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Licensing Standard Essential Patents and Protecting IP Rights

TUESDAY, NOVEMBER 21, 2017

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

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Strafford Webinar
Licensing Standard Essential Patents and Protecting IP

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November 21, 2017
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- This talk and these slides are not legal advice.
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  - A lot but it is worth it…
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Contents

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Standards and types of standards generally
Standard Setting Organizations

ASME

IEEE

JEDEC

ETSI

ANSI

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Types of Standards

- **De Jure Standards**: Standards or protocols adopted for compatibility or safety by an industry group, e.g., IEEE or JEDEC or ETSI.

- **De Facto Standards**: Standards that have become adopted overtime by public popular demand, such as QWERTY keyboard, CD ROM “Orange Book”.

- **Proprietary Standards**: Standard created by a company that it does not license, such as power supply interface for iPhone.

This presentation is focused on De Jure Standards
“It is an enigma wrapped in a mystery.”

- What is clear is that participants in standards groups must disclose their patents relevant to standards even if not required by SSO rules or risk problems in later enforcement of patents relevant to a standard.

- What is unclear is the extent to which license terms may be disclosed in the standard setting process, or what limitations (both floor and ceiling might be on those terms), or how to compute and enforce RAND pricing.

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Law Applicable to Standard-Setting

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Standard-Setting: Stay In the Lines

Standard-setting activity is an exception to U.S. antitrust laws:

- Federal and State Laws prohibit competitors from working as a group to agree on technology they will use or on specifications of products they will sell.

- Outside of the standard-setting exception these are FELONY CRIMES under Sherman Sections 1 and 2, and also subject to CIVIL LIABILITY under Clayton Act, FTC Act and state laws

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PERMITTED:

FR Standard-Setting has been permitted as an exception to antitrust liability when:

– It allows different manufacturers’ products to interface or interact with each other.

– It provides for neutral certification of product safety (or other essential quality for protection of the public).

– There are several Department of Justice Business Review Letters on IP Disclosure and Licensing Policies of de jure and de facto standard setting groups and consortia approving them under certain conditions.
Compatibility = Competition

Making different products from different manufacturers compatible with each other opens competition in closed systems to make more products available from more sellers; the goal is to:

- Increase supply and availability
- Lower price
- But still compensate and encourage innovators.
Examples

Example 1:

– ETSI passes a standard protocol that allows different manufacturers’ GSM or WCDMA phones to connect to a GSM or WCDMA base station.

– This standard allows all manufacturers to make GSM or WCDMA phones that are compatible with any other manufacturers’ GSM or WCDMA base station.

– Legal?
NOT PERMITTED:

Generally, U.S. law DOES NOT permit standards to be set unless they enhance or improve product compatibility or certify safety:

- *Macaroni Makers Assoc v. FTC*, 345 F.2d 421 (1965) is one example: Standards for noodles were declared illegal – WHY?
- *Radiant Burners Inc v. Peoples Gas Light*, 364 U.S. 656 (1961) is another example: Refusal to certify as safe an alternative meter to the only approved standard meter was illegal because the alternative was safe and the refusal to certify WAS?
- *Allied Tube v Indian Head*, 486 U.S. 492 (1988): Standard prohibiting use of rubber insulation on electrical wiring for homes was illegal because the manufacturers of other types of conduit “stacked” the vote to avoid WHAT?
TWO WAY STREET?


DOJ has approved IEEE rules that permit unilateral disclosure of the most restrictive license terms that a patent owner will require if its technology is used in a standard.

But an SSO cannot refuse to consider technology for a standard solely because it is patented. *In re A.S.S.E.*., 106 F.T.C. 324 (1985).
Patent Owners Are Protected Too

DOJ Business Review Letters also warn against joint coercion of an IP owner to license patents on standards at below market rates as unlawful group conduct that harms innovation (“Monoposony Power”).

- DOJ 11/14 Speech emphasized warning against buyer cartels.
- Prior US SCT cases on product certification also show unjustified exclusion of new technology through use of standards groups violates antitrust laws.
NOT PERMITTED:

Standard-setting is not permitted:

– To fix prices of any product.
– To limit sale of products.
– To fix price of technology to use in a standard.

