



STANDARDS-ESSENTIAL PATENTS AND INJUNCTIVE RELIEF

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I. INTRODUCTION

In a series of fast-moving and interrelated developments involving courts and competition authorities in many regions and countries, holders of patents deemed “essential” to industry standards are finding their ability to obtain injunctive relief for infringement of those patents under challenge.

Traditionally, in most significant jurisdictions around the world, the plaintiff in a patent infringement action can seek an injunction preventing the accused infringer from continuing to practice the inventions claimed in the patent, as well as monetary damages in the form of lost profits or a reasonable royalty.

Recently, however, some litigants, commentators, and others have expressed the view that when an asserted patent is a standards-essential patent (“SEP”) encumbered with a fair, reasonable, and non-discriminatory (“FRAND”)¹ licensing commitment, the patent holder should be prevented from obtaining injunctive relief. Otherwise, these proponents argue, the patent holder can use the threat of an injunction to extract unfairly high royalties and impede implementation of the standard. On the other hand, certain patent-holders and others have responded that a blanket rule barring injunctive relief for FRAND-encumbered SEPs fails to take into account the fact-specific nature of FRAND commitments, fundamentally alters the dynamic of negotiating the specific details of a FRAND license, and erodes the commercial value of these SEPs. There are no easy answers, and courts in the United States and many foreign jurisdictions are currently grappling with these issues as hotly contested disputes involving FRAND-encumbered SEPs percolate through the judicial and regulatory systems around the world.

In the United States, federal district courts have the discretion to grant injunctions to stop patent infringement when the balance of traditional equitable factors, including a consideration of the public interest, weighs in favor of granting injunctive relief. Recently, two federal district courts applied these factors to deny injunctive relief to holders of FRAND-encumbered SEPs. One of these cases is now on appeal at the United States Court of Appeals for the Federal Circuit (“the Federal Circuit”). Meanwhile, the Federal Trade Commission (“FTC”), the Antitrust Division of the Department of Justice (“DOJ”), and the U.S. Patent and Trademark Office (“USPTO”) have all

urged the International Trade Commission (“ITC”), an administrative agency tasked with adjudicating patent disputes to stop the importation of infringing products to the detriment of domestic industry, to utilize its mandatory “public interest factor” analysis to take into account the potential impact on competition and consumers before allowing an SEP holder to obtain an injunction-like “exclusion order.”

While courts in some other countries apply a discretionary standard similar to that applicable in U.S. federal district courts that permits denial of an injunction based on the public interest, in other jurisdictions the issuance of an injunction is (almost) automatic once infringement is proven. There may, however, still be the possibility of some sort of FRAND-based defense in most jurisdictions, either as a defense to liability or as a basis to limit relief to monetary damages and a royalty, but the availability and scope of a FRAND-based defense are likely to vary depending in considerable part on the degree of discretion a court has in granting or denying injunctive relief.

Specifically, courts in Germany, the Netherlands, Japan, and China have recently considered the issue. The conditions for the availability of a FRAND-based defense vary widely among these four jurisdictions. For example, in Germany, statutory provisions permit all patent holders, including a SEP holder, to apply for an injunction. If infringement is proven, German courts issue an injunction as a matter of law; they have virtually no discretion on whether to grant an injunction. If the asserted patent is a FRAND-encumbered SEP, however, a German court may invoke a narrow limitation on the issuance of injunctions in exceptional cases based on principles of antitrust law, provided that the infringer actually pays reasonable royalties. Dutch courts also acknowledge that injunctions can be granted in cases involving SEPs, but one court has rejected an application for injunctive relief in the context of a FRAND commitment as an abuse of law and a breach of precontractual good faith. An advisory decision in China, by contrast, suggests that a much broader FRAND-based defense may be available if a patentee participates in the standard-setting process or otherwise agrees that the patented technology may be incorporated into a standard and subsequently files suit seeking injunctive relief for infringement of the patent. This advisory opinion suggests that, if applicable, the defense may be a complete defense to liability for infringement, and, in all events, the royalty rate

for the use of FRAND-encumbered SEPs should be very low. In Japan, a report of a recent decision by a Japanese court indicates that a FRAND defense may also be asserted there.

Separately, some parties have argued that seeking injunctive relief when an accused infringer is willing to license a FRAND-encumbered SEP would violate applicable antitrust and/or competition laws. Two recent enforcement actions by the FTC, a pair of court decisions in China, and ongoing investigations by the Commission of the European Union raise the prospect of antitrust and competition law enforcement in this area. Such enforcement under antitrust and competition laws threatens to remove the issue from the realm of patent law because, even if courts were to determine that injunctive relief is available as a matter of patent law, the owner of FRAND-encumbered SEPs might risk a finding that it had violated applicable antitrust or competition laws by pursuing such relief. This White Paper reviews these recent developments and analyzes the current situation with respect to the availability of injunctive relief for FRAND-encumbered patents in key jurisdictions around the world.

II. BACKGROUND: THE STANDARD-SETTING PROCESS AND INJUNCTIVE RELIEF TO ENFORCE PATENT RIGHTS

A. SEPs AND FRAND COMMITMENTS

Standards-setting organizations (“SSOs”) exist in many industries. These groups produce standards for interoperability and interconnection that, for example, make it possible for a cellphone user traveling in Tokyo to call a landline in New York.

As work advances on a particular standard, members of the SSO typically make technical proposals to implement various intended functions of the standard. These proposals often originate from the member company’s own R&D, and may have been the subject of one or more patents or patent applications. If a patented technology is adopted as part of the standard, and is required to implement the standard, the underlying patent is called a standards-essential patent or “SEP.”

If a standard becomes widely used in an industry, the holder of an SEP is potentially in a position to exclude would-be implementers of the standard from the marketplace by means of an injunction, or to obtain high royalties by threatening to enjoin an implementer from practicing the standard. As these potential implementers may be industry competitors, the SEP holder may obtain a significant commercial advantage over its competition. In order to prevent or mitigate these effects, which are often contrary to SSOs’ interests in achieving wide implementation of the standard, SSOs often require their members to state, before any standard is adopted, whether they will commit to license, on FRAND terms, any patents deemed essential to the practice of a standard developed by that SSO.²

The Intellectual Property Rights (“IPR”) policy of the European Telecommunications Standards Institute (“ETSI”) provides an example. ETSI is a large SSO prominent in commercially significant standards, such as wireless communications standards. The ETSI policy includes the following definition:

“ESSENTIAL” as applied to IPR [Intellectual Property Rights] means that it is not possible on technical (but not commercial) grounds, taking into account normal technical practice and the state of the art generally available at the time of standardization, to make, sell, lease, otherwise dispose of, repair, use, or operate EQUIPMENT or METHODS which comply with a STANDARD without infringing that IPR.³

SSOs generally do not determine whether a particular patent is essential to a standard. Rather, SSOs typically provide some mechanism by which the patent owner itself can make a declaration of essentiality (often coupled with an affirmation of the FRAND licensing commitment). These patent-owner statements may be posted on publicly accessible databases, to permit implementers of a particular standard to identify patentees from whom they may need licenses in order to practice the standard. For example, ETSI maintains a searchable database at <http://ipr.etsi.org/>.

Regarding licensing, the ETSI policy provides:

When an essential IPR relating to a particular standard or technical specification is brought to the

attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licenses on fair, reasonable and non-discriminatory terms and conditions under such IPR....⁴

Many SSOs offer patent holders the option to make a general commitment to license on FRAND terms any patents that turn out to be essential to practice a standard without identifying any specific patents. Holders of large patent portfolios may take advantage of this to avoid a burdensome portfolio search for each new or proposed standard. Thus, ETSI makes available two alternative IPR licensing declaration forms,⁵ one incorporating an "IPR Licensing Declaration" ("Declaration") and the other incorporating a "General IPR Licensing Declaration" ("General Declaration"). The Declaration provides a FRAND licensing commitment with respect to a particular standard and particular identified patents. The General Declaration permits a patent owner to state its willingness to license on FRAND terms any of its patents that may become essential to any ETSI standard, without identifying any particular patent or standard.

Besides ETSI, there are many other SSOs, and their policies differ in various details. See, for example, corresponding policies of the International Telecommunication Union ("ITU"),⁶ the Internet Engineering Task Force ("IETF"),⁷ and the Institute of Electrical and Electronics Engineers ("IEEE").⁸

B. INJUNCTIVE RELIEF AND EXCLUSION ORDERS IN PATENT INFRINGEMENT CASES

In all significant jurisdictions, the fundamental property interest granted to a patentee is the right to exclude others from making, using, selling, offering to sell, or importing the patented invention.⁹ However, the level of protection afforded to patent owners differs significantly among the jurisdictions.

1. The United States

In the United States, infringement actions are brought under the Patent Act in federal district court. In those cases, "courts ... may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured

by patent...."¹⁰ A federal district court also has the ability to award "damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer."¹¹

Prior to the U.S. Supreme Court's decision in *eBay, Inc. v. MercExchange, L.L.C.*,¹² the Federal Circuit had imposed a mandatory injunction rule that compelled district courts to issue an injunction once the asserted patent(s) had been adjudged valid and infringed. In *eBay*, the Supreme Court rejected the Federal Circuit's mandatory injunction rule and clarified that there is no special "patent law" standard for granting injunctions in patent infringement cases. Rather, the Court explained that district courts should exercise discretion before issuing an injunction and should apply the traditional four-factor injunction test whereby:

[a] plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.¹³

The ITC provides a second forum where a patentee can assert a patent infringement claim to stop the importation of infringing products. The ITC conducts investigations pursuant to Section 337 of the Tariff Act of 1930. The basic form of relief provided to complainants (i.e., the "plaintiff" in an ITC investigation) is an exclusion order that directs U.S. Customs to stop the importation of the offending products.¹⁴ Cease and desist orders can also be issued, typically to prevent a respondent (i.e., the "defendant" in an ITC investigation) from selling infringing items that have already been imported and are held in inventory in the United States.¹⁵ Money damages are not available in ITC investigations.¹⁶

Because of the specific statutory scheme set forth by Congress in Section 337, the Federal Circuit has held that "*eBay* does not apply to [ITC] remedy determinations under Section 337."¹⁷ The court reasoned that the appropriateness of "injunctive relief" in an ITC investigation is a matter of statutory interpretation, rather than the application of

general equitable principles.¹⁸ Further, the Federal Circuit noted that, unlike federal district courts, “the [ITC] is *required* to issue an exclusion order upon the finding of a Section 337 violation absent a finding that the effects of one of the statutorily-enumerated public interest factors counsel otherwise.”¹⁹ (Emphasis added.) These public interest factors are: “the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers....”²⁰

2. Rest of the World

Most other significant jurisdictions also provide for injunctive relief in patent infringement proceedings, but the standards for obtaining such relief vary from jurisdiction to jurisdiction.

German courts handle about 70 percent of all patent infringement litigations in Europe. Germany is a preferred forum for patent litigation because that forum provides fast and cost-efficient proceedings, judges specialized in patent matters, and, in particular, the availability of injunctions. Patent litigations in Germany are characterized by a “split system,” in which infringement and nullity (validity) proceedings are conducted in separate proceedings before separate courts. This provides the IP owner with an advantage, as it may seek an injunction against infringement in the trial court presiding over the infringement portion of the dispute before the patent court decides on the validity of the patent in question.²¹

Similar to U.S. law, German patent law also provides the patentee with an exclusive right by stating that “a patent shall have the effect that the patentee alone shall be authorized to use the patented invention.”²² The statutory law allows the patentee to apply for an injunction.²³ German courts will grant injunctive relief in patent matters if there is a risk of infringing use of the patent.

