

  - Good summary of current case law on FRAND.
  - Opening offer by each side need not be FRAND, but must be good faith negotiations toward FRAND (FRAND offer prior to suit for injunction). (Compare to *Microsoft v. Motorola* holding on duty of good faith and fair dealing).
  - FRAND is an obligation to negotiate in good faith, which includes opening offers that can change.
  - Seems to place emphasis on demonstrable willingness to negotiate in good faith.
  - Royalty stacking is a fact issue to be considered in FRAND analysis.
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Injunctive Relief – District Court

• Microsoft/Motorola: No injunction; court set FRAND rate
• Innovatio: No injunction; court set FRAND rate
• Hynix/Rambus: No injunction; court set FRAND rate
• Realtek/LSI & Agere: No injunction to Realtek (accused infringer); injunction to SEP holders
• Ericsson/D-Link Systems: No injunction; court declined to set FRAND rate because Def would not agree to be bound by it; thus, jury set FRAND rate
Injunctive Relief - ITC

• Section 337 recognizes equitable estoppel based defenses. 19 U.S.C. § 1337(c) (“all legal and equitable defenses may be presented in all cases”).

• *Samsung v. Apple* case (June 2013): ITC held that Apple’s FRAND defense would not block an exclusion order; issued exclusion and C&D orders.

• ITC did not follow DOJ and FTC positions, or district court opinions.

• President (through USTR) rejected ITC exclusion order (more on that in a moment).

• Legislative proposals inspired by ITC action against SEPs: *E.g.*, subject ITC exclusion order to *eBay* factors.

• Open issue: where FRAND rate is not set or is unclear, can ITC make findings or determine SEP’s importance to standard?
Injunctive Relief for Standard-Essential Patents

Injunctive Relief - Agencies

  - Public interest considerations may counsel against exclusion order depending on the specific circumstances at issue.
  - While an exclusion order for infringement of SEPs “may be appropriate in some circumstances,” the public interest “may preclude the issuance of an exclusion order in cases where the infringer is acting within the scope of the patent holder’s F/RAND commitment and is able, and has not refused, to license on F/RAND terms.”
  - Should give serious consideration to public interest:
    - “public interest factors ‘are not meant to be given mere lip service, but rather public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of this statute.’”
Injunctive Relief for Standard-Essential Patents

Who is this?
**Injunctive Relief for Standard-Essential Patents**

**Injunctive Relief - Agencies**

- **USTR (Aug. 3, 2013):**
  - Disapproved ITC’s issuance of exclusion and C&D orders against Apple in 337-TA-794
  - Relied on DOJ/PTO policy
  - Decision based on “policy considerations” as they relate to effect on competitive conditions in the U.S. economy and U.S. consumers (337 statutory factors).
  - Instructs ITC to:
    - Carefully consider public interest issues at outset of investigation; and
    - Have parties develop factual record re standards-essential nature of patents at issue, whether that is contested, and whether there is any patent hold-up or reverse hold-up.
  - Recognizes that exclusion order “may still be appropriate” when accused infringer refuses to take license on FRAND terms, or is not subject to the jurisdiction of a court that could award damages.
FTC and EU SEP Settlements

• Several settlements provide voluntary framework for FRAND-SEP negotiations but none came from contested proceedings and only bind parties, not precedent:
  • Nov. 26, 2012, FTC, In re Robert Bosch, C-4377, SEPs must be licensed on FRAND basis and no injunction can be pursued unless infringer in writing refuses to engage in licensing.
  • July 23, 2013, FTC, In re Motorola Mobility, C-4410, requires FRAND licensor to have six months of negotiation, followed by binding arbitration, no impairment of licensee’s remedies, licensor may not request injunction unless refusal to engage in discussion. (Applies to all SSOs, everywhere, choice of agencies).
  • Pending, EU, Samsung settlement, similar to Motorola, except licensee required to submit to arbitration, still in comment phase – not final. (More limited in time, geography, type of standard and arbital agency).
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SEP: Remedies for Infringer?

- Microsoft v. Motorola, No. 2-civ-10-1823-JLR (W.D. Wa. 2012), enjoined Motorola from enforcing an injunction from a German Court in Germany based on failure to make FRAND offer (breach of ISO contract) – Ninth Circuit affirmed, 696 F. 3d 872 (9th Cir. 2012).

- Microsoft v. Motorola, No. 2-civ-10-1823-JLR (W.D. Wa. 9/24/13), upheld $14.5 million jury verdict for Microsoft based on Motorola breaching duty of good faith and fair dealing in failing to follow FRAND licensing rules.
  - Damages for moving offices out of Germany.
  - Damages for attorneys’ fees in defending against injunctions.
Microsoft’s theories were (1) that Motorola’s opening offer letters amounted to a breach of the good faith duty; (2) that Motorola’s conduct in seeking injunctive relief breached the good faith duty; and (3) that Motorola breached the good faith duty through its conduct with respect to Marvell, Microsoft’s 802.11 chip supplier. (See Microsoft’s Rog. Resp. (Dkt. # 733-6) at 23-26.) In addition, Microsoft argued that all of this conduct, considered as a whole, added up to a course of conduct that breached the good faith duty.”
Mark your calendar!

Wednesday, December 4th


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Questions?
Thank You!

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A replay of the webinar will be available for viewing at http://fishlitigationblog.com.