• Generally a standards group cannot force a patent owner to license or to give non-FRAND terms.
• However, a patent owner who commits to license within the guidelines of the standard-setting organization must do so (*Broadcom v Qualcomm*, 501 F.3d 297 (3d. Cir. 2007)).
• Likewise, a patent owner’s commitment to license its patent at a fixed price made to the standard-setting group binds the owner of the patent and all later owners. (FTC consent decree): *Negotiated Data Solutions LLC (N-Data)*, Dkt. No. C-4234 (F.T.C. 2008)(Consent Decree).
Example 2

- ETSI passes a rule that all phones must have touch screens and music players.
- This has nothing to do with compatibility of the phones with a base station or the system.
- This is simply an agreement by competitors to only sell more expensive products with higher profit margins and not to sell cheaper products with lower profit margins.
- Under U.S. law this is ???
- Under U.S. law this is also actionable by the FTC or a civil litigant as a ????
Example 3

- ETSI members pass a rule that all participants must agree to license subject to a cap or royalty free or on material specific terms unrelated to the implementation of the standard.
- If these economic limitations discourage investment in innovation then they are ???.
- Requirement of unilateral disclosures of most restrictive terms is ??? And WHY???
- A patent owner can offer a free non-assert against implementation of a technology, but standard must be chosen based on goals that justify this exception to antitrust law – not just on price.
Sources of Law

- U.S. Federal and State Antitrust law,
  - Title 15 of the U.S. Code, Section 1, Sherman Act prohibiting conspiracies in restraint of trade.
  - Title 15 of the U.S. Code, Section 45, FTC Act Section 5, prohibiting unfair competition
  - State antitrust and unfair competition laws on illegal group conduct
  - These laws over-ride any rules a standards group has made for itself: **Compliance with a standard-setting group’s rules is not a defense!** (But can be relevant fact in a case.)
Sources of Law

U.S. patent law:
- Equitable estoppel (non-disclosure or misleading disclosure)
- Implied license (conduct that seems to permit use)
- Patent misuse (limited by *In re Princo* to be narrower than antitrust law).

U.S. contract law:
- *Broadcomm v Qualcomm*, 501 F.3d 297 (2007), established that the IP policy of a standards group is an enforceable contract among members – and can be basis of an antitrust claim.
Sources of Law

Europe

– Contract law
– Abusive pricing
– Duty of good faith
– Treaty for the Governing of the EU, EU Commission
  • Unfair competition and antitrust
– National laws on unfair competition and abusive trade practices
Sources of Law

U.S. State Laws may also apply to standard-setting:

- Massachusetts Section 93A (unfair business practices)
- California 17,200 (unfair business practices)
- State antitrust and “baby FTC” acts
- Common law of tortious interference, unfair competition, etc.
DOJ – FTC 2017 Guidelines
Antitrust Guidelines For Licensing Of Intellectual Property

- Issued by DOJ and FTC
- Issued on January 13, 2017
- Explains how and when Agencies would evaluate IP licensing and related activities under the antitrust laws
- Updated 1995 guidelines on “the licensing of IP protected by patent, copyright, and trade secret law, and of know-how.”
Antitrust Guidelines For Licensing Of Intellectual Property

Three Core Principals:

- Applies same analysis to conduct involving IP as to conduct involving other forms of property, taking into account the specific characteristics of a particular property right
- Does not presume that IP creates market power in the antitrust context
- Recognize that IP licensing allows businesses to combine complementary factors of production and is generally procompetitive
Antitrust Guidelines For Licensing Of Intellectual Property

- Guidelines are applicable to all IP licensing activities
- Guidelines are not exclusive
- DOJ and FTC guidance also available in the form of published reports, statements, speeches, and enforcement decisions
- Guideline reinforce Agencies’ longstanding view that “the antitrust laws generally do not impose liability upon a firm for a unilateral refusal to assist its competitors, in part because doing so may undermine incentives for investment and innovation”
Antitrust Guidelines For Licensing Of Intellectual Property

Guidelines abandon any per se prohibition on vertical price maintenance agreements in favor of a rule of reason analysis, consistent with *Legion Creative Leather Products, Inc. v. PSKS, Inc.*, 551 U.S. 877 (2007)

Guidelines make clear in assessing a tying arrangement, the Agencies will not presume market power merely because the tying product is patented or is itself a patent, copyright, or trade secret, consistent with *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, 547 U.S. 28 (2006)
Antitrust Guidelines For Licensing Of Intellectual Property

- Guidelines provide where a restraint appears reasonable or unreasonable on its face, the Agencies are willing to employ a “sliding scale” analysis, foregoing an “elaborate analysis” of market power.