Unlike U.S. courts, however, German courts generally have no discretion as to whether to grant an injunction. There is no equivalent to the *eBay* standards under German patent law, and only in exceptional cases have the German courts accepted limitations on granting injunctions. Most of these exceptions deal with limitations based on antitrust law, such as the FRAND defense discussed below, or due to misuse of

the IP right by the plaintiff.²⁴ Limitations of the availability of injunctive relief based on the principle of proportionality are under discussion in the context of nonpracticing entities, but so far the courts have dismissed them.²⁵

Courts in the Netherlands and France also grant injunctions in patent infringement proceedings, provided that the patentee can show that the patent has been infringed or that infringement is imminent. By contrast, the English courts consider injunctions to be equitable relief. An English court may grant such relief at its discretion if a plaintiff proves infringement or a threat of infringement, unless the circumstances preclude a probable infringement in the future or the grant of such an injunction would be oppressive, that is to say the grant of the injunction would be grossly disproportionate to the right protected.²⁶

In Japan, as in Germany, if patent infringement is established and an injunction is sought, courts issue an injunction as a matter of law. A Japanese court may refuse to grant injunctive relief, however, if it determines that the patent holder has abused its patent right. In China, courts may, but need not, grant injunctive relief for patent infringement.

III. AVAILABILITY OF INJUNCTIVE RELIEF FOR INFRINGEMENT OF FRAND-ENCUMBERED SEPs UNDER RELEVANT PATENT LAWS

A. THE UNITED STATES

Federal district courts apply the *eBay* test to determine the appropriateness of injunctive relief, and the Administrative Law Judges (“ALJs”) of the ITC are required to consider the statutory public interest factors in Section 337 in deciding whether to grant an exclusion order. In addition, patent infringement defendants have used the existence of a patentee’s FRAND commitment as the basis to assert various affirmative defenses and counterclaims such as defenses of implied license or equitable estoppel, and claims of breach of contract or antitrust violations. (In this paper, these defenses are discussed collectively as FRAND-based defenses.) Recent district court and ITC decisions add new insights as to the effectiveness of such FRAND-based

defenses and the patentee's ability to obtain injunctive relief when the infringed patent is a FRAND-encumbered SEP.

1. Injunctions and FRAND-Encumbered SEPs in U.S. Courts

While the U.S. Court of Appeals for the Federal Circuit has yet to rule on the question of whether a patentee should be granted injunctive relief to stop infringement of FRAND-encumbered SEPs, the issue is presented in two currently pending appeals. Thus, the only federal court decisions to date to address the question directly are district court decisions. Recently, two district courts have denied injunctive relief to holders of FRAND-encumbered SEPs, while another court concluded that a FRAND commitment to an SSO, like any other contractual arrangement, does not deprive the SEP holder of the right to seek injunctive relief unless it does so expressly.

a) *Apple v. Motorola* (N.D. Ill.)²⁷

In October 2010, Apple sued Motorola for infringement of three patents, accusing Motorola's mobile devices, such as smartphones and associated software and in particular Motorola's Droid devices, of infringement. Apple sought an injunction against further infringement as well as compensatory damages. Motorola countersued, alleging that various Apple iPhone, iPod, iPad, and other products infringed six of its own patents. Motorola also sought an injunction and damages. Following a *Daubert* hearing on May 16, 2012, Judge Posner (of the Seventh Circuit, sitting by designation) excluded the testimony of the parties' chief damages experts, effectively denying both parties their respective claims for monetary relief. At Apple's request, Judge Posner scheduled "a traditional injunction hearing"²⁸ to deal with the parties' respective claims for injunctive relief. This determination was to be based on the *eBay* factors, but Judge Posner specifically instructed Motorola to be prepared to address "the bearing of FRAND on [its] injunction analysis."²⁹

Following the injunction hearing, Judge Posner issued an Opinion and Order dismissing all claims of both parties with prejudice.³⁰ The section of the court's opinion dealing with injunctive relief began:

[Regarding] Motorola's injunctive claim, I don't see how, given [Motorola's] FRAND [commitment],

I would be justified in enjoining Apple from infringing the '898 [Patent] unless Apple refuses to pay a royalty that meets the FRAND requirement. How could [Motorola] be permitted to enjoin Apple from using an invention that it contends Apple *must* use if it wants to make a cell phone with UMTS³¹ telecommunications capability—without which it would not be a cell *phone*.³²

Judge Posner also cited with approval the Federal Trade Commission Statement on the Public Interest filed on June 6, 2012 in ITC Investigation No. 337-TA-752, arguing that issuance of an ITC exclusion order based on infringement of a "RAND-encumbered" standards-essential patent may harm the public interest. (See discussion of the ITC investigation below.)

Apple evidently rejected a prior Motorola offer of a "FRAND" license at a 2.25 percent royalty rate. Even if this were true (the parties disputed the details of their negotiation and why it broke down), according to Judge Posner, it did not excuse Motorola from "comply[ing] with its FRAND obligations"³³ and did not mean that Motorola was entitled to an injunction rather than damages.

The parties appealed Judge Posner's decision to the Federal Circuit.³⁴ Among the many *amicus* briefs submitted is one filed by the FTC on December 4, 2012. The FTC said that its interest is to "seek[] to ensure that any ruling in this case takes into account the competition policy issues associated with injunctions as a remedy for infringement of a standard-essential patent."³⁵ The FTC brief explained in substance "that the district court properly applied *eBay* in determining that Motorola was not entitled to an injunction" due to Motorola's FRAND licensing commitment with respect to the asserted patent.³⁶

b) *Microsoft v. Motorola* (W.D. Wash.)³⁷

Microsoft sued Motorola for breach of contract, seeking a declaratory judgment that it was entitled to FRAND licenses for Motorola patents essential to IEEE and ITU standards and a judicial accounting to determine appropriate royalty rates. Microsoft contended that Motorola's previous licensing offers for the patents were not reasonable. Later, Motorola asserted patent infringement claims against Microsoft by transferring those claims from another case that Motorola had originally

filed in the Western District of Wisconsin. Specifically, Motorola had sued Microsoft for infringement of three patents that Motorola had declared to be essential to the ITU H.264 video coding standard. Motorola sought injunctive relief against Microsoft's alleged infringement.³⁸

The court ruled that Motorola's commitments to the IEEE and ITU created enforceable contracts between Motorola and the SSOs "to license its essential patents on RAND terms," and that Microsoft is a third-party beneficiary of these contracts.³⁹ The court subsequently held a trial "to determine the appropriate RAND rate and range for Motorola's H.264 and 802.11 standard essential patent portfolios." To date, the court has not issued any decision setting forth its findings from the trial.

Meanwhile, Microsoft moved for summary judgment seeking dismissal of Motorola's claim for injunctive relief to remedy Microsoft's alleged infringement of the three H.264 patents. The court granted Microsoft's motion in an order dated November 29, 2012, and dismissed Motorola's claim for an injunction. The court's analysis was based on the *eBay* factors.⁴⁰ Essentially, the court reasoned that because Motorola has an obligation to license the patents on FRAND terms and because the court itself had undertaken to facilitate this license by determining a royalty rate, Motorola was unable to show either irreparable harm or the inadequacy of remedies at law.

c) *Apple v. Motorola* (W.D. Wisc.)⁴¹

This case arose as a series of counterclaims filed by Apple against Motorola stemming from an ITC investigation of Apple that had been initiated by Motorola.⁴² (Counterclaims filed at the ITC are removed to federal court.) Apple's counterclaims included claims for breach of contract based on Motorola's pursuit of injunctive relief in light of its FRAND licensing commitments to the IEEE and ETSI. Examining those FRAND commitments, Judge Crabb concluded:

There is no language in either the ETSI or IEEE contracts suggesting that Motorola and the standards-setting organizations intended or agreed to prohibit Motorola from seeking injunctive relief. In fact, both policies are silent on the question of injunctive relief.... I conclude that any contract purportedly depriving a patent owner of that right should

clearly do so. The contracts at issue are not clear. Therefore, I conclude that Motorola did not breach its contracts simply by requesting an injunction and exclusionary order in its patent infringement actions.⁴³

The court also dismissed Apple's antitrust claims pursuant to the *Noerr-Pennington* doctrine, which grants antitrust immunity to a party's actions in petitioning the government.⁴⁴ Finally, the court dismissed all of Apple's remaining claims, particularly including claims for declaratory relief in which Apple had asked the court to "declare" a FRAND rate for Motorola's patents. Regarding these claims, the court concluded that, based on statements made by Apple shortly before the start of a scheduled trial, Apple had not agreed to be bound by a rate determined by the court, but was only "seeking a ceiling on the potential license rate that it could use for negotiating purposes."⁴⁵ As this arrangement essentially asked the court to assist Apple in negotiating a FRAND licensing rate without putting the parties' dispute to rest, the court declined to rule on Apple's request for a declaration of the appropriate FRAND rate.⁴⁶

On December 5, 2012, Judge Crabb entered judgment in favor of Motorola, and on January 4, 2013, Apple appealed to the Federal Circuit. Motorola cross-appealed, and, on January 25, 2013, filed a motion to dismiss the case or transfer it to the Seventh Circuit Court of Appeals, on the grounds that the Federal Circuit lacks jurisdiction because "the claims in Apple's complaint sound in antitrust and contract law" rather than patent law. On February 7, 2013, Apple responded, saying that its declaratory judgment claims were based on Motorola's ITC complaint, and thus arise under federal patent law.⁴⁷ Thus, before the Federal Circuit can address the merits of the various FRAND-related issues presented, it will first have to wrestle with this thorny jurisdictional question.

2. Recent ITC Developments

Respondents in a number of recent ITC (or "Commission") investigations have raised FRAND-based defenses and have argued that, based on the statutory public interest factors, the remedy of an exclusion order should not be available at all to the holder of a FRAND-encumbered SEP. In at least three investigations, discussed below, the Commission

called for and obtained written submissions on FRAND-related issues by the parties and the public before it decided whether to grant an exclusion order.

a) The '745 Investigation (Complainant: Motorola; Respondent: Apple)

In *Certain Wireless Communication Devices, Portable Music and Data Processing Devices, Computers and Components Thereof* (Inv. No. 337-TA-745) (“the ‘745 Investigation”), the FRAND-based defenses raised by the respondent were ultimately rendered moot. Motorola, via its complaint filed on October 6, 2010, alleged that various Apple iPhone, iPad, and other devices infringed several Motorola patents, which were generally directed to various aspects of mobile communication devices. Two of the Motorola patents, Nos. 6,246,697 (“the ‘697 patent”) and 5,636,223 (“the ‘223 patent”) were the subject of FRAND commitments to ETSI and the IEEE, respectively.

On November 30, 2010, in its response to the complaint, Apple included a defense of “Estoppel/Unclean Hands” based on allegations that Motorola had supposedly failed to disclose the application underlying one of the patents to ETSI in a timely manner and that “Apple [had] invested billions of dollars in products and technologies in reliance on Motorola’s promises regarding the Declared Essential Patents.” On March 11, 2011, Apple filed certain FRAND-based counterclaims and immediately removed them to the Western District of Wisconsin. (*See* discussion of this district court case *supra*.)

