

Fordham IP Conference April 2012

Overview of Developments in Telecoms Patent Litigation

Ari Laakkonen

Powell Gilbert LLP

**Powell 
Gilbert**

Health Warning:

- My comments reflect my personal opinions.

1992

- Analogue phones were history by then
- GSM (Europe) and CDMA (US/Korea) already established, through very different mechanisms
- GPRS being defined at ETSI
- Numbers of patents essential to standards comparatively low
- Early innovators, e.g. Philips and Bosch, still active in handset manufacturing

2012 – 20 years later

- Patent holdings of some early innovators now asserted more actively and not necessarily with an objective to cross-license: Bosch patents now owned by IPCom, Nortel patents by others, Motorola patents transferring as well, Ericsson no longer has a handset business
- Very large numbers of potentially essential patents
- Very large litigations with dozens of patents in issue, with multi-jurisdictional strategy being a significant contributor to success in litigation
- Increase in the number of standards applicable to products: Not just 2G but 3G, 4G, H264 / video, MP3, AAC, IEEE 802.11 etc.

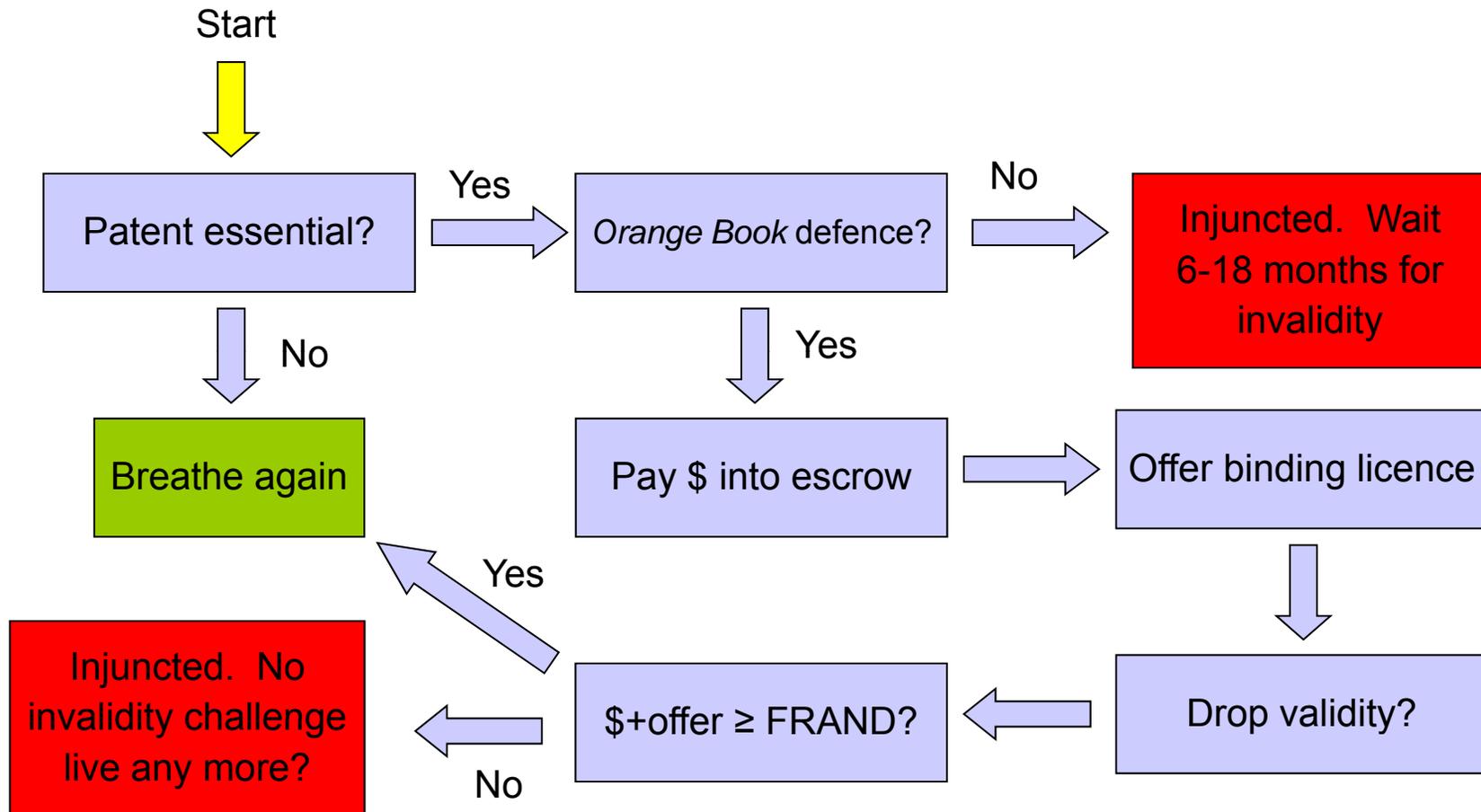
FRAND now a major element in litigation

- Parties can slug it out with patents, or –
- Try and find a way for the Court to determine the real dispute between them, which might be more than just a dispute about the correct royalty level in relation to one country, one standard, or one type of product



The conventional approach

FRAND case law: Germany / Orange Book



FRAND case law: Germany

- Orange Book is a judgment by the highest Court in Germany, yet appears **not** to have caused a reference to the CJEU on the interpretation of EU law
- German Courts do **not** appear to have considered whether, under Community law, a national court may impose specific requirements under national law, such as “behaving like a licensee”, or the payment of money into escrow, or having to apparently drop validity challenges, if those requirements amount to hindrances to the uniform application of Article 102 throughout the Community
- German Courts appear **not** to have considered whether *Orange Book* requirements could conflict with, *even*, the same approach being applied in two EU member states if duplicative escrow payments in respect of geographically overlapping areas are required

FRAND case law: Germany

- Defendants trying to decide how much to pay into escrow will not typically obtain the assistance of the Court in gathering evidence which informs the assessment. This is because German courts have not generally been ready to order discovery
- The defendant is further constrained in that the *Orange Book* offer must be made at the outset of the case
- Can the defendant risk his business, or is the plaintiff's offer one that cannot be refused?
- Why should defendants negotiate, or even **litigate**, with a knife at their throat when the objective is to determine royalties that are fair, reasonable and non-discriminatory?



FRAND case law: the Netherlands

- Very different approach compared to Germany, decisions of Court not based on competition law so far, even though parties may have argued competition law
- *Philips v SK Kasetten*: No licence in place. Infringement found and defendant enjoined.
- *LG v Sony* 2011: No licence in place, but both companies members of SSO with mechanism for arbitrating FRAND, negotiations in progress. No infringement (yet)
- *Samsung v Apple* 2012: No licence in place, but negotiations in progress, Samsung's royalty demand was considered to be non-FRAND. No injunction (yet). Exhaustion potentially relevant.

FRAND case law: the UK

- A number of case management decisions
- Courts willing to consider FRAND and exhaustion issues
- Discovery available
- Injunctive relief not automatic, unlike Germany
- Validity not bifurcated, unlike Germany
- Is the UK **too good** for plaintiffs?
- Recent developments include *IPCom v Nokia* litigation, and a UK element of the *Apple v Samsung* design litigation

Non-essential patents

- Arguably, in certain circumstances a FRAND defence is not available
- Are these patents the silver bullet that solves the dispute, perhaps unexpectedly?
- Are there competition law issues with allowing injunctive relief where the effect of injunctive relief is to cause the defendant to choose between its market share being obliterated, or taking a licence to essential patents on non-FRAND terms?
- Are designs and copyrights the new force in precipitating licensing settlements?