- Guidelines clarify Agencies’ position on invalid and unenforceable IP rights, incorporating the Federal Circuit’s heightened standards for finding inequitable conduct and distinguish payment schemes from the enforcement of valid IP generally.
Antitrust Guidelines For Licensing Of Intellectual Property

Guidelines do not specifically address how the Agencies will assess the antitrust impact of SEP licenses

- SEP licenses facilitate the adoption of interoperability standards, but there is a risk such agreements have anticompetitive effects
- Refer to guidelines, speeches, policy statements, business review letters, and recent SEP infringement cases
- The omission from the guidelines provides the Agencies with maximum flexibility to analyze these agreements

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Antitrust Guidelines For Licensing Of Intellectual Property

Guidelines do not specifically address how the Agencies will assess the antitrust impact settlement agreements, in particular reverse-payment settlement agreements in the pharmaceutical industry.

Refer to cases dealing with IP settlement agreements, including *FTC v. Actavis, Inc.*, 133 S.Ct. 2223 (2013), as well as policy statements, report and lawsuits on reverse payment settlements.
Duty of disclosure in standard-setting

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Duty to Disclose – *FTC v Dell*

- Standard-setting in IP begins with the FTC’s lawsuit in the early 1990s against Dell for failure to disclose to VESA that it had patents on a proposed VESA standard for compatibility of connections for computer monitors.
- Dell voted for the standard without disclosing its patents.
- Dell then sued competitors for patent infringement after the standard was implemented.
- FTC sued, and Dell promised not to enforce these patents against VESA standard or fail to disclose patents in standards process. *In re Dell*, 121 F.T.C. 616 (1996)
Standards: Duty of Disclosure

Anyone who participates in a standard-setting process must DISCLOSE known IP:

- *Stambler v Diebold*, 878 F.2d 1445 (Fed. Cir. 1989), owner of patent knew standard-setting relevant to patent was in progress, did not participate, but did not speak up about patent=equitable estoppel
- *Mitsubishi v Wang*, 103 F.3d 1571 (1997), owner of patent did not disclose patent issues when promoting its technology as de facto or de jure industry standard=implied license
- *In re Dell*, 121 F.T.C. 616 (1996), owner of patent did not disclose patents when voting on standard=patent misuse/antitrust
- *Rambus v Infineon*, 318 F.3d 1081 (2003), owner of patent must disclose under contract of standard’s group policy, but no money damages if the policy is not clear.
Standards: Duty of Disclosure

According to today's established practice, a patent owner who participates in creating or debating a standard must disclose any patents or other intellectual property (IP) they believe might be needed to implement the standard. The purpose of this disclosure is to ensure that IP issues can be resolved without disrupting implementation. If a patent owner fails to disclose their patents, they risk having their patents declared unenforceable against the implementation of the standard.
DISCLOSURE!!!

If you have a patent or published application you want to enforce, then you must disclose it in the standards process

- 1) Disclose according to group’s rules
- 2) Disclose at earliest opportunity
- 3) Disclose directly to the working committee by email or letter before ???

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DISCLOSURE!!

- What if your patent application is not yet published anywhere?
- What if you are doing R&D and planning to apply for more patents in the future?
- DISCLOSURE: Write to the group president, the chairmen of the relevant working committees, prior to adoption of draft standards, to give notice that ???
- DISCLOSURE: Make complete disclosure once publication occurs anywhere in the world.
Coordinate Patenting and Licensing

It is critical that the patenting and licensing must be coordinated if you participate in standards groups:

- Patent prosecutors should cite draft standards, standards, working papers, submissions from your company and other member companies to the patent issuing authorities where applicable.

Provisional or actual patent applications on new inventions should be filed before going to standards meetings on topic…Why?
Disclose Most Restrictive or Established License Terms?

- Make unilateral disclosure in advance of adoption of standard by the working committee of most restrictive license terms when practical; or
- If you have an established royalty and license program, disclosure of those terms;
- If not able to do so before draft standard is selected by working committee do so before vote on or ratification of the standard;
- And do not discuss price or material license terms in meetings of standards committees, working groups, etc.
Duty to license in standard-setting
Duty to License

Common to both US and EU law is that a commitment to license in a standard-setting group’s rules is enforceable by members against each other...