In the Initial Determination of April 24, 2012, the ALJ found no violation of Section 337 of the Tariff Act of 1930 with respect to the ‘223 patent but did find a violation with respect to the ‘697 patent. With respect to Apple’s allegations of estoppel and unclean hands relating to the ‘697 patent, the ALJ found, applying the standard of *Qualcomm*,⁴⁸ that Motorola’s alleged conduct fell far short of the “wantonness” that characterized the patent-holder’s behavior in that case.⁴⁹

On September 17, 2012, the Commission reviewed the ALJ’s Initial Determination and found no violation of Section 337 with respect to three of the four patents in the case, including both the ‘223 patent and the ‘697 patent,⁵⁰ and on December 18, 2012, the ALJ, on remand, found no violation with respect to

the last remaining patent. On January 7, 2013, Motorola petitioned for review of the ALJ’s remand determination.

b) The ‘752 Investigation (Complainant: Motorola; Respondent: Microsoft)

In *Certain Gaming and Entertainment Consoles, Related Software, and Components Thereof* (Inv. No. 337-TA-752) (“the ‘752 Investigation”), Motorola Mobility alleged that Microsoft’s Xbox platform infringes various Motorola patents related to the H.264 video coding standard and security aspects of the 802.11 wireless communications standard. Microsoft raised several equitable defenses based on the existence of FRAND commitments that Motorola apparently made to two SSOs (the ITU for H.264 and the IEEE for 802.11). The public version of the Initial Determination in this Investigation discussed Microsoft’s arguments relating to these defenses in detail and ultimately dismissed all of them.⁵¹

Microsoft argued that the “equitable” remedy of an exclusion order must yield to the legal, contractual obligations that Motorola assumed in making its FRAND commitments. In support, Microsoft cited a prior ITC investigation⁵² featuring an underlying dispute about a cross-licensing agreement between the parties. There, the Commission had stated that “an injunction may not issue against the beneficiary of a promise, which, if enforced, would be inconsistent with the suit for an injunction.”⁵³ ALJ Shaw distinguished that precedent, however, by noting that it involved “mutual obligations” between the parties, in contrast to Microsoft’s status as a “beneficiary” of Motorola’s “unilateral assurances to SSOs.”⁵⁴

Based on Motorola’s assurances to the SSOs, Microsoft also asserted defenses of implied license and waiver of equitable remedies. ALJ Shaw dismissed the implied license defense, noting evidence that Motorola licenses only its essential patents “after negotiations, which were often lengthy negotiations.”⁵⁵ He also rejected the waiver defense, noting that Microsoft agreed that this defense and implied license are “two sides of the same coin” in the ITC context, where the only available remedies are equitable.⁵⁶

Finally, Microsoft asserted a defense of equitable estoppel. Microsoft alleged that, with the FRAND commitments in the background, Motorola made “sham” license offers that it knew Microsoft would not accept. ALJ Shaw found that these

offers constituted a “misleading communication,” thus satisfying the first of three elements of equitable estoppel in a patent case.⁵⁷ He also found that Microsoft would be materially prejudiced by an exclusion order, satisfying the third element. ALJ Shaw found a lack of evidence for the second element, however, that Microsoft reasonably relied on Motorola’s FRAND promises, and therefore dismissed the equitable estoppel defense as well.⁵⁸

The ALJ issued his Initial Determination in the ’752 Investigation on April 23, 2012, holding that five of the patents in suit had been infringed. Among the claims the ALJ held to be valid and infringed were certain claims of three of the four Motorola patents said to be encumbered with FRAND obligations.⁵⁹ (One of these patents was later dropped from the case on Motorola’s motion.) On June 29, 2012, the Commission issued a Notice⁶⁰ that it would review the Initial Determination, and also remanded the ’752 Investigation to the ALJ with respect to certain issues.

On January 8, 2013, five days after the FTC announced that it had entered into a Consent Order with Motorola parent Google (described below), Motorola moved to terminate the ’752 Investigation as to the two remaining FRAND-encumbered patents.⁶¹

In May 2012, following the release of the Initial Determinations in the ’745 and ’752 Investigations, the Commission called for statements on public interest issues raised by the recommended exclusion orders and cease and desist orders directed to Apple and Microsoft. Also, in its Notice that it would review the final Initial Determination in the ’745 Investigation,⁶² the Commission asked the parties to brief their positions on issues related to FRAND licensing and its possible effect on the ability to obtain an exclusion order, and additionally invited comment from third parties on the public interest. These requests resulted in responses from a number of organizations, discussed *infra*.

c) The ’794 Investigation (Complainant: Samsung; Respondent: Apple)

A FRAND defense has been asserted in another recent ITC investigation, *Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers*, Inv. No. 337-TA-794 (“the ’794 Investigation”). In June 2011,

Samsung initiated an ITC complaint alleging unlawful importation by Apple of various products (iPhones, iPods, and tablet computers) that allegedly infringe five Samsung patents. Samsung sought both a permanent exclusion order and a permanent cease and desist order. Apple responded that Samsung was obligated to license certain patents based on its FRAND commitments to ETSI. ALJ Gildea denied Apple’s motion for summary determination, which is the ITC’s version of a motion for summary judgment. Analyzing the motion under French law, the ALJ concluded, *inter alia*, that there was no license because Apple and Samsung never agreed on price terms.⁶³ The ALJ issued an Initial Determination on September 14, 2012, finding no violation of Section 337 with respect to any of the asserted patents. On November 19, 2012, the Commission announced that it would review the Initial Determination and also called for written submissions on the public interest and issues in the case, including FRAND issues.

d) Comments by Agencies and the Public Regarding FRAND-Encumbered SEPs in ITC Investigations

The Commission’s requests in the ’745, ’752 and ’794 Investigations for written submissions on the public interest generally, and FRAND issues in particular, have generated dozens of responses from corporations, trade groups, government agencies, and legislators, as well as the parties to the investigations. A few of these submissions appear to support a *per se* rule that a holder of a FRAND-encumbered SEP should never be able to obtain an exclusion order.⁶⁴ Others take the position that exclusion orders should be available only in special circumstances, such as the case where a respondent has refused to take a FRAND license, or where a respondent is outside the jurisdiction of the federal district courts but the allegedly infringing articles fall within the Commission’s *in rem* jurisdiction. Still others emphasize that a FRAND commitment is a contract between an SSO and its member, and each contractual commitment must be considered according to its own terms. Some SSOs, such as ETSI, for example, do not require waiver of the right to injunctive relief as part of the FRAND commitment.⁶⁵

Importantly, the FTC, the DOJ, and the USPTO have all filed comments or issued statements urging the ITC to apply public interest factors to deny injunctive relief with respect to infringement of FRAND-encumbered SEPs. In June 2012, the FTC submitted statements in both the ’745 and ’752

Investigations.⁶⁶ In these comments, the FTC stated that “ITC issuance of an exclusion or cease and desist order in matters involving RAND-encumbered SEPs, where infringement is based on implementation of standardized technology, has the potential to cause substantial harm to U.S. competition, consumers, and innovation.”⁶⁷ The FTC identified the problem as, in part, that “the threat of an exclusion order could allow a patentee to obtain unreasonable licensing terms despite its RAND commitment...”⁶⁸ The FTC statement concluded by urging the ITC to consider the impact on “competitive conditions and United States consumers” in cases involving FRAND-encumbered SEPs.⁶⁹

On January 8, 2013, the DOJ joined with the USPTO in issuing a statement⁷⁰ that strongly urged the ITC to apply the statutory public interest factors to cases where the holder of a SEP, having made a FRAND commitment, seeks an exclusion order. The joint statement identified just two circumstances in which such an exclusion order might be appropriate: where the “putative licensee” either (i) refuses to take a license or (ii) is “not subject to the jurisdiction of a court that could award damages.”⁷¹

In addition, the FTC and DOJ each testified in support of their positions at a Senate Judiciary Committee hearing on “Oversight of the Impact on Competition of Exclusion Orders to Enforce Standard-Essential Patents.”⁷² The FTC testimony, presented by FTC Commissioner (now Chairman) Edith Ramirez, discussed in greater detail the points raised in the FTC’s Statement on the Public Interest filed in the ‘745 and ‘752 Investigations. Commissioner Ramirez concluded that “[t]he FTC believes that the ITC has the authority under its public interest obligations to ... deny an exclusion order if the holder of the RAND-encumbered SEP has not complied with its RAND obligation,” and suggested that if the ITC finds it does not have this authority, Congress should consider amending Section 337.⁷³ The DOJ testimony, presented by then-acting head of the Antitrust Division Joseph Wayland, included a review of recent Antitrust Division investigations of technology industry transactions where “potential anticompetitive use of F/RAND encumbered standard-essential patents” was an issue. Regarding the ITC, Mr. Wayland made the specific suggestion that one set of circumstances in which an exclusion order might be deemed not in the public interest would be where “the value or importance of the infringed patent to the assembled good is dwarfed by the overall value

of the assembled good or the patented aspect is not important to the operation of the good.”⁷⁴

B. EUROPE

In Europe, patent law is delegated to the member states to legislate, with limited exceptions that are harmonized by the European Union. Across the 27 member states, the availability of injunctive relief in patent infringement litigation varies from country to country. To date, very few courts have considered the issue of whether injunctive relief should be available as a remedy for infringement of FRAND-encumbered SEPs. The courts of Germany and the Netherlands have taken the lead in providing answers.

1. Germany

German courts have, as a general rule, no discretion on whether to grant an injunction in patent infringement litigation. If a court finds infringement, it typically orders an injunction as a matter of course. German patent law does not provide a basis for an infringer to avoid an injunction based on a FRAND defense. As described below, however, German courts have applied German competition law to develop the so-called *Orange Book Standard* for assertion of a FRAND defense. Although the defense is based on competition law, to date courts have applied it in a manner similar to an affirmative defense under patent law. Specifically, courts have held an infringer may avoid entry of an injunction in certain narrow circumstances.

a) *Orange Book Standard*—The Framework for the FRAND Defense

In *Orange Book Standard* of May 6, 2009, the German Federal Supreme Court (“FSC”) allowed, for the first time, a patent user to defend itself against an injunction claim by arguing that it is entitled to a FRAND license according to antitrust law:

If a company with a dominant position on the market discriminates [against] the company seeking a license in a commerce usually accessible to similar companies, or if it inequitably obstructs the proposed licensee by refusing to conclude a patent license agreement it has been offered, the enforcement of the patent-law claim for injunctive relief

constitutes an abuse of its dominant position on the market, because the dominant company prevents the other company from gaining the very access to the market that it is obliged to grant by entering into the license agreement.⁷⁵

Orange Book Standard involved a *de facto* standard for CD-R and CD-RW. Philips, the plaintiff, owned a patent for recordable and rewritable optical data carriers. The defendant marketed CD-Rs and CD-RWs in Europe. Philips alleged that CD-Rs and CD-RWs must comply with the specifications set out in the so-called “Orange Book Standard” such that the defendant had to obtain a license under Philip’s patent. The defendant argued that it did not infringe the patent and, additionally, that Philips requested from the defendant an unreasonably high and discriminatory license fee of 3 percent while other licensees paid a lesser amount.⁷⁶

The FSC decision in *Orange Book Standard* established the framework for asserting a FRAND defense under the EU and German antitrust laws. The FSC imposed three requirements for the FRAND defense to be successful: (i) the plaintiff has a dominant market position; (ii) the defendant has offered a license on “acceptable” contract terms to plaintiff; and (iii) the defendant behaved from the point of its offer as if the plaintiff had accepted the offer.⁷⁷ The defendant bears the burden of proof for all three requirements.

Specifically, the defendant (and not the plaintiff) must make an offer to license on reasonable terms, i.e., the terms and conditions of its offer must reflect the terms and conditions that are customarily used in the industry for licensing such technology. Additionally, the defendant’s license offer must be unconditional—the defendant cannot make its offer conditional on the court’s finding infringement.⁷⁸ As far as the license fee is concerned, the FSC found that a defendant has two options: It may offer a royalty rate that equals royalty rates customarily applied in the industry; or it may offer to pay a royalty rate to be determined by the plaintiff applying the plaintiff’s “reasonably exercised discretion.”⁷⁹ The royalty rate determined by “reasonably exercised discretion” could then be subject to judicial review in a separate court proceeding.

Additionally, the defendant must act as if the plaintiff had accepted the defendant’s offer to license. The defendant

must not implement the patent without obeying the contractual obligations that would be in place had the plaintiff accepted the offer. For example, the defendant must account for the use of the patent on a regular basis and must pay the applicable royalties either directly to the plaintiff or to an escrow account held by a German court.⁸⁰

b) Lower Court Application of *Orange Book Standard*

In the aftermath of *Orange Book Standard*, the FRAND defense has been tested successfully in court in at least two cases. In *Philips v. SonyEricsson*, the District Court of Mannheim dismissed an injunction claim finding that the defendant’s offer to license at a fixed royalty rate and the deposit of the calculated royalties in an escrow account validly established the FRAND defense.⁸¹ In *Motorola v. Apple*, the Court of Appeal of Karlsruhe granted Apple’s request to preliminarily stop the enforcement of the first instance judgment of the District Court of Mannheim after Apple amended its license offer.⁸²

These subsequent cases resolved some, but not all, of the many questions left open by *Orange Book Standard*. The District Courts of Mannheim and Düsseldorf held that *Orange Book Standard* applies equally to agreed standards (standards established by consensus in standard-setting bodies) as well as *de facto* standards, because there would be no difference in the parties’ interest in the two types of standards.⁸³ Notably, in this context, these two courts interpreted FRAND commitments as “declarations of intent” by the patent owners to conclude binding license agreements in the future. According to those courts, FRAND commitments formally endorse the obligations patent owners have under the antitrust laws and do not grant a right to use the patent.

