APLI Antitrust & Licensing Issues Panel: SEP Injunctions

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Palo Alto, California
December 11, 2015
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Overview

■ **Issue 1:** Availability of injunctions – does a FRAND commitment foreclose an SEP holder’s right to an injunction?
  - US Cases
  - The view from the EU
  - Regulators’ understanding of a “willing licensee”
  - SSO Policies

■ **Issue 2:** Potential antitrust issues – can seeking and enforcing injunctions against unlicensed implementers lead to antitrust liability?
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**Issue 2:** Potential antitrust issues – can seeking and enforcing injunctions against unlicensed implementers lead to antitrust liability?
Does a FRAND commitment foreclose an SEP holder’s right to an injunction?

Judge Posner’s view in *Apple v. Motorola*:

- Motorola sought an injunction and damages based on Apple’s alleged infringement of SEPs.
- Judge Posner held that Motorola’s RAND commitment foreclosed the availability of injunctive relief.

“By committing to license its patents on RAND terms, Motorola committed to license the ’898 to anyone willing to pay a RAND royalty and thus implicitly acknowledged that a royalty is adequate compensation for a license to use that patent”. 869 F.Supp.2d 901, 914 (N.D. Ill. 2012).
Availability of injunctions: Federal Circuit Decision in *Apple v. Motorola*

- Court unanimously rejects a *per se* rule against SEP injunctions and applies *eBay* approach.

- Judge Reyna’s opinion explained that:
  - A RAND commitment “may” prevent showing of irreparable harm. 57 F.3d 1286, 1332 (Fed. Cir. 2014).
  - But injunction may be justified if infringer unilaterally refuses a RAND license or unreasonably delays negotiations. *Id.*
  - No injunction here, because:
    - Motorola frequently licensed its technology. *Id.*
    - Apple had not refused to deal. *Id.*
Availability of injunctions: Federal Circuit Decision in *Apple v. Motorola*

- Judge Prost concurs but says infringer’s refusal to negotiate a license does not justify an injunction on an SEP.
  
  - Infringer entitled to challenge the patent’s validity.  
    57 F.3d 1286, 1342 (Fed. Cir. 2014).
  
  - Damages can be increased to compensate for refusal. *Id.*
  
  - Damages always sufficient to compensate for infringement. *Id.*
Judge Rader dissents, explains that Motorola’s injunction claim warrants a trial:

- Evidence suffices to create triable issue about whether Apple is an unwilling licensee creating irreparable harm. 57 F.3d 1286, 1332 (Fed. Cir. 2014).

- Concerned about “hold-out,” “years” of refusal to negotiate. Id. at 1333–34.

- To determine whether an offer is RAND, a district court needs to distinguish the value of the invention from the value due to standardization. Id. at 1333.
The Ninth Circuit states that a FRAND Commitment “preclude[d] seeking an injunction or exclusion order against a willing licensee”. 795 F.3d 1024, 1029 (9th Cir. 2015).

But the court adopts the CAFC’s qualifications on this point:

“[I]f an infringer refused to accept an offer of RAND terms, seeking injunctive relief could be consistent with the RAND agreement.” Id. at 1049 n. 19.

In this case, the jury found that it was a breach of Motorola’s FRAND commitments to seek an injunction (after instruction that this was not a per se FRAND violation). Id. at 1045.

The implication is that Motorola did not make a FRAND offer, and that this protected MSFT from an injunction.
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In February 2012, the European Commission permitted Google’s proposal for acquiring Motorola and found that:

“[I]t may be legitimate for the holder of SEPs to seek an injunction against a potential licensee which is not willing to negotiate in good faith on FRAND terms.”

See Commission Decision, Case No. COMP/M.6381, Google/Motorola Mobility, 2012 O.J. (C 1068) 1 at 39, ¶ 126.
Having failed to agree on license terms, Huawei sued, seeking various remedies including injunctive relief.

Not in dispute that:

- The parties were “willing to negotiate” FRAND license; and
- Huawei enjoyed a “dominant position” in the market.

The CJEU judgment is binding on all EU institutions, including DG Comp, national courts, and competition authorities.
CJEU ruled that an injunction is available (and pursuit of an injunction does not constitute abuse) if:

- Before bringing an action, the SEP holder gives notice to or consults with the alleged infringer;
- Once the alleged infringer has expressed willingness to conclude a RAND license, the SEP holder must present:
  1. a written offer for a RAND license,
  2. specifying the royalty amount and
  3. the calculation methodology.

*Id.* at ¶ 71.
The CJEU also addressed appropriate conduct by the alleged infringer (failing which an injunction may be sought):

- Upon receiving the SEP holder’s written offer, the alleged infringer must “diligently respond” to the offer.
- If the alleged infringer decides to reject the offer, it must submit a specific, written counteroffer on RAND terms.
- The alleged infringer must provide commercially appropriate security from the point at which its counteroffer is rejected.
- If the parties cannot agree, they may request a third-party determination of the appropriate royalty.

The alleged infringer may contest the validity and/or essentiality of the patent(s) at issue without jeopardizing its status as a willing licensee.

Id. at ¶ 69.
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In 2012, against Robert Bosch, the FTC characterized an implementer as “unwilling” when it:

(i) “states in writing that it will not license the SEP” or

(ii) when the implementer refuses to enter into a license on terms that either the parties or the courts have confirmed comply with a FRAND commitment.