Most standards’ groups rules require patents needed or declared necessary by their owners be licensed on reasonable and non-discriminatory terms (RAND or FRAND)
Duty to License – The Enigma

Sources of law:

- Mostly contract: The standard-setting group’s rules
- U.S. and state antitrust laws on “essential facilities” and on exclusion of competitors from markets
- State contract law on “promissory estoppel”
- State law on good faith and fair dealing.
- Europe: Abuse of dominant position (compulsory licensing is a remedy)
Duty to License

In Microsoft v. Motorola, district court enjoined patentee from enforcing a German injunction in Germany based on extra-contractual duty of good faith and fair dealing under U.S. law that required a FRAND negotiation.

Microsoft ultimately got a $14 million verdict against Motorola for breach of the duty of good faith and fair dealing.

US law is need not start negotiation at FRAND but must end up there.

US FRAND is a range and need not be identical.
Duty to License

- EU under competition law FRAND is an absolute.
- No injunction without FRAND offer.
- No injunction if infringer agrees it will pay FRAND once court determines price, AND if infringer accepts any undisputed terms and escrows its FRAND offer.
- License will be deemed to be FRAND if it is within a reasonable margin of error from what FRAND is found to be.
Can YOU AVOID Duty to License?

YES, to avoid or limit duty to license:

- Disclose clearly at all relevant times and broadly to all interested players and to the members and the officers of the standards’ group *the IP you have but will not license*.
- Disclose to the working committee members and its chairman what IP you have and that you will not license *IP needed for the draft standard* before the draft is so far along that investment has been made in product design by industry players.
- Post on your website in your standards and or licensing policies that you may choose not to license specific IP.
- Ideally, *also, do not* participate in making the standard.

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Duty to License: Impact on Injunction

In *Microsoft Corp. v. Motorola Inc.*, 696 F.3d 872 (9th Cir. 2012), the Court held that the promise to license to standards group is enforceable by members, and that failure to offer FRAND rate barred enforcement of injunction (*and lead to damages against patentee?*)

– This case had international ramifications, *Why???*
– Recently again an ITC ALJ recommended exclusion in a standards case, but on the finding that the practicing the patent claims was not essential to the standard, *FujiFilm v Sony*, Certain Magnetic Data Storage Tapes and Cartridges Containing the Same, Inv. No. 337-TA-1012, Initial Determination at 126 (Sept. 1, 2017).

In C-170/13 *Huawei Technologies Co. v. ZTE Corp*, CJEU addressed the terms under which a patent holder may seek injunction for an SEP under FRAND, elaborating on the concept of a “willing licensee”.

– Patent owner must offer FRAND terms, accused infringer must accept or deny by term and counter where there is a denial, accused infringer must escrow money.

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Duty to License: Impact on Injunction

- U.S., *eBay standard cannot be met in standards context where there is a commitment to license.*
- ITC ALJ Shaw recently held exclusion order was proper in an investigation of Sony products initiated by FujiFilm because
  - Sony did not prove all limitations of the claims read on a standard, so therefore claims were not legally essential to the standard.
  - ALJ rejected argument that claims were essential for commercial implementation.
  - ALJ held essentiality was a fact issue on which infringer bore burden of proof.
  - ALJ also held rules of standard-setting group only created option to license, not a license.
  - BUT ALJ also rejected the notion that a contractual commitment to license could be a defense to a 337 investigation.
  - In ITC Apple v. Samsung investigation the ITC likewise rejected standard-setting and commitment to license as a defense to a 337 exclusion order, but U.S. Trade Rep advised president to nullify the order.
  - Here, will ITC find that standard-setting goes against exclusion order based on public interest?
  - 11/14 DOJ speech was pro-injunction so it maybe the exclusion order stands?

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What is RAND – FRAND?

- Standards should not increase value of technology needed nor should it reduce the value.
- The RAND-FRAND analysis should be done on the basis of a “but for” world prior to adoption of the standard.
- RAND-FRAND should ideally promote purpose of SSO:
  - Increase competition
  - Increase distribution and availability of products
  - Lower price to consumers
  - But still reward/compensate innovation

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Calculating FRAND – U.S.

- Actual infringement drives the analysis (Ericsson v. D-Link)
- Pricing is a fact issue (Apple v. Samsung)
- Pricing can be based on comparable licenses (e.g., on patents asserted Hynix v. Rambus; by patent pools, IP Innovatio)
- Pricing can take account of royalty stacking where facts establish problem exists (Ericsson v. D-Link)
- Pricing should be based on the value of the technology to the product (Microsoft v. Motorola)
  - How does the smallest saleable unit impact licensing? (IP Innovatio)
- Pricing must apportion value add of standard from value of the technology (Ericsson v D-Link)
Calculating FRAND - EU

-Unwired Planet v. Huawei, UK High Court developed a competition law approach to FRAND disconnected from terms of SSO commitment.