A further issue relates to the scope of defendant’s license offer. May the defendant offer to license only the specific patent(s)-in-suit in Germany, or must it offer to license the plaintiff’s SEPs on a global basis? The District Court of Mannheim held that an offer for a license to a single patent-in-suit limited to Germany is sufficient, unless this offer can be considered to be misuse.⁸⁴ Such misuse considerations could apply, for instance, if the defendant would take only a single license to the patent in suit while simultaneously continuing infringement of other patents essential to the same standard. With regard to a patent pool (MPEG LA), the District Court of Düsseldorf allowed the patentee to either limit

its acceptance to a single license for the patent-in-suit in Germany or accept a global worldwide pool license.⁸⁵

The Court of Appeal of Karlsruhe addressed application of *Orange Book Standard* to pending and future-filed nullity actions. In *Motorola v. Apple*, the court confirmed that Apple was obliged to withdraw its nullity action after Motorola accepted Apple's offer to license.⁸⁶ In addition, the court held that Apple's license offer must include a provision allowing Motorola to terminate the agreement if Apple refiled a nullity attack against any of the licensed patents.

Invoking a FRAND defense has the potential to create some tension for the defendant. The FRAND defense is a defense against an injunction claim and, thus, concerns future infringement, but the *Orange Book Standard* requires the defendant to behave like a licensee. The District Court of Mannheim confronted this issue when it considered whether, in connection with a FRAND defense, a defendant must accept liability for past damages in its license offer and include such damages in its deposit. In *Motorola v. Apple* and *Motorola v. Microsoft*, the court required that the defendants accept liability for past damages in its license offer.⁸⁷

A number of other practical issues regarding implementation of *Orange Book Standard* remain unanswered. For instance, how are the "licensed products" in the license offer to be defined—by reference to specific products, or to the specific standard? How shall the deposit with the court be made? And what happens in case of overpayments or underpayments?

Finally, there also is the fundamental question whether *Orange Book Standard* complies with the EU competition laws. To the extent German law addresses the same competition concerns in the area of unilateral conduct that are also addressed by EU law, the latter prevails. On March 21, 2013, the District Court of Düsseldorf referred five questions to the European Court of Justice ("ECJ") concerning the availability of remedies to the holder of SEPs.⁸⁸ On this basis, the ECJ will have an opportunity to settle the exact requirements for a successful FRAND defense under European competition law. The Düsseldorf court's referral to the ECJ emphasizes the need for clarification, as *Orange Book Standard* implies stricter requirements (and is more favorable to the patent holder) than under the criteria the EC appears to apply.⁸⁹

It remains to be seen whether the EC and the ECJ will also interpret the competition rules in a manner that permits defendants to assert a FRAND defense but also imposes far-reaching obligations on defendants as well.

2. The Netherlands

The courts of the Netherlands also usually grant injunctions in patent infringement proceedings providing that the patentee can show that there is an infringement or that the infringement is imminent. Courts in the Netherlands have also recognized the possibility of a FRAND defense similar to *Orange Book Standard* in Germany. In contrast to the German approach, however, courts in the Netherlands appear to have based the defense on patent law rather than competition law. Two contrasting decisions reflect the courts' approach.

In *Philips v. SK-Kassetten* of March 17, 2010, the District Court of The Hague held that the existence of an obligation to grant a FRAND license does not necessarily prevent the holder of an essential patent from enforcing its patent, including through a suit seeking injunctive relief.⁹⁰ In rejecting the defendant's FRAND defense, the court emphasized that SK-Kassetten should have asked Philips for a license before it started to use Philips' SEPs. If Philips had rejected such license request, SK-Kassetten could then have filed a motion with the court requesting that Philips be ordered to license its SEPs under FRAND terms. As long as no FRAND license has been obtained by a defendant, however, the patent owner may, in principle, enforce its patent rights by seeking injunctive relief against an infringing user.

In *Samsung v. Apple* of March 14, 2012, the District Court of The Hague rejected Samsung's application for an injunction on the basis of both abuse of law and breach of precontractual good faith.⁹¹ The court considered Samsung's FRAND declaration to be a commitment to enter into an agreement. By accepting Samsung's commitment, Apple received an irrevocable contractual claim to obtain a FRAND license from Samsung. The court, however, also concluded that Apple, at that stage, did not hold a FRAND license. In view of Samsung's obligation to grant a FRAND license to Apple and to negotiate the license in good faith, the court ruled that seeking an injunction during negotiation of the FRAND license must be considered as an abuse of law or a breach of precontractual good faith. The injunction, according to

the court, would put Apple under considerable pressure in the negotiation of the terms and conditions of the FRAND license. The injunction could compel Apple to agree to a license fee that exceeds the level that Apple could claim on the basis on Samsung's FRAND declaration. The court explicitly left open the question of whether Samsung's filing of the injunction claim could also be considered as misuse of a market-dominant position within the meaning of competition law.

As a consequence, to successfully assert a FRAND defense in the Netherlands, the combined effect of these two cases would require the defendant to request a FRAND license from the patentee before the commencement of litigation. The defendant then can either make a fair and reasonable counterproposal while remaining willing to negotiate or explain in litigation why the patentee's offer does not comply with FRAND terms. It remains an open question for how long the parties must negotiate.

3. France and the United Kingdom

Defendants also have raised a FRAND defense in patent infringement proceedings in France and the UK, but the courts have yet to rule on the issue. In *Samsung v. Apple* of December 8, 2011, Apple argued before the Paris Court of First Instance that Samsung's claim would constitute an abuse of a dominant position.⁹² The Paris Court, however, dismissed the case on other grounds and did not address this issue. In *Nokia v. IPCOM* of July 8, 2011, the High Court of Justice did not grant IPCOM's request for injunctive relief, but ordered Nokia to plead on further issues, including FRAND.⁹³ A "FRAND trial" before the High Court of England and Wales is forthcoming in which Nokia, HTC, and IPCOM will plead their cases on determining the FRAND terms and the royalty rate.

C. ASIA

1. Japan

In Japan, as in Germany, if patent infringement is established and an injunction is sought, courts issue an injunction as a matter of law. Recently, however, a FRAND defense was considered by a Japanese court for the first time in *Samsung Electronics vs. Apple*. Samsung filed a request for a preliminary injunction against Apple with the Tokyo District Court

on April 21, 2011, requesting an order to enjoin the manufacture, import, and sale of certain iPhones and iPads. Apple, in turn, filed a declaratory judgment suit against Samsung with the Tokyo District Court on September 16, 2011, seeking a declaratory judgment that Samsung does not have a right to claim damages based upon infringement of its patents with regard to the manufacture, sale, and import of the products in question. On February 28, 2013, the Tokyo District Court refused Samsung's request for a preliminary injunction on the ground that the asserted patents are SEPs encumbered with a FRAND commitment. Surprisingly, with respect to Apple's lawsuit seeking a declaratory judgment,⁹⁴ although the Tokyo District Court found that Apple's products infringe certain asserted patents and those patents are valid, it issued a declaratory judgment ruling that Samsung does not have a right to a demand for damages. The court held that when Samsung receives a specific offer requesting license on FRAND terms regarding its FRAND-encumbered SEPs, Samsung has an obligation to provide the other party with significant information and negotiate in good faith. The court ruled that, despite this good faith obligation, Samsung had not negotiated a license with Apple in good faith. For instance, the court pointed out that Samsung had not disclosed information to support the calculation of the license royalty rates Samsung had proposed despite Apple's repeated requests for this information. In light of such facts and other circumstances, the court considered the enforcement by Samsung of its patent to be an abuse of its patent right. Samsung has stated that it is planning to appeal the decision to the Intellectual Property High Court.

2. China

A Chinese Supreme Court advisory opinion issued in 2008 suggested that a court will not find patent infringement if a patentee participates in standard-setting or otherwise agrees that the patented technology may be incorporated into a standard and subsequently files suit seeking injunctive relief for infringement of the patent.

The Supreme Court advisory opinion provided that, because the authorities in China responsible for standard-setting have not established rules regarding public disclosure and use of patented technology in standards, if a patentee engages in standard-setting or agrees that the patent be incorporated into a national, industrial, or local standard, the patentee

would be deemed to have permitted others to exploit the patent for purposes of implementing the standard. The Supreme Court held that such exploitation of the patent by others does not constitute patent infringement under Article 11 of the Patent Law. The patentee may charge the company using the patented technology to implement the standard a fee or royalty for use of the patent, but the amount of such fee should be significantly lower than the normal license fee. To the extent the patentee commits to waive the fee for such exploitation of the patent, the patentee should subsequently follow that commitment.

The Supreme Court's advisory opinion is a case-specific decision rather than a formally binding precedent. However, in practice, lower courts in China generally follow such Supreme Court advisory opinions in subsequent similar cases. This is particularly likely with respect to this issue, as some Chinese businesses and government officials regard the FRAND offers of certain foreign patent holders as being inconsistent with the low-cost business environment in China.

IV. APPLICABILITY OF ANTITRUST LAWS TO ATTEMPTS TO OBTAIN INJUNCTIVE RELIEF WITH RESPECT TO FRAND-ENCUMBERED SEPs

Certain parties have argued that it constitutes an unfair trade practice or an abuse of a dominant position, and thus violates competition laws, for an owner of a FRAND-encumbered SEP to seek to obtain injunctive relief. In the United States, the FTC has adopted and enforced this position in two consent decrees, although it has yet to do so in a litigated matter. It appears that the European Commission may also be considering a similar position. Provisions in applicable agency guidelines in Japan and China indicate that competition authorities in those two jurisdictions might also consider similar positions. If competition authorities apply their competition laws in this fashion, this may cause owners of FRAND-encumbered SEPs to consider foregoing injunctive relief and pursuing only damages and royalties for infringement of such patents, even if courts hold that injunctive relief may be available under applicable patent laws.

A. THE UNITED STATES

Section 2 of the Sherman Act prohibits the acquisition of monopoly power by means of exclusionary conduct. Section 2 may be enforced by the FTC or DOJ or by a private party in a federal court action. Section 5 of the FTC Act prohibits unfair methods of competition and unfair acts and practices. Section 5 may be enforced only by the FTC. Importantly for purposes of this discussion, the so-called *Noerr-Pennington* doctrine grants immunity from the Sherman Act for petitioning the government, including filing a good-faith lawsuit with a court or government agency. Whether the *Noerr-Pennington* doctrine applies to all claims under the FTC Act is less clear.

One court has held that an owner of a FRAND-encumbered SEP does not violate Section 2 of the Sherman Act by pursuing an exclusion order before the ITC. The DOJ and the FTC have conducted investigations of SEP holders both in connection with and separately from the sale and transfer of such patents. The FTC recently announced consent agreements with two companies, Robert Bosch GmbH and Google, Inc., which require the companies to offer to license their SEPs to companies practicing the relevant standards and follow specified procedures before seeking injunctions. In part because the FTC's action was based on Section 5 of the FTC Act, which does not provide for a private right of action, rather than under Section 2 of the Sherman Act, which does, it remains to be seen what effect the FTC's action will have with respect to future patent enforcement actions.

