Standards-Essential Patents And Injunctive Relief

David M. Maiorana, Lawrence R. Gabuzda, Kai Rütting, Johannes Zöttl and Geoffrey D. Oliver

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

Traditionally, a party claiming patent infringement can attempt to enjoin accused infringers from continuing to practice the invention. Monetary damages such as lost profits or a reasonable royalty may also be available. Recently, however, some have expressed the view that when an asserted patent is a standards-essential patent (“SEP”) encumbered with a fair, reasonable, and non-discriminatory (“FRAND”) licensing commitment, the patent holder should be prevented from obtaining injunctive relief. Otherwise, they argue, the patent holder can use the threat of an injunction to extract unfairly high royalties and impede implementation of the standard. Others have responded that a blanket anti-injunction rule fails to take into account the fact-specific nature of FRAND commitments and erodes the commercial value of these SEPs.

United States federal courts can grant injunctions to stop patent infringement when a balance of factors, including the public interest, weighs in favor. Recently, two courts applied these “eBay” factors to deny injunctive relief to holders of FRAND-encumbered SEPs. 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”) 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 the U.S., 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.

If infringement is proven, German courts have virtually no discretion whether to grant an injunction. If the asserted patent is a FRAND-encumbered SEP, however, a German court may allow a narrow defense based on antitrust law, provided that the infringer made a license.

Please email the authors at dmaiorana@jonesday.com, lrgabuzda@jonesday.com, krueting@jonesday.com, jzoettl@jonesday.com or gdoliver@jonesday.com with questions about this article.
offer and actually paid reasonable royalties. An advisory decision in China suggests that a much broader FRAND-based defense may be available if a patentee participates in the standard-setting process. In Japan, a court recently considered a FRAND defense for the first time.

Some parties have also argued that seeking injunctive relief when an accused infringer is willing to license a FRAND-encumbered SEP would violate 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.

Recent Patent Cases

The United States

In Apple v. Motorola (N.D. Ill.), Judge Posner stated in a strongly worded opinion, denied Motorola’s claim for injunctive relief for alleged infringement of FRAND-encumbered SEPs. The case is now on appeal at the Federal Circuit.

In Microsoft v. Motorola (W.D. Wash.), the court dismissed Motorola’s claim for an injunction based on alleged infringement of SEPs, based on the eBay factors. The court also ruled that Motorola’s RAND commitments created enforceable contracts and that Microsoft is a third-party beneficiary of these contracts. Following a bench trial, the court announced a decision setting royalty rates far below Motorola’s offers to Microsoft.

In reaching this decision, the court applied a modified set of Georgia-Pacific factors, and appeared to be strongly influenced by the licensing practices of certain patent pools.

Apple v. Motorola (W.D. Wisc.) included claims for breach of contract based on Motorola’s pursuit of injunctive relief in light of its FRAND licensing commitments. Judge Crabb concluded, however, that Motorola did not breach its FRAND agreements “simply by requesting an injunction and exclusionary order in its patent infringement actions.” 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. Judgment was entered in favor of Motorola, and the case is now on appeal at the Federal Circuit.

In Certain Wireless Communication Devices, Portable Music and Data Processing Devices, Computers and Components Thereof (ITC Inv. No. 337-TA-745), two of complainant Motorola’s patents were subject to FRAND commitments. Respondent Apple raised a defense of “Estoppel/Unclean Hands” based on allegations that Motorola had failed to disclose the application underlying one of the patents to the European Telecommunications Standards Institute ("ETSI") in a timely manner. The ALJ found that Motorola’s alleged conduct fell far short of “wantonness.”

In Certain Gaming and Entertainment Consoles, Related Software, and Components Thereof (ITC Inv. No. 337-TA-752), Motorola Mobility alleged that Microsoft’s Xbox platform infringes various Motorola SEPs. Microsoft raised several defenses based on Motorola’s FRAND commitments, including “waiver of equitable remedies,” implied license, and equitable estoppel. The ALJ dismissed all FRAND-based defenses. Following the FTC consent agreement with Motorola parent Google (described below), Motorola moved to terminate the ’752 Investigation as to all remaining FRAND-encumbered patents.

Europe

In Germany, the leading case is Orange Book Standard of May 6, 2009, in the German Federal Supreme Court. This case 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. Subsequently, lower court cases developed specific requirements for establishing a FRAND defense. On March 21, 2013, however, the District Court of Düsseldorf referred questions to the European Court of Justice concerning the availability of injunctive relief to SEP holders.

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, they considered a patentee’s FRAND declaration as a commitment to enter into an agreement and denied an injunction during those negotiations.

Defendants also have raised FRAND defenses in patent infringement proceedings in France and the UK, but the courts have yet to rule on the issue.

In Japan, 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 v. Apple.

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 seeks injunctive relief.

Recent Antitrust Cases And Agency Actions

The United States

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 injunctions.

On November 26, 2012, the FTC announced a proposed settlement agreement with Robert Bosch GmbH (“Bosch”). Under the consent agreement, Bosch agreed that it would license, on a royalty-free basis, 37 patents and applications that may be essential to certain automotive air conditioning standards. This consent agreement became final on April 23, 2013.

On January 3, 2013, the FTC announced the proposed settlement of its multiple investigations of Google. Google is required to follow a detailed negotiation procedure (including mediation or adjudication if necessary) to agree on FRAND licensing terms with potential licensees. The FTC said that the Order “may set a template for the resolution of SEP licensing disputes across many industries.”

Europe

On April 2, 2012, the EC initiated antitrust proceedings against Motorola, investigating whether it failed to honor its FRAND commitments. Upon complaints filed by Apple and Microsoft, the Commission is assessing whether Motorola infringed EU competition rules by seeking injunctions in national courts for SEPs. The EC is considering whether Motorola may have abused a dominant position when it “sought and obtained” injunctive relief against products such as...
the iPad and Xbox. On May 6, 2013, the EC lodged a formal complaint against Motorola for seeking injunctions in Germany.

On January 30, 2012, the EC started proceedings against Samsung. There, the EC is investigating whether Samsung violated European antitrust law by seeking injunctive relief in member state courts and thereby failing to honor FRAND commitments it gave to ETSI. On December 21, 2012, the EC announced that it has sent a Statement of Objections to Samsung.

On December 18, 2012, “Samsung announced it was withdrawing its requests for injunctive relief on allegedly standards-essential patents in its pending cases against Apple in courts throughout Europe.” The EC has continued with its investigation.

Asia

The Shenzhen Intermediate People’s Court recently issued two decisions in cases filed by Huawei Technologies against InterDigital. One complaint alleged that InterDigital participated in ETSI standards activities but failed to negotiate or offer to license certain SEPs on FRAND terms. The court ruled that InterDigital’s offers did not comply with FRAND. In the second case, the court held that InterDigital violated the Anti-Monopoly Law by demanding excessive royalties, tying the licensing of essential patents to nonessential patents, demanding a grant-back of certain patent rights from Huawei, and commencing an action in the U.S. ITC while still in negotiation.