UK High Court had previously found 2 of alleged standard patents invalid and 2 valid and infringed

But, UK High Court found FRAND was an ideal goal, a single price for a worldwide license, regardless of its prior findings on the patents.

Based on practical licensing issues and competition law need for market access.
Example 4

- There are 4 proposed standard interfaces for a power supply and a laptop: Each could serve as a standard interface.
- You have a patent on one of the 4 proposed standards.
- Since the patent issued you have licensed the patent to 40% of the manufacturers for a royalty of $0.50 per laptop.
- You disclose your patent and established royalty.
- What happens in the U.S.? E.U.?
- What effect does patent owner’s litigation strategy have on the analysis?
Example 5

- There is only one way that a protocol for a standard interface circuit for a power supply that works in all countries on all electrical outlets and electrical systems can be implemented.
- You have a patent on this single viable method.
- Your patented method is proposed as a standard interface circuit.
- Since the patent issued you have licensed the patent to 50% of the manufacturers for a royalty of $1.00 per laptop that use the protocol.
- You disclose patent and established royalty/most restrictive terms in standards process.
- Your royalty should remain at $1.00 for each laptop.
Patent owner has a portfolio of patents it claims are needed for the commercial product, some read on standards, others do not.

Without a portfolio license there is a threat of injunction.

Arguably patent license on the standard is worthless if product is still subject to suit for an injunction anywhere or ITC action.

But what is the line between tying and portfolio licensing?

Is it tying if only the infringed patent is enforced?

Should a participant in an SSO waive its right to enforce a patent on a standard and only enforce other IP?

Should portfolio license fee be based only on non-standards IP?
Licensing and Litigation Issues
Patent License = Freedom from Suit

- A patent license is only a freedom from suit.
- Patent licensing must be viewed in light of potential lawsuits.

Applying new law on damages to royalties:
- No use of arbitrary “rules of thumb”.
- Must consider the contribution to the end product.
- Must consider contribution over the prior art.
- Must be limit base to value of smallest commercial component in product on which patent reads.
- EMV only appropriate if patent was sole option for standard.
- Patent misuse is narrower than antitrust law.

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Patent Pool = A Solution for Standards

- Independent body selects patents for pool based on disclosures in standards group and importance to standard.
- Patent licensing terms tailored to ensure goal of standards process is met: Competition that increases distribution and lowers price of end product, while paying for innovation.
- Patent license terms can be non-discriminatory (even pool members should be required to license).
- Pool divides royalties on basis for patent selection criteria.
- Patentees freely enforce patents on non-standard features.
NPE’s and Standards

- NPE’s do not have same incentives as manufacturing companies in licensing standards:
  - Revenue and profits come from licensing/enforcement not products
  - Protected from group coercion by antitrust laws
  - Can still effectively force EMV through ITC exclusion orders

- Arguably, manufacturing company is incentivized to license patents for standards royalty-free:
  - Choice of manufacturer’s technology gives it edge in time to market.
  - Choice of manufacturer’s technology gives it edge in development of desirable but non-standard features.
  - Choice of manufacturer’s technology can tilt market to its product.
NPE’s and Standards

NPE, however, cannot profit from group action in picking its technology from among others in standards process:

– EMV rule cannot be used unless no other choice available and feature is needed in product: Threat of an exclusion order should not be basis for EMV.

– New damages rules should dampen royalty demands.
  • But appearance of lawsuits against tens/hundreds of defendants makes for “Hobson’s choice” in licensing for nuisance value (Judge Davis, *Parallel Networks*, (EDTEX March 2010))

– But so long as an NPE can get an exclusion order from ITC without a prior determination of a FRAND/RAND royalty, the risk remains of an EMV royalty demand.
Royalty Stacking and NPEs

Industry shift: Operating companies forced out of markets have started dividing their patent portfolios among enforcement companies to maximize their return. What problems does this raise?