1. District Court Decision in *Apple v. Motorola*

As noted above, one district court has considered antitrust counterclaims based on a patent owner's attempt to obtain injunctive relief for infringement of FRAND-encumbered SEPs.⁹⁵ Motorola initiated an ITC investigation of Apple, alleging infringement of patents relating to mobile communication devices. Apple claimed that Motorola has committed to ETSI and the IEEE to license certain of those patents on FRAND terms. Apple claimed that Motorola's unfair licensing demand contravened its FRAND commitment and constituted unlawful monopolization in violation of Section 2 of the Sherman Act. The court dismissed Apple's antitrust claims pursuant to

the *Noerr-Pennington* doctrine, which grants antitrust immunity to a party's actions in petitioning the government. The court held that Motorola's enforcement of its patents, including its pursuit of exclusion orders at the ITC, was a form of protected governmental petitioning, and therefore that action alone could not give rise to an antitrust violation.⁹⁶

2. DOJ Investigation of Google/Motorola Mobility

In February 2012, the DOJ closed its investigation of Google's acquisition of Motorola Mobility, Inc., and its portfolio of about 17,000 patents, including many SEPs. The DOJ concluded that the transfer of ownership of the patents from Motorola to Google would not harm competition. In part because Motorola was already actively enforcing its patents, the DOJ concluded that the acquisition itself would not change "market dynamics," but the DOJ nevertheless expressed concern about Motorola's past licensing and litigation policies, including pursuit of injunctions for SEPs under certain conditions, and announced that it would continue to monitor these practices after Google acquired ownership.⁹⁷

3. FTC Antitrust Enforcement Actions

In a major new development, the FTC recently entered into proposed consent agreements with two SEP holders alleged to have engaged in an unfair method of competition in violation of the FTC Act by seeking to enforce their patents via injunctive relief. The FTC will determine whether to enter the consent orders as final after consideration of public comments.

a) *In the Matter of Robert Bosch GmbH*

On November 26, 2012, the FTC announced a proposed settlement agreement with Robert Bosch GmbH ("Bosch"). This matter arose in connection with Bosch's proposed acquisition of SPX Service Solutions ("SPX"), the leading competitor with respect to air conditioning recycling, recovery, and recharge ("ACRRR") products. These are devices used by service technicians to safely service automobile air conditioning systems, including removing and replacing refrigerant while preventing the refrigerant from leaking into the environment, as required by Environmental Protection Agency ("EPA") regulations.

The FTC concluded that the proposed acquisition would give Bosch "near-monopolist" status in the relevant market,⁹⁸ which could cause prices to rise for consumers of ACRRR products.⁹⁹ The FTC charged that the acquisition would violate the Clayton Act, which prohibits acquisitions that may substantially lessen competition, as well as the FTC Act.¹⁰⁰ To resolve these charges, Bosch agreed to divest its original ACRRR business to Mahle Clevite, Inc.¹⁰¹ This portion of the consent decree was a fairly typical resolution of an acquisition-related competition issue.

In addition to challenging the acquisition, the FTC also charged that certain conduct by SPX as a holder of SEPs constituted "an unfair method of competition in or affecting commerce in violation of Section 5 of the FTC Act."¹⁰² Specifically, SPX had declared to an auto industry SSO called SAE that it believed it held patents essential to the practice of two SAE standards for ACRRR equipment, and that it agreed to license these patents on FRAND terms. However, at the same time, SPX continued to pursue injunctive relief against competitors in patent litigation involving these SEPs.¹⁰³

Under the consent agreement, Bosch agreed that it would license, on a royalty-free basis, 37 patents and applications that "may be, but are not necessarily," essential to practice one of the two SAE standards to competitors in the ACRRR business.¹⁰⁴ (It is unlikely that the Commission would have been able to include potentially nonessential patents in its order had the parties not been eager to resolve the Commission's unrelated investigation into their transaction.) Commissioner Maureen K. Ohlhausen dissented from the Commission decision, in part on the ground that SPX's conduct was protected under the *Noerr-Pennington* doctrine.¹⁰⁵

b) *In the Matter of Google, Inc.*

On January 3, 2013, the FTC announced the proposed settlement of its multiple investigations of Google. While most press reports focused on the news that the FTC had found no violation of the law by Google's search business, the announcement also included a proposed Decision and Order requiring Google and its subsidiary Motorola Mobility (with limited exceptions) to refrain from seeking injunctive relief for infringement of its SEPs.¹⁰⁶ Commissioner Ohlhausen again

dissented.¹⁰⁷ Commissioner Rosch also issued a separate statement, while concurring in the Complaint and Order.¹⁰⁸

The FTC stated that Motorola had “renege[d]” on its FRAND commitments “by seeking injunctions against willing licensees of ... SEPs,” and that the conduct continued after Google acquired Motorola.¹⁰⁹ Competition in the markets for devices such as smartphones and tablet computers was impaired as a result, the FTC said, and the acts constituted “unfair methods of competition, as well as unfair acts and practices, in violation of Section 5” of the FTC Act.¹¹⁰

Under the Order, Google is required to follow a detailed negotiation procedure (including mediation or adjudication where necessary) in order to come to agreement on FRAND licensing terms with potential licensees.¹¹¹ Also, Google may not revoke any existing FRAND commitments (with limited exceptions).¹¹² However, if the other party “indisputably demonstrates that it is not willing to pay Google a reasonable fee for use of Google’s FRAND-encumbered SEPs,” for example by stating in writing that it will not accept a license or by refusing to enter into a license on terms set by a court or binding arbitration, Google may then seek an injunction. Another exception is where the other party is outside the jurisdiction of the courts of the United States.¹¹³ As noted above, Google’s subsidiary Motorola Mobility recently withdrew its SEP-based claims in the ‘752 Investigation before the ITC. Apple and Microsoft have alleged, however, that Google has continued to use the threat of injunctive relief in Germany in ongoing royalty negotiations.¹¹⁴

The FTC said that the Order “may set a template for the resolution of SEP licensing disputes across many industries...”¹¹⁵

c) Potential Impact of FTC Enforcement Actions

Assuming that the FTC enters the consent orders as final, the future impact of the FTC consent agreements in the *Bosch* and *Google* matters remains to be seen. Of critical importance, the FTC complaint in each case alleged violation only of Section 5 of the FTC Act, and not Section 2 of the Sherman Act (which prohibits unlawful monopolization). Section 2 requires an acquisition of monopoly power that results from exclusionary conduct.¹¹⁶ In the typical standards situation, to the extent that the owner of SEPs has market power, that power may be considered to be acquired at the

time the standard is adopted, rather than at the time the SEPs are asserted. Pursuant to this view, the patent owner’s subsequent pursuit of injunctive relief might be viewed as an exercise of its previously and lawfully acquired power, which would not violate the Sherman Act. The significance of this distinction stems from the fact that only the FTC can enforce the FTC Act. Private parties are limited to asserting claims arising under the Sherman Act. And if courts were to adopt this analysis, a private party would not be able to assert a claim that an owner of FRAND-encumbered SEPs violated the antitrust laws by pursuing injunctive relief against companies seeking to implement the standard.

Because private parties may not be able to bring claims to police potential abuses by SEP holders, the future impact of the *Bosch* and *Google* matters may depend on the FTC’s continued willingness to investigate and bring enforcement actions with respect to such conduct. At the present time, there is no indication that the FTC would not pursue similar conduct by other owners of FRAND-encumbered SEPs. The FTC’s resources are limited, however, so it may have to pick its battles. It is uncertain how many owners of FRAND-encumbered SEPs might be willing to pursue injunctive relief despite the FTC’s position and, if necessary, litigate the issue against the FTC and appeal an adverse decision to a court of appeals. And there is always a possibility of a change in enforcement policy with a different Chairman and Commissioners. As a result, the actual impact of the FTC’s enforcement actions will only become clear with time.

B. EUROPE

1. European Union

a) The EU Prohibition on Abuse of Dominance

Article 102 of the Treaty on the Functioning of the European Union (“TFEU”) prohibits as incompatible with the internal market “[a]ny abuse by one or more undertakings of a dominant position” in so far as it may affect trade between member states. The European Court of Justice (“ECJ”) defines dominance as:

[A] position of economic strength enjoyed by an undertaking which enables it to prevent effective competition being maintained on the relevant

market by affording it the power to behave to an appreciable extent independently of its competitors, its customers and ultimately of the consumers.¹¹⁷

The ECJ has stressed that exclusive rights, embodied in intellectual property rights (“IPRs”), do not in themselves create a dominant position.¹¹⁸ Rather, one looks to the market in which the product that incorporates the IPR competes to compare the right-holder’s market power with that of its competitors.¹¹⁹ As a result, ownership of IPRs alone cannot violate Article 102, but the improper exercise of IPRs can. In other words, in contrast to Section 2 of the Sherman Act in the United States, Article 102 is concerned not with how a business acquires a monopoly position but rather with whether a business that has a monopoly position uses illicit (“abusive”) means to the detriment of competitors and customers.

On this basis, it may violate Article 102 if (i) a patent owner is dominant, for instance because its patent is essential to a standard, and (ii) the patent owner requests unfair or unreasonable (i.e., “exploitative”) licensing terms and conditions from implementers that amount to an abuse.

The potential application of Article 102 to the enforcement of a SEP depends, in the first instance, not on whether the SEP owner has given a FRAND commitment to an SSO, but rather on whether the SEP is essential to a standard that conveys monopoly power on the SEP’s owner. In the *Rambus* investigation, the European Commission (“EC”) measured Rambus’ dominance by the “percentage of worldwide commercial DRAM production exposed to Rambus’ patent claims.”¹²⁰

In a 1978 decision, the ECJ found that the licensing terms and conditions a dominant company imposes must be reasonable and fair.¹²¹ The EC has recently investigated whether royalty rates are unreasonable in two matters, *Rambus* (2009) and *Qualcomm* (2009). The EC discontinued its *Rambus* investigation after Rambus gave commitments regarding its license fees. The EC closed its *Qualcomm* investigation without taking action when the EC was unable to establish that Qualcomm’s license fees were unreasonably high. Subsequently, in its 2010/2011 revision of the Guidelines on Horizontal Collaboration, the EC attempted to define several (alternative) standards for how FRAND can be measured:¹²² on the basis of the fees’ “reasonable relationship to the economic value of the IPR”¹²³ (primarily through comparing the

fees charged by the IP owner before the industry became locked into the standard (*ex ante*) with those charged after the industry has been locked in (*ex post*); or by an independent expert who assesses the objective “centrality and essentiality”¹²⁴ to the standard at issue; or by reference to *ex ante* disclosures of licensing terms in the context of a specific standard-setting process.

The EC Commissioner responsible for competition policy, Joaquín Almunia, has recently pointed out that the EU recognizes that IP rights are an “important cornerstone”¹²⁵ of the EU’s economy. However, he added that:

[S]uch rights should not be misused when they are essential to implement industry standards, which bring huge benefits to businesses and consumers alike. When companies have contributed their patents to an industry standard and have made a commitment to license the patents in return for fair remuneration, then the use of injunctions against willing licensees can be anti-competitive.¹²⁶

Alexander Italianer, the Director General of the EC’s Competition Directorate, pointed out in September 2012:

Once a FRAND commitment has been given, it must be adhered to. We are currently looking at several cases where, by threatening to use injunctions, holders of standard-essential patents put themselves in a position to make demands that their commercial partners would not accept outside of a standard, thus in breach of FRAND.¹²⁷

On January 30, 2013, Mr. Almunia was reported as saying that holders of SEPs “should be ready to license the use of these patents on FRAND terms.”¹²⁸ Moreover, he appears to have confirmed that “to launch injunctions trying to avoid that the competitors can distribute in the market their products can be considered as an abuse of the market position.”¹²⁹

At this point, several EU investigations are pending, but very little is known about their nature and possible outcomes. However, two of these cases (*Motorola* and *Samsung*) are a matter of public record through the EC’s press releases (and are discussed below). Circumstantial evidence suggests that the EC is likely to interpret the antitrust restrictions broadly

and to assume that the owner of FRAND-encumbered IP can start litigation only if the parties' negotiations of FRAND terms have broken down.

b) Pending EC Investigations

On April 2, 2012, the EC initiated antitrust proceedings against Motorola Mobility Inc. ("Motorola"). The EC is investigating whether Motorola failed to honor the FRAND commitments it gave to the ITU, ISO/IEC, IEEE, and ETSI.¹³⁰ In particular, upon complaints filed by Apple and Microsoft, the Commission is assessing whether Motorola infringed the EU's competition rules by seeking injunctions in national courts in relation to some of its ITU and ISO/IEC SEPs. The EC is considering whether Motorola may have abused a dominant position when it "sought and obtained"¹³¹ injunctive relief against key products of the complainants such as the iPad and Xbox. These proceedings are pending.

