



Fordham Intellectual Property Law Institute & Emily C. & John E. Hansen Intellectual Property Institute

21st Annual Intellectual Property Law & Policy Conference

Competition Session 6C. Smartphones: FRAND, Injunctions and Other Issues

The (FRAND) Game's Afoot in United States District Courts and the USITC

Ken Adamo
Kirkland & Ellis LLP

300 North LaSalle
Chicago, Illinois 60654
Tel (312) 862-262200
Cell (216) 63271
Fax (312) 862--9537

601 Lexington Avenue
New York, New York 10022-4611
Fax (212) 446-4900
Tel (212) 446-4839

kradamo@kirkland.com

FRAND in US District Courts

- Apple, Inc. v. Motorola, Inc., Civil Action No. 1-11-cv-08540 (N.D. Ill. 2011, Order Denying Motion for Summary Judgment 6/22/12) [Posner, J]

“To begin with [defendant’s] injunctive claim, I don’t see how, given FRAND, I would be justified in enjoining [plaintiff] from infringing the [patent subject to FRAND obligations] unless [plaintiff] refuses to pay a royalty that meets the FRAND requirement. **By committing to license its patents on FRAND terms, [defendant] committed to license the [patent subject to the FRAND obligation] to anyone willing to pay a FRAND royalty and thus implicitly acknowledged that a royalty is adequate compensation for a license to use that patent. How could it do otherwise?...**” (page 18, emphasis added)

FRAND in US District Courts cont'd

- Apple Inc. v. Motorola Mobility, Inc., Civil Action No. 3:11-cv-00178-BBC (W.D. Wisc. 2011, Order 10/29/12) [Crabb, J]

“There is no language in either the ETSI and 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. Moreover, in light of the fact that patent owners generally have the right to seek injunctive relief both in district courts,... and in the International Trade Commission,... that any contract purportedly depriving a patent owner of that right should clearly do so. The contracts at issue are not clear.” 2012 WL 5416941 at *15
- Court refused to declare that Motorola breached its contracts or to “declare” a FRAND rate for Motorola’s patents. 2012 WL 5943791 at *2.

FRAND in US District Courts cont'd

- Microsoft Corp. v. Motorola Inc. et al., Civil Action No. C10-18230LR (W.D. Wash 2010, Order Granting Microsoft Motion Dismissing Motorola Complaint for Injunctive Relief 11/29/12) [Robart, J.]
 - Statements by Motorola to ITU / IEEE re SEPs constituted binding agreements to license SEPs on FRAND terms; Microsoft third party beneficiary to those agreements, had right to FRAND license on SEPs; letter offers by Motorola re terms; applying for a patent license and negotiating towards a patent license were not conditions precedent to Motorola's obligations to grant licenses on FRAND terms.

FRAND in US District Courts cont'd

- Microsoft Corp. v. Motorola Inc., et al., cont'd
 - Court adopted a two-part approach to adjudicate Microsoft's breach of contract claim: determine a FRAND royalty rate and FRAND royalty range for Motorola's SEPs at a bench trial; with this determination as guidance, a jury would then hear Microsoft's breach of contract claim; bench trial held, court took under advisement adjudication of FRAND rate/range for Motorola's SEPs.
 - Granted Microsoft motion to dismiss request for injunctive relief; no irreparable harm, due to FRAND license commitment, Microsoft third party beneficiary status; FRAND license agreement remedy adequate to compensate. (slip op. at 13-14)

FRAND in US District Courts cont'd

- InterDigital Communications Inc. et al. v. Huawei Technologies Co., Ltd., et al., Civil Action No. 1-13-cv-00008 (D. Del. 2013, Motion for Expedited Discovery, 3/14/13) [Andrews, J]

The court denied defendants' motions for expedited discovery and trial on their counterclaims to set a FRAND rate for three patents-in-suit:

“The gist of the request is that each Defendant will be harmed if its products are excluded from the U.S. by the ITC, that the ITC cannot set a FRAND rate, and that the Plaintiff will not offer it a FRAND rate although it has an obligation to do so.... **It does not seem to me like a very practicable idea to try to race to a partial judgment here so that each defendant will be in a better position in the ITC litigation.** Therefore, I will deny the motion for expedited discovery and trial in the two cases.” (page 1, emphasis added).