- Royalty stacking?
- Back-tracking on past representations?
- Need for antitrust claims to bring all facts and parties before the Court?
Licensing Issues and Tactics

Due diligence:

- What is standard’s group’s IP licensing policy?
- Is the IP owner a member of the group?
- Did the IP owner make any statements to the group on licensing?
- Has the IP owner taken a position on standards in prior litigation?
- Has IP owner split up its IP among different owners?
- Is there a pool that licenses bulk of key patents?
- Has the group taken a position on its policy in past lawsuits?
- What law governs the IP policy? EU? US?
DO NOT assert a patent absent prior disclosure in process.
DO NOT assert a patent against a standard unless the record is clear that the patent application was filed before or independently of work by a group on a standard.
Offer to license a patent you declared relevant to a standard on fair and non-discriminatory terms; consider new law on apportionment, EMV, and “rules of thumb”.
Consider impact of standards vs. portfolio licensing.
Consider patent pools as comparables.
Consider margin of error on FRAND impacting your liability.
Litigation Tactics -- Plaintiff

- ITC is best forum for plaintiff on industry standards issue because the ALJs have rejected SSO defense.
- ITC: The idea of a compulsory license contradicts idea of an exclusion order.
- The ITC cannot decide counter-claims, and *In re Princo* makes patent misuse defense narrower than antitrust laws.

EU v. US:
- EU portfolio worldwide licenses even if some patents shown non-essential.
- US – apportionment limits price to patents infringed and value of the technology within the infringing product.
- EU allows for injunctions (subject to FRAND procedural case law)
Litigation Tactics -- Defendant

Checklist if patent is asserted against a standard:

1) Was patent or application disclosed properly and timely in the process?
2) How and when was it disclosed (in accord with the rules of the group or not)?
3) What are the group’s rules on IP disclosure and licensing?
4) Was an offer to license made that was FRAND/RAND?
5) Why did the committee choose the standard despite the patent disclosure – were promises or assurances made on licensing to working committee members or group?
6) Were people who voted on the standard employed by companies already cross-licensed so that the standard advantaged them but hurt others due to patent?
7) What positions has the patent owner taken in the past on injunctions and royalties on standards?
Litigation Tactics -- Defendant

Checklist if patent is asserted against standard (continued):

8) Does the standards group have a legal or licensing committee where statements were made relevant to royalties?

9) What is the evidence of the total amount of royalties that the patent owner would have collected if there was no standard? (The “ex ante” lost license fee – or a pre-existing licensing program)

10) Would the license price and terms offered make it costly or difficult to manufacture the product? (that is contradict purpose of exception to antitrust law – make goods cheaper and supply bigger)

11) Could a cheaper alternative technology have been chosen instead had committee members known of the patent or the license terms?

12) Can products be marketed and sold without compliance with the standard? E.g., is it a protocol for a cell phone to connect to a base station.

13) What country’s law applies to the IP policy? E.g., ETSI is France

14) Does owner assert other patents not relevant to a standard?

15) Do disclosures by others in the standards process amount to invalidating prior art?

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Counter-arguments and Litigation
Defenses and Counterclaims

Defenses

- Equitable estoppel: failure to disclose or misleading or incomplete disclosure?
- Implied license: People lead to believe they could use IP in the standard with no fee?
- Patent misuse: Under In re Princo are both essential and non-essential patents being enforced and tied together in enforcement?
- Inequitable conduct: The patent owner did not disclose art from the standards group to the PTO prior to issuance of the patent?
- Prior Art: Disclosures to standards group are prior art that invalidate patent.

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Defense Claims or Suits

- Breach of contract: Failure to license as promised by joining the group and adopting its rules (contract).
  - Promissory estoppel: Patentee is barred from denying a contractual license exists due to its conduct in the group.
  - Implied license from conduct of patentee

- Unfair competition

- Antitrust: The patentee and one or more members of the group have conspired to manipulate the standard to hurt other competitors or gain an advantage in the market or knowing assertion of patent obtained by inequitable conduct, etc.

- Fraud: The patentee failed to disclose, or lied about its IP, or its coverage or terms for license. (Negligent misrepresentation may also apply).
The Bottom Line?
Licensor: Standards Bottom Line

**Manufacturing companies:**
- Disclose!
- Patent pool can insulate remaining portfolio
- Focus on technology, product leadership and portfolio on non-standard features

**NPE:**
- Disclose!
- Enforce standards-based patents in ITC or fast track foreign courts where injunctions are available.
- Do not permit manufacturers to coerce low or no royalty

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Licensee: Standards Bottom Line

Manufacturing companies:
- Counter ITC or foreign cases with fast track US state court cases (avoid patent counterclaims)
- Vet patentee’s conduct in the group and outside of the group

NPE:
- Typically not licensee
- But must win race to enforce for leverage of ITC exclusion order or foreign injunction
- Be prepared to sue for coercion on pricing or terms by others in SSO
Thank You

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