On January 30, 2012, the EC started proceedings against Samsung.¹³² There, the EC is investigating whether Samsung infringed Article 102 TFEU by seeking injunctive relief in member state courts and thereby failing to honor FRAND commitments it gave to ETSI for certain UMTS (3G) patents it declared to be SEPs. On December 21, 2012, the EC announced that it has sent a Statement of Objections to Samsung in this matter:

While recourse to injunctions is a possible remedy for patent infringements, such conduct may be abusive where SEPs are concerned and the potential licensee is willing to negotiate a licence on Fair, Reasonable and Non-Discriminatory (so-called "FRAND") terms. The sending of a Statement of Objections does not prejudice the final outcome of the investigation.

Although Apple was first to seek injunctions against Samsung, the EC notes that Apple based these lawsuits on patents for which no FRAND commitment had been given to SSOs. Notably, the EC does not question the availability of injunctive relief for SEP holders outside the specific circumstances present in this matter, "for example in the case of unwilling licensees."¹³³ Nor does the EC undertake to set a FRAND rate, as it believes that "[n]ational courts and arbitrators are generally well equipped to do this."¹³⁴ Moreover, the EC confirmed that Samsung's right to seek damages and

"other corrective or alternative measures"¹³⁵ for an infringement of its SEPs remains unaffected.

The EC is taking the position, however, that any company's right to access a tribunal (which, as a general rule, is guaranteed by the EU Charter of Fundamental Rights) "does not constitute unfettered prerogative."¹³⁶ By contrast, "under the specific circumstances"¹³⁷ of the *Samsung* matter, it is the preliminary view of the EC that:

where a commitment to license SEPs on FRAND terms has been given by Samsung, and where a potential licensee, in this case Apple, has shown itself to be willing to negotiate a FRAND licence for the SEPs, then recourse to injunctions harms competition.¹³⁸

On December 18, 2012, Samsung announced that "it was withdrawing its requests for injunctive relief on allegedly standards-essential patents in its pending cases against Apple in courts throughout Europe."¹³⁹ The EC nevertheless has continued with its investigation, as Samsung's actions to date may have infringed Article 102.¹⁴⁰

c) Potential Outcomes Under EU Competition Law

If the EC concludes that an owner of FRAND-encumbered SEPs has infringed Article 102 by seeking (or obtaining) injunctive relief against implementers, it may impose fines and order the patent owner to cease and desist. Alternatively, the EC may choose to accept a commitment from the IP owner not to infringe Article 102 in the future and discontinue its proceedings.

It is unclear at this point how the EC will deal with *Motorola*, *Samsung*, and other matters. It follows from the EC's press releases, however, that it is likely to find Article 102 violated if an owner of FRAND-encumbered SEPs seeks injunctive relief when the implementer is "willing" to enter into a license. It appears that the EC interprets Article 102 as creating more extensive restrictions on the availability of injunctive relief to owners of FRAND-encumbered patents than do, in particular, the German courts.

Interestingly, the EC's *Google/Motorola Mobility* merger decision of February 13, 2012 may suggest the EC's future path.¹⁴¹ Although unrelated to Article 102 (and mainly concerned with

cross licenses), the decision contains interesting comments on FRAND litigation. The EC highlighted that it perceives threats to competition if SEP owners seek injunctive relief:

Depending on the circumstances, it may be that the threat of injunction, the seeking of an injunction or indeed the actual enforcement of an injunction granted against a good faith potential licensee, may significantly impede effective competition by, for example, forcing the potential licensee into agreeing to potentially onerous licensing terms which it would otherwise not have agreed to. These onerous terms may include, for example, a higher royalty than would otherwise have been agreed. Another concern would be that the SEP holder may force a holder of non-SEPs to cross-license those non-SEPs to it in return for a licence of the SEPs. To the extent that injunctions are actually enforced, this furthermore may have a direct negative effect on consumers if products are excluded from the market. Even if exclusion of competing products from the market through injunctions were to be temporary (i.e., there would be a delay only in access to the relevant products until the counter-party of the SEP holder agreed to the commercial terms demanded), in a fast-moving market such as the smart mobile device market, serious harm could potentially be caused by it.¹⁴²

The EC appears unlikely to prevent the SEP holder from seeking injunctive relief altogether, however. Instead, the EC apparently expects the parties to negotiate a FRAND license fee in good faith. The SEP owner may start litigation only if and when those negotiations break down.¹⁴³ In this regard, the EC lists certain offers the SEP owner (not the implementer) must make; in particular, an SEP owner may breach its FRAND commitment “by either refusing to offer a cash-only option or by making that offer on non-FRAND terms.”¹⁴⁴ This, of course, does not answer the central question of what the parties need to do in order to establish that the putative licensee is (or is not) a “willing” licensee.

2. Germany

German antitrust law is set forth in the 1958 Act against Restraints on Competition (*Gesetz gegen Wettbewerbs-*

beschränkungen, or “GWB”). The GWB contains a prohibition of abuse of dominant positions (Sections 19–20). It must be interpreted in light of the EU competition rules and decisions by the Commission of the European Union, the ECJ, and the General Court (“GC”) of the European Union. The courts of the member states also apply their national patent law but must avoid taking actions that would conflict with actions that the EC has taken or is contemplating.¹⁴⁵

Sections 19, 20(1), and 20(3) contain the German equivalent of Article 102 of the TFEU and prohibit the abuse of dominance, but German law differs from the EU rules in two respects.¹⁴⁶ First, German law provides for certain rebuttable presumptions of dominance. A firm is presumed to be dominant if it has a share of one-third or more of the relevant market (“single-firm dominance”). Second, the GWB provisions on unilateral conduct also address market positions below the level of dominance, and, additionally, prohibit certain types of behavior that are not explicitly prohibited under EU law. For instance, Section 20(1) prohibits unfairly impeding another company and treating another company differently from similar companies without objective justification. Section 20(1) applies not only to dominant firms but, *inter alia*, also to firms with relative market power (i.e., where the company that is discriminated against depends on the discriminating firm). To assess whether a strategy is “unfair” or if discrimination is “unjustified,” the legitimate interests of both parties must be evaluated on a case-by-case basis.

As described above, in *Orange Book Standard* and subsequent decisions, courts have applied Sections 19 and 20 of the GWB to permit a FRAND defense to assertion of a FRAND-encumbered SEP. Courts have held that, if a defendant successfully fulfills the requirements of that defense (including admission of infringement, payment of damages, payment of reasonable royalties, and compliance with other standard license terms), it may avoid injunctive relief.

To date, neither the courts nor the Federal Cartel Office (*Bundeskartellamt*) have taken the position that a patentee is liable for violating the GWB by reason of seeking injunctive relief for infringement of a FRAND-encumbered SEP. In principle, however, if a defendant were to establish all the conditions of a FRAND defense and a patentee nevertheless sued in court for injunctive relief, there is no reason under

Orange Book Standard why the Federal Cartel Office could not impose a fine on the patentee for violation of the GWB.

As also noted above, the fundamental question whether *Orange Book Standard* complies with the EU antitrust laws remains undecided. EU law would prevail over German law in this area, but to date, neither the EC nor the European courts have ruled on the issue.

3. Other EU Member States

In *Samsung v. Apple*, the District Court of The Hague explicitly left open the question whether Samsung's filing of the injunction claim could be considered as misuse of a market-dominant position within the meaning of antitrust law.¹⁴⁷ In France and the UK, courts have so far not considered antitrust law in the context of FRAND commitments.

C. ASIA

To date, there have been very few known actions under the competition laws of Asian jurisdictions with respect to enforcement of FRAND-encumbered SEPs. There is some basis to believe, however, that an attempt by an owner of a FRAND-encumbered SEP to obtain injunctive relief against a company practicing an industry standard might be found to violate the competition laws of Japan, China, or Korea if the enforcement action has effects in one or more of those countries.

1. Japan

In Japan, Article 3 of the Anti-Monopoly Act prohibits "private monopolization," defined in Article 2(5) as "business activities, by which any entrepreneur ... excludes or controls the business activities of other entrepreneurs, thereby causing, contrary to the public interest, a substantial restraint on competition in any particular field of trade." The Japan Fair Trade Commission has issued Guidelines on the Use of Intellectual Property ("IP Guidelines") and Guidelines on Standardization and Patent Pool Arrangements ("Standardization Guidelines"). The IP Guidelines provide an interpretation of the exclusion of business activities that could include a situation where an owner of a FRAND-encumbered SEP refuses to license the SEP to companies practicing the standard, if such refusal has an effect in Japan:

Under the circumstances in which a product standard has been jointly established by several entrepreneurs, it may fall under the exclusion of the business activities of other entrepreneurs when the right-holder refuses to grant licenses so as to block any development or manufacture of any product compliant with a standard, after pushing for establishment of that standard, which employs a technology of the right-holder, through deceptive means, such as falsification of the licensing conditions applicable in the event the technology is incorporated into the standard....¹⁴⁸

It remains to be seen, however, how the Japan Fair Trade Commission will apply this provision in practice.

2. China

In China, the Anti-Monopoly Law prohibits a dominant firm from engaging in abusive conduct, including refusing to deal. Depending on the circumstances, ownership of SEPs may cause a company to have, or contribute to, a dominant position. The State Administration for Industry and Commerce ("SAIC") has issued draft Anti-Monopoly Enforcement Guidelines for Intellectual Property Rights ("Draft IPR Guidelines"). The Draft IPR Guidelines contain sections that could be relevant to a situation where the owner of FRAND-encumbered SEPs refuses to license its SEPs. Article 22 of the draft IPR Guidelines in particular applies to standard-setting and implementation. It provides that failure to disclose information regarding a patent or application that the owner knows or should know may be incorporated into an industry standard, followed by enforcement of the patent, may constitute abusive conduct if there is an effect in China. Article 22 continues, "Such [abusive] conducts [sic] include, for example, without valid justification, refusing to license patents on reasonable terms to any person that uses the standard...."¹⁴⁹ If these provisions are included in the final version of the IPR Guidelines, it is unclear whether this provision would apply only in the situation where the owner previously failed to disclose information regarding the patents or whether this might be interpreted as applying separately, where the only allegedly abusive conduct relates to method of enforcement of the patents.

The Shenzhen Intermediate People's Court recently issued two decisions in cases filed by Huawei Technologies Co., Ltd. against InterDigital, Inc. and certain subsidiaries. Although these decisions have not yet been published by the court, certain details have been the subject of reports.¹⁵⁰

One complaint alleged that InterDigital had participated in ETSI standards activities and failed to negotiate or offer to license certain FRAND-encumbered SEPs on FRAND terms. The court determined that, although the ETSI Intellectual Property Rights policy refers to French law, InterDigital's offers to license its Chinese patents to Huawei should be evaluated under Chinese law. The court ruled that InterDigital's offers did not comply with FRAND, and that royalties for its Chinese patents essential to practice the 2G, 3G, and 4G standards should not exceed 0.019 percent of the actual sales price of each Huawei product. The court did not explain how it arrived at this amount.

The second complaint alleged that InterDigital had a dominant market position in China and the United States in the market for the licensing of essential patents owned by InterDigital, and abused its market power by engaging in allegedly unlawful practices, including differentiated pricing, tying, and refusal to deal. The court held that InterDigital had violated the Anti-Monopoly Law by demanding excessive royalties, tying the licensing of essential patents to the licensing of nonessential patents, demanding a grant-back of certain patent rights from Huawei, and commencing an action in the U.S. ITC seeking injunctive relief while the parties were still in negotiation. The court ordered InterDigital to cease its excessive royalty demands and tying of essential and nonessential patents and to pay Huawei approximately US\$3.2 million in damages.

InterDigital has stated that it intends to appeal both of these decisions. Also, InterDigital has recently initiated ITC¹⁵¹ and district court¹⁵² litigation against Huawei in the United States.