The FTC – Defining a “Willing Licensee”

In 2013, against Motorola, the FTC adopted a slightly different approach and defined an unwilling licensee as one that:

(1) refuses to license consistent with FRAND terms either in writing or in sworn testimony,

(2) refuses to enter a license agreement on terms set by a court or a binding arbitration, or

(3) fails to assure the SEP holder in writing that it will accept FRAND terms.

Decision and Order, Motorola Mobility, L.L.C., No. C-4410 (F.T.C. Jan. 3, 2013), § II.E.
In the Motorola decision, the FTC further clarified that:

“[C]hallenging the validity, value, [i]nfringement or [e]ssentiality of an alleged infringing FRAND [p]atent does not constitute a statement that a [p]otential [l]icensee will not license.”

*Id.*, § II.E.2.
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Availability of Injunctions: Evolving SSO Policies

- The amended IEEE-SA Standards Board Bylaws (approved March 2015) expressly “precludes seeking, or seeking to enforce, a Prohibitive Order except as provided in this policy.”

- Accordingly, Prohibitive Orders are permitted only if:

  “the implementer fails to participate in, or to comply with the outcome of, an adjudication…[on] reasonable terms and conditions.”

“In jurisdictions where the failure to request a Prohibitive Order in a pleading waives the right to seek a Prohibitive Order at a later time,” an SEP holder may “conditionally plead the right to seek a Prohibitive Order to preserve its right to do so later” if the conditions for a Prohibitive Order are met.

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Potential Antitrust Issues: The US Courts

- Courts have yet to impose antitrust liability on an SEP holder for seeking an injunction.

- An implementer opposing an SEP holder's request for an injunction on antitrust grounds would first need to prove sufficient market power.

- The Supreme Court has clarified that “a patent does not necessarily confer market power upon the patentee.”
  

- Competition from other standards (or non-standardized products) may reduce an SEP holder’s market power.
Potential Antitrust Issues: The Department of Justice

In its investigation against Samsung, the Department of Justice Antitrust Division scrutinized Samsung’s use of an exclusion order, noting that:

“There is a risk that the patent holder could use the threat of an exclusion order to obtain licensing terms that are more onerous than would be justified by the value of the technology itself, effectively exploiting the market power obtained through the standards-setting process.”


The Antitrust Division, however, closed the investigation against Samsung, noting that “no further action [was] required,” after President Obama vetoed ITC’s decision on public interest grounds. *Id.*
Potential Antitrust Issues: The Department of Justice

- Deputy Assistant Attorney General Renata Hesse has opined that section 2 applies even when the SEP holder did not deceive other SSO members during the standardization process.

- And has indicated that the DOJ “continue[s] to explore where there is room for liability under Section 2 of the Sherman Act in cases where holders of F/RAND-encumbered SEPs seek injunctive relief after a standard is in place.”

Two consent agreements – Robert Bosch, Decision and Order, Robert Bosch GmbH, No. C-4377 (F.T.C. Nov. 26, 2012), and Motorola, Decision and Order, Motorola Mobility, L.L.C., No. C-4410 (F.T.C. Jan. 3, 2013) – indicate that the FTC believes that seeking injunctions against willing licensees violates Section 5 of the FTC Act.

A dissenting view: Commissioner Maureen Ohlhausen, in Motorola, refused to apply section 5 to a patent holder's seeking of injunctive relief.

In her opinion, the Noerr-Pennington doctrine “precludes Section 5 liability for conduct grounded in legitimate pursuit of an injunction or any threats incidental to it.” Dissenting Statement of Commissioner Maureen K. Ohlhausen, Motorola Mobility, L.L.C., No. 121–0120 (F.T.C. Jan. 3, 2013).
Potential Antitrust Issues: The EU Position in Apple/Motorola

- In April 2014, the European Commission found that Motorola Mobility abused its dominant position by seeking and enforcing an injunction against Apple based on a mobile SEP.

- Apple had shown it was a “willing licensee” by agreeing to take a license and be bound by a determination of RAND royalties by a German court.

- The Commission found that such conduct constituted a “safe harbor” that would protect licensees from injunctions.

  - The Commission stated that challenging validity, essentiality, or infringement would not make a would-be licensee unwilling.

Shenzhen Intermediate Court: In response to InterDigital’s 2011 ITC complaint against Huawei, Huawei filed an action for damages under China’s Anti-Monopoly Law. The court found that seeking an exclusion order at the ITC while negotiations for Chinese SEPs were in progress was a violation of the AML. It awarded Huawei 20M RMB. The Guangdong High Court affirmed this decision.

Fei Deng and Su Sun, Determining the FRAND Rate: U.S. Perspectives on Huawei v. InterDigital, Competition Policy International Antitrust Chronicle at *5 (February, 2014).
Potential Antitrust Issues: The Position of the NDRC

- **NDRC**: Last May, China’s National Development and Reform Commission suspended its investigation of InterDigital for alleged anti-competitive conduct.

- As a condition, InterDigital had to agree to offer the option of binding arbitration prior to seeking injunctive relief for infringement of any SEPs --
  - And refrain from seeking injunctions against any Chinese manufacturer that enters into a binding arbitration agreement.