FRAND in USITC

- Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers, Inv. No. 337-TA-794 (USITC, October 3, 2012 Order) [Gildea, ALJ]

Following an evidentiary hearing, ALJ found complainants' mobile communications patents not unenforceable, and rejected respondent's argument that complainants' FRAND obligations to ETSI precluded them from seeking an exclusion order:

“[I]f the ITC were precluded from performing its mandate as set forth in the authorizing statute, an infringing party could, by making unrealistic counter-offers to the patent holder, while claiming that such counter-offers more accurately reflect FRAND than the offers proposed by the patent holder, hold up or frustrate Section 337 investigations....[T]he evidence does not support [respondent's] allegation that [complainants] failed to offer [respondent] licenses to [complainants'] declared-essential patents on FRAND terms....”

FRAND in USITC cont'd

- Certain Gaming and Entertainment Consoles, Related Software and Components Thereof (Inv. No. 337-TA-752) [Shaw, ALJ]

ALJ rejected Microsoft argument that the existence of FRAND obligations precluded, by themselves, the issuance of relief under Section 337:

“There is no dispute that ‘equity follows the law,’ as observed by the Supreme Court in its *Hedges* opinion. **It is, however, noteworthy that with all of the patents subject to RAND licensing obligations that may have ever come before the Commission, Microsoft was not able to cite one case in which a section 337 remedy was foreclosed due to the existence of RAND obligations. Microsoft has not relied on any court case in which an injunction was denied or set aside due simply to the existence of RAND obligations.** Microsoft has not pointed to any statute that conflicts with the powers granted to the Commission by section 337. In this case, it has not been shown that the ‘rights or the situation of parties are clearly defined and established by law’ so as to prohibit Motorola from obtaining relief from the Commission.” (emphasis added).

Inv. No. 337-TA-752, Final ID (April 2012) at 290.

- No implied license, no implied waiver from Moto FRAND statements to SSO.
- No equitable estoppel, based on Moto FRAND statements being misleading, because no MSFT reliance.

FRAND in USITC cont'd

- Certain Wireless Devices with 3G Capabilities and Components Thereof (Inv. No. 337-TA-800) [Shaw, ALJ], confirmed ALJ's Inv. No. 337-TA-752 view that no exclusion order remedy is barred as a consequence of asserting an SEP subject to FRAND obligations:
 - “Even assuming that InterDigital is obligated, through an agreement with ETSI, to extend FRAND licenses to the asserted patents, **Nokia has not cited any case in which a section 337 remedy was foreclosed due to the existence of FRAND obligations; nor has Nokia relied on any court case in which an injunction was denied or set aside due to the existence of FRAND obligations.**” Inv. No. 337-TA-800, Order No. 29 (May 2012) at 3. (emphasis added).
 - Investigation is still pending.

Department of Justice/USPTO FRAND Position re USITC

- The Department of Justice and USPTO agree that there should be no categorical rule preventing injunctions, such that the public interest dictates that injunctions should be available in some cases, including at least in the case of unwilling licenses. *See* U.S. Dept. of Justice and U.S. Patent & Trademark Office, Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments, January 8, 2013, at 7 (“An exclusion order may still be an appropriate remedy in some circumstances, such as where the putative licensee is unable or refuses to take a F/RAND license and is acting outside the scope of the patent holder’s commitment to license on F/RAND terms.”)

Department of Justice/USPTO FRAND Position re USITC cont'd

- “[I]f a putative licensee refuses to pay what has been determined to be a F/RAND royalty, or refuses to engage in a negotiation to determine F/RAND terms, an exclusion order could be appropriate”
- A refusal to negotiate could also include situations in which a company claims it is willing to take a license but insists on terms that are “clearly outside the bounds of what could reasonably be considered to be F/RAND terms.”

FTC FRAND Position

- FTC/Google Consent Decree, 1/3/2013

Settles allegations that Google and Motorola Mobility violated Section 5 of FTC Act (15 USC § 45)

FTC alleged Motorola, after promising to license SEPs on FRAND terms, wrongfully sought injunctions and ITC exclusion orders against willing licensees of SEPs. (A willing licensee is a potential licensee who has not indisputably demonstrated that it is not willing to pay a reasonable fee for use of the SEP.)

The terms of the decree restrict Google from seeking injunctions on SEPs against potential licensees who are willing to enter into a license on FRAND terms. But Google is allowed to seek injunctions in certain narrow situations, such as when a potential licensee refuses to enter into a license agreement on FRAND terms, following specific procedures set out in the consent decree.

Is a single-court resolution of FRAND issues the future for telecoms battles?

- If the court is the United States Court of Appeals for the Federal Circuit (“Federal Circuit”), which is the single appellate court for all 94 United States District Courts and the USITC, yes ... probably and eventually.
- Expect that various of the district courts (W.D. Wisc., W.D. Wash, E.D. Tex., D. Del.) will address FRAND first, as will the USITC. Other districts will likely align with the early movers.