In an interesting twist, a Taiwanese company recently pursued the opposite strategy—whereas Huawei alleged that InterDigital violated the Chinese Anti-Monopoly Law by (in part) filing a patent infringement claim in the United States, Lotes Co. alleged that Taiwanese companies violated U.S. antitrust law by pursuing injunctive relief in a patent

infringement action filed in Chinese court. Specifically, Lotes alleged that Foxconn International Inc. and Hon Hai Precision Industry Co. Ltd. failed to honor their “international commitment” to license patents for a USB 3.0 technology on FRAND terms, and instead filed suit for injunctive relief in Chinese court. Rather than relying on the Chinese Anti-Monopoly Law, Lotes filed suit in the U.S. District Court for the Southern District of New York, alleging that Foxconn and Hon Hai violated Section 1 of the Sherman Act.¹⁵³ The New York court recently denied the defendants' motion to dismiss the action.¹⁵⁴

3. Korea

Article 3-2 of the Korean Monopoly Regulation and Fair Trade Act (“MRFTA”) prohibits a market-dominant company from engaging in “abusive acts.” Pursuant to Article 4, the unfair exclusion of competitors may constitute an abusive act. The Korean Fair Trade Commission has published Review Guidelines on Unfair Exercise of Intellectual Property Rights (“IPR Guidelines”). Section 3 of the IPR Guidelines applies specifically to patents relevant to technical standards. The IPR Guidelines state that a patent owner might violate Article 3-2 or other provisions of the MRFTA by “unfairly rejecting the licensing of a patented invention which is widely used as [a] technical standard.”¹⁵⁵ No further explanation is provided, so it remains to be seen how the Korean Fair Trade Commission would apply this provision in practice.

V. CONCLUSIONS AND POTENTIAL IMPLICATIONS

The view that holders of SEPs who have made FRAND licensing commitments should be subject to some limits in their ability to seek injunctions or similar relief against alleged patent infringers has won support from at least two U.S. federal judges, the FTC, the DOJ, the USPTO, and courts in Germany, the Netherlands, Japan, and China. These decisions are far from the last word on the subject. The Federal Circuit appeal of *Apple v. Motorola* or an appeal of one of the ITC cases and resolution of the questions referred to the ECJ and the pending matter in the United Kingdom may provide additional guidance with respect to the limits on the relief that holders of FRAND-encumbered SEPs can seek. And, other disputes

are percolating through the judicial system, each having the potential to result in decisions that will further shape and define the rights, obligations, and remedies associated with FRAND-encumbered SEPs.

In the meantime, antitrust and competition laws introduce an additional dimension to the issue. The FTC's recent enforcement actions, the recent decisions of a court in China, the EC's ongoing investigations, and the possibility of application of competition law in other jurisdictions all add to the considerations facing both owners and users of FRAND-encumbered SEPs.

In light of these developments, holders of patents potentially related to standards may want to review their portfolios to understand what FRAND commitments they have already made, and to ensure that any essentiality declarations are accurate and up to date. And potential patent infringement defendants should be diligent in identifying whether any FRAND commitments attach to any patent under which they might be sued for infringement, including commitments of the "General Declaration" type as discussed above.

Also, SSOs and their members should consider the potential implications of these developments on their policies and procedures. On the one hand, as has already been discussed, to the extent that SEP holders retain the ability to seek injunctions, this may pose a threat to the implementation of standards, or at least increase the cost of implementation. On the other hand, a blanket prohibition on injunctions for SEP holders could cause such companies to reduce their participation in standards and encourage the development of proprietary, nonstandardized solutions. One set of prescriptions for SSOs may be found in a recent article¹⁵⁶ by a group of government antitrust economists, who suggest that SSOs strengthen and clarify their FRAND policies and set up dispute resolution mechanisms.

Finally, given the vigorous FTC actions in the *Bosch* and *Google* matters, the ongoing EC investigations, and the private litigation in U.S. and other courts, holders of substantial SEP portfolios need to keep in mind that any attempt to enforce FRAND-encumbered patents via injunctions now has the potential to lead to an investigation by an antitrust or competition agency or a private lawsuit, and even the possibility that a patent owner could be found liable for violating antitrust or competition laws based on its enforcement of those patents. Navigating this complicated and evolving landscape will require careful planning and consideration of legal developments in multiple jurisdictions.

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ENDNOTES

- 1 Sometimes shortened to Reasonable and Non-Discriminatory (“RAND”).
- 2 See *generally* Mark. A. Lemley, “Intellectual Property Rights and Standard-Setting Organizations,” 90 *Cal. L. Rev.* 1889 (2002).
- 3 ETSI Rules of Procedure, 30 November 2011, Annex 6: ETSI Intellectual Property Rights Policy, § 15, “Definitions.” (Terms in all caps are themselves defined in § 15.)
- 4 ETSI Rules, Annex 6, §6.1, pp. 34–35 (omitting capitalization of defined terms).
- 5 ETSI Rules, Annex 6-Appendix A, pp. 42–43.
- 6 <http://www.itu.int/en/ITU-T/ipr/Pages/default.aspx>.
- 7 <http://www.ietf.org/ipr/>.
- 8 <http://standards.ieee.org/faqs/patents.pdf>.
- 9 35 U.S.C. § 154 (a) (1). See *also* 35 U.S.C § 271, defining infringement: “a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”
- 10 35 U.S.C. § 283.
- 11 35 U.S.C. § 284.
- 12 *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).
- 13 *eBay*, 547 U.S. 388 at 391, citations omitted.
- 14 19 U.S.C. 1337(d).
- 15 Tom M. Schaumberg, “A Lawyer’s Guide to Section 337 Investigations Before the U.S. International Trade Commission,” American Bar Association 2010, pp. 166–170.
- 16 *Spansion*, 629 F.3d at 1358.
- 17 *Spansion, Inc., v. Int’l Trade Commission*, 629 F.3d 1331, 1359 (Fed. Cir. 2010).
- 18 *Id.*
- 19 *Id.* at 1358
- 20 19 U.S.C. § 1337(d).
- 21 It is also not uncommon for the German trial court to stay the infringement proceedings until completion of the nullity action if it determines that the defendant has raised a real issue about the validity of the patent.
- 22 Section 9 German Patent Act (*Patentgesetz*).
- 23 Section 139(1) German Patent Act: “Any person who uses a patented invention in contravention of Sections 9 through 13 may, if there is danger of repetition, be sued by the injured party for injunctive relief. This claim shall also apply if there is a danger of first perpetration.”
- 24 Cf. for instance the “trademark troll case” *Classe E* (German Federal Supreme Court, November 23, 2000, doc. no. I ZR 93/98) where the court found for misuse of a trademark if there is no intention to use the registered trademark but only for the purpose of bringing an injunction or damage claims (against Mercedes).
- 25 Even though lower courts seem to have accepted that the German provision on injunctive relief has to be interpreted in accordance with Article 3(2) of the European Enforcement Directive (2004/48/EC), which mentions “proportionality” explicitly, they have held that also NPEs are entitled to injunctive relief, cf. *IPCom v. Nokia*, (District Court of Düsseldorf, April 24, 2012, doc. no. 4b 273/10), *IPCom v. HTC* (District Court of Mannheim, July 2, 2009, doc. no. 7 O 94/08). For the proportionality considerations, the *Orange Book Standard* requirements shall apply correspondingly, *IPCom v. Nokia. Id.*
- 26 *Navitaire Inc v. Easyjet Airline Co.*, [2004] EWHC 1725 (Ch); *Shelfer v. City of London Electric Lighting Co.*, [1895] 1 Ch 287.
- 27 *Apple, Inc. v. Motorola, Inc.*, No. 1:11-cv-08540 2012 BL 157789 (N.D. Ill. June 22, 2012).
- 28 *Apple v. Motorola*, p. 2.
- 29 *Id.*
- 30 *Apple v. Motorola*, pp 23–24.
- 31 Universal Mobile Telecommunications Service, an international cell phone service standard.
- 32 *Apple v. Motorola*, p. 12 (emphasis in original).
- 33 *Apple v. Motorola*, p. 13.
- 34 No. 12-1548, filed July 30, 2012.
- 35 United States Court of Appeals for the Federal Circuit, Nos. 2012-1548, 2012-1549, Brief of Amicus Curiae Federal Trade Commission Supporting Neither Party, p. 2.
- 36 *Id.*
- 37 *Microsoft Corporation v. Motorola, Inc.*, 2:10-cv-01823-JLR (W.D. Wash.).
- 38 Order Granting Microsoft’s Motion Dismissing Motorola’s claim for Injunctive Relief, Nov. 29, 2012, pp. 7–8.
- 39 *Id.*, p. 8.
- 40 *Id.*, pp. 12–15.
- 41 *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178-bbc, slip op. (W.D. Wis. Oct. 29, 2012).
- 42 In fact, the “745 Investigation” discussed *infra*.
- 43 *Apple, Inc. v. Motorola Mobility, Inc.* at 29.
- 44 11-cv-178-bbc, Opinion and Order, August 10, 2012.
- 45 11-cv-178-bbc, Opinion and Order, November 8, 2012.
- 46 *Id.*
- 47 *Apple v. Motorola Mobility*, No. 13-1150 (Fed. Cir., filed Jan. 4, 2013), Motorola Mobility’s January 25, 2012 Motion to Dismiss for Lack of Jurisdiction, and Apple’s February 7, 2013 Response.
- 48 *Qualcomm Incorporated v. Broadcom Corporation*, 548 F.3d 1004 (Fed. Cir. 2008).
- 49 Inv. No. 337-TA-745, Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond, April 24, 2012 (public version), pp. 142–152.
- 50 Inv. No. 337-TA-745, Notice of Commission Decision Finding No Violation of Section 337 as to Three Patents and Remanding the Investigation to the ALJ as to One Patent, August 24, 2012.

- 51 Inv. No. 337-TA-752, Initial Determination of ALJ David P. Shaw (“752 ID”), Public Version, issued April 23, 2012, pp. 282–306.
- 52 Certain Dynamic Random Access Memories, Components Thereof, and Products Containing Same (Inv. No 337-TA-242), May 21, 1987.
- 53 752 ID at p. 290, citing to and quoting Inv. No. 337-TA-242.
- 54 *Id.* at p. 291.
- 55 *Id.* at p. 293.
- 56 *Id.* at p. 295.
- 57 For this standard, the ID cites to *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992).
- 58 752 ID. at pp. 295–306.
- 59 *Id.*, p. 331.
- 60 Notice of Commission Determination to Review a Final Initial Determination Finding a Violation of Section 337; Remand of the Investigation to the Administrative Law Judge, Inv. No. 337-TA-752, June 29, 2012.
- 61 Inv. No. 337-TA-752, Motorola Mobility’s Motion to Terminate this Investigation in Part With Respect to U.S. Patent Nos. 6,980,596 and 7,162,094.
- 62 Notice of Commission Decision to Review in Part a Final Initial Determination Finding a Violation of Section 337; Request for Written Submissions, Inv. No. 337-TA-745, June 25, 2012.
- 63 Inv. No. 337-TA-794, Order No. 47, March 30, 2012.
- 64 See, e.g., The Business Software Alliance’s Response to the Commission’s Request for Submissions on the Public Interest,” Inv. No. 337-TA-752, June 6, 2012.
- 65 Qualcomm comments in Inv. No. 337-TA-794, December 3, 2012.
- 66 Inv. No. 337-TA-745, Third Party United States Federal Trade Commission’s Statement on the Public Interest, June 6, 2012.
- 67 *Id.*, p. 1.
- 68 *Id.*, p. 3.
- 69 *Id.*, p. 5.
- 70 USDOJ and USPTO, Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments, January 8, 2013.
- 71 *Id.*, p. 7.
- 72 Testimony available at <http://www.judiciary.senate.gov/hearings>.
- 73 Prepared Statement of the Federal Trade Commission Before the United States Senate Committee on the Judiciary, Washington, D.C., July 11, 2012, p. 14.
- 74 Statement of Joseph Wayland, Acting Assistant Attorney General, Antitrust Division, before the Committee on the Judiciary, United States Senate, July 11, 2012, p. 10.
- 75 *Orange Book Standard* (German Federal Supreme Court, May 6, 2009, doc. no. KZR 39/06). The German Federal Supreme Court refers to the FRAND defense as “compulsory license defense.”
- 76 *Id.*, ¶ 20.
- 77 *Id.*, ¶ 33.
- 78 *Id.*, ¶ 32.
- 79 *Id.*, ¶ 39.
- 80 *Id.*, ¶ 36.
- 81 *Phillips v. SonyEricsson* (District Court of Mannheim, May 27, 2011, doc. no. 7 O 65/10).
- 82 *Motorola v. Apple* (Court of Appeal in Karlsruhe, February 27, 2012, doc. no. 6 U 136/11).
- 83 *IPCom v. Nokia* (District Court of Mannheim, February 18, 2011, doc. no. 7 O 100/10); *IPCom v. Nokia* (District Court of Düsseldorf, April 24, 2012, doc. no. 4b O 273/10); *Motorola v. Microsoft* (District Court of Mannheim, May 2, 2012, doc. no. 2 O 240/11).
- 84 *Phillips v. SonyEricsson* (District Court of Mannheim, May 27, 2011, doc. no. 7 O 65/10).
- 85 *Video signal coding III* (District Court of Düsseldorf, September 11, 2008, doc. no. 4b O 78/07). The court found that technology pools are capable of promoting competition and the bundling of licensing rights may reduce transaction costs.
- 86 *Motorola v. Apple* (Court of Appeal in Karlsruhe, February 27, 2012, doc. no. 6 U 136/11).
- 87 *Motorola v. Apple* (District Court of Mannheim, December 9, 2011, doc. no. 7 O 122/11); *Motorola v. Microsoft* (District Court of Mannheim, May 2, 2012, doc. no. 2 O 240/11).
- 88 *Huawei v. ZTE* (District Court of Düsseldorf, March 21, 2013, 4b chamber).
- 89 See item B.1.b) below.
- 90 *Phillips v. SK-Kassetten* (District Court of The Hague, March 17, 2010, doc. no. 316533/HA ZA 08-2522).
- 91 *Samsung v. Apple* (District Court of The Hague, March 14, 2012, doc. no. 400367/HA ZA 11-2212).
- 92 *Samsung v. Apple* (Paris Court of First Instance, December 8, 2011, doc. no. 11/58301).
- 93 *Nokia v. IPCom* (High Court of Justice Chancery Division Patents Court, July 8, 2011, doc. no. HC10 C01233).
- 94 *Apple v. Samsung Electronics* (Tokyo District Court, February 28, 2013), published at the web site of Courts of Japan (Japanese only) (<http://www.courts.go.jp/>).
- 95 *Apple v. Motorola, Inc.*, 11-cv-178-bbc (W.D. Wisc.).
- 96 11-cv-178-bbc, Opinion and Order, August 10, 2012.
- 97 “Statement of the Department of Justice’s Antitrust Division on its Decision to Close its Investigations of Google Inc.’s Acquisition of Motorola Mobility Holdings Inc. and the Acquisitions of Certain Patents by Apple Inc., Microsoft Corp. and Research in Motion Ltd.,” Feb. 13, 2012.
- 98 Robert Bosch GmbH, FTC File No. 121-0081, Docket No. C-4377, (Analysis of Agreement, p. 3).
- 99 *Id.*
- 100 *In re Robert Bosch GmbH*, FTC Docket No. C-4377 (Complaint, p. 5).
- 101 Robert Bosch GmbH, FTC File No. 121-0081, Docket No. C-4377, (Analysis of Agreement, pp. 3–4).
- 102 *In re Robert Bosch GmbH*, FTC Docket No. C-4377 (Complaint, p. 5).
- 103 The Bosch matter bears some similarity to the FTC’s 2008 enforcement action against Negotiated Data Solutions, in which the FTC alleged that the company had violated the FTC Act for failing to

- satisfy the terms of a FRAND commitment made by a prior owner of the SEPs in question to the IEEE. *In re Negotiated Dada Solutions LLC*, FTC File No. 051 0094 (Sept. 23, 2008). In the *Bosch* matter, however, the FTC challenged directly the action of petitioning a court or government agency for injunctive relief against the alleged infringer of a FRAND-encumbered SEP. The *Bosch* action is the FTC's most aggressive position to date with respect to use of standards-essential patents and is likely to generate controversy. For more information, see Geoffrey D. Oliver *et al.*, "Antitrust Alert: FTC Proposes Acquisition Consent Agreement to Resolve Unprecedented Allegations on Enforcement of Standards-Essential Patents," November 2012, available at www.jonesday.com.
- 104 Robert Bosch, Decision & Order, p. 8; Analysis, p. 4. The FTC explained, however, that "a royalty-free license may not be an appropriate remedy in every case involving evasion of a FRAND commitment," but that here because Bosch had decided to license the SEPs to Mahle royalty-free, it was necessary for the licenses to be made available to others on the same terms. *Id.*, p. 5.
- 105 Statement of Commissioner Maureen K. Ohlhausen, *In the Matter of Robert Bosch GmbH*, FTC File No. 121-0081.
- 106 Motorola Mobility LLC and Google, Inc., Decision and Order, paragraphs II. B-D.
- 107 Dissenting Statement of Commissioner Maureen K. Ohlhausen, Motorola Mobility LLC and Google, Inc., FTC File No. 121-0120, January 3, 2013.
- 108 Separate Statement of Commissioner J. Thomas Rosch, Motorola Mobility LLC and Google, Inc., FTC File No. 121-0120, January 3, 2013.
- 109 *In the Matter of Motorola Mobility LLC and Google, Inc.*, Statement of the Federal Trade Commission, p. 1.
- 110 *Id.*
- 111 *In the Matter of Motorola Mobility LLC and Google, Inc.*, Decision and Order, Sec. IV.
- 112 *Id.*, p. 6.
- 113 *In the Matter of Motorola Mobility LLC and Google, Inc.*, Analysis of Proposed Consent Order to Aid Public Comment, p. 7.
- 114 Letter to Mr. Donald S. Clark, Secretary, Federal Trade Commission, from Mr. E. Joshua Rosenkranz, Orrick, Herrington & Sutcliffe LLP (Feb. 22, 2013), at p. 4.
- 115 Statement of the Federal Trade Commission, p. 1.
- 116 *United States v. Grinnell Corp.*, 384 U.S. 563, 570-571 (1966) (Section 2 of the Sherman Act prohibits "the unlawful acquisition or maintenance of [monopoly] power..."); *Verizon Communications v. Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 398, 407 (2004) ("The mere possession of monopoly power, and the concomitant charging of monopoly prices, is not ... unlawful."); *Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297, 314 (3d Cir. 2007) ("We hold that (1) in a consensus-oriented private standard-setting environment, (2) a patent holder's intentionally false promise to license essential proprietary technology on FRAND terms, (3) coupled with an SDO's reliance on that promise when including the technology in a standard, and (4) the patent holder's subsequent breach of that promise, is actionable anticompetitive conduct.").
- 117 ECJ, Case 85/76, *Hoffman-La Roche & Co. AG v. Commission*, 1979 E.C.R. 461 (1979), ¶ 38; see also, Case T-201/04, *Microsoft Corp. v. Commission*, 2004 E.C.R. II-4463, ¶ 229.
- 118 ECJ, Case 238/87, *AB Volvo v. Erik Veng (UK) Ltd.*, 1988 E.C.R. 6211, ¶ 8; Case 53/87, *CICRA v. Renault*, 1988 E.C.R. 6039, ¶ 15.
- 119 ECJ, Case 24/67, *Parke, Davis & Co. v. Probel, Reese, Beintema-Interpharm and Centrafarm*, 1968 E.C.R. 55, 71; Case 96/75, *EMI Records Limited v. CBS United Kingdom Limited*, 1976 E.C.R. 913 (1976), ¶ 26.
- 120 EC, Case COMP/38.636, December 9, 2009, *Commission vs Rambus*, ¶ 20.
- 121 ECJ, Case 27/76, *United Brands Company and United Brands Continental BV vs. Commission* [1978] E.C.R. 207.
- 122 EC, Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements, 2011 OJ No C 1, ¶ 289 et seq.
- 123 *Id.*, ¶ 289.
- 124 *Id.*, ¶ 290.
- 125 EC press release IP/12/1448, December 21, 2012.
- 126 *Id.*
- 127 Italianer, "Innovation and Competition," September 21, 2012, speech at Fordham Competition Law Institute, p. 6. See also Italianer, "Level-playing field and innovation in technology markets," January 28, 2013, speech at Palo Alto Conference on Antitrust in Technology, p. 8 et seq: "There is ... a convergent opinion among competition regulators across the Atlantic. A FRAND commitment given in the standardisation context entails that a SEP holder can no longer have recourse to injunctive relief so long as the potential licensee is willing to negotiate a FRAND license or to submit any dispute to a court or binding arbitration."
- 128 Law360, January 30, 2013, "EU Antitrust Unit May Fight More Cos. On Standard Patents."
- 129 *Id.*
- 130 EC, press release IP/12/345, April 3, 2013. The EC is also investigating whether Motorola's terms and conditions in licenses for SEPs are unfair and, therefore, infringe Article 102.
- 131 *Id.*
- 132 EC, press release IP/12/89, January 31, 2012.
- 133 EC, press release IP/12/1448, December 21, 2012.
- 134 EC, MEMO/12/1021 "Samsung – Enforcement of ETSI standards essential patents (SEPs)," December 12, 2012.
- 135 *Id.*
- 136 *Id.*
- 137 EC, press release IP/12/1448, December 21, 2012.
- 138 *Id.*
- 139 Inv. No. 337-TA-794, Respondent Apple Inc.'s Notice of New Facts Related to the Commission's Questions on the Issues Under Review, and on Remedy, Bonding, and the Public Interest, December 21, 2012.
- 140 EC, MEMO/12/1021 "Samsung – Enforcement of ETSI standards essential patents (SEPs)," December 12, 2012.
- 141 EC, Case No COMP/M.6381, February 13, 2012 – *Google/Motorola Mobility*.
- 142 *Id.*, ¶ 177.
- 143 "In the event licensing discussions fail, the SEP holder may ultimately take its counterparty to court and seek an injunction." *Id.*, ¶ 106.

- 144 *Id.*, ¶ 147.
- 145 Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty, 20013 OJ No L 1, Article 16.
- 146 The EU enforcement system permits member states to apply restrictions on unilateral conduct that are stricter than Article 102. *Id.*, Article 3 Para. 2(2).
- 147 *Samsung v. Apple* (District Court of The Hague, March 14, 2012, doc. no. 400367/HA ZA 11-2212).
- 148 Part 3(1)(i)(d), Japan Fair Trade Commission, Guidelines on the Use of Intellectual Property; see also Part 2.3 of the Guidelines on Standardization and Patent Pool Arrangements.
- 149 Article 22, State Administration for Industry and Commerce, Fifth Draft Anti-Monopoly Enforcement Guidelines for Intellectual Property Rights (Aug. 8, 2012); see also *id.* at Articles 16-17.
- 150 <http://sec.edgar-online.com/interdigital-inc/10-k-annual-report/2013/02/26/section7.aspx>.
- 151 *Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof*, Inv. No. 337-TA-868.
- 152 *InterDigital Communications Inc. et al. v. Huawei Technologies Co. Ltd, et al.*, Civil Action No. 13-8-RGA (D. Del.), filed January 2, 2013.
- 153 *Lotes Co. Ltd. v. Hon Hai Precision Industry Co., Ltd.*, 1:12-cv-07465 (S.D.N.Y. filed Oct. 4, 2012).
- 154 *Id.*, Order (Feb. 6, 2013).
- 155 Section 3.C, Korean Fair Trade Commission, Review Guidelines on Unfair Exercise of Intellectual Property Rights (Mar. 31, 2010).
- 156 Kai-Uwe-Kuehn *et al.*, "Standard Setting Organizations Can Help Solve the Standard Essential Patents Licensing Problem," CPI Antitrust Chronicle, March 2013 Special Issue.

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