SEP Enforcement Disputes Beyond the Water's Edge: A Survey of Recent Non-U.S. Decisions

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DISPUTES REGARDING ALLEGED abuses of standard-essential patents (SEPs) have become a frequent subject of litigation and regulatory investigations throughout the world. U.S. courts have recently issued important decisions in this area,[1] which are explored in other articles in this issue of ANTITRUST. This article discusses several recent judicial decisions outside the United States addressing issues that can arise at the intersection of competition, patent, and contract law when patent holders seek to enforce patents they have declared essential to industry standards.

Although the basic factual contours of these disputes are often similar, they may be litigated in a multitude of different legal systems, with varying substantive standards and procedural rules. The impact of decisions in these cases is often felt far beyond the borders of the jurisdictions that produce them because the disputes usually involve industry standards that are implemented globally and standardized technologies that are often licensed on a worldwide basis. Among other things, because SEP holders have typically committed to license their patents to standard implementers on "fair, reasonable, and non-discriminatory" (FRAND) terms, decisions that set or influence licensing terms for a declared SEP holder for one license in a given jurisdiction have substantial implications for what it can demand from other licensees in other jurisdictions. And the courts' treatment of FRAND and disclosure commitments has important consequences for levels of investment in innovation for products that are sold globally.

The trend outside the United States is towards vigorous enforcement of FRAND and disclosure commitments—whether as a matter of competition, contract, or patent law. This is consistent with recent decisions in the U.S. courts and with U.S. agency actions.[2] Global convergence can bring important benefits to industries that rely on standards and to the consumers of their products, by (among other things) increasing predictability of SEP licensing dispute outcomes across jurisdictions. That will promote investments in innovation, foster successful licensing negotiations, and reduce the likelihood that failed negotiations will result in disruptive and costly litigation.

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SEP Enforcement

Many industries have a rich history of collaborative standard setting that can bring major consumer gains from the benefits of "interoperability" among various companies' products and services.[3] But, as discussed in more detail elsewhere in this issue of ANTITRUST, the standard-setting process—which necessarily involves collusive action to limit technical design choices—often eliminates rivalry among competing technologies and confers monopolies on holders of patents claimed to cover standardized technology.[4] These monopolies may enable SEP owners to "hold-up" standard implementers that have become "locked into" making products that incorporate standardized technologies for exorbitant royalties or other licensing terms.[5]

To address concerns that fear of hold-up will chill industry implementation of standards they promulgate, standard-setting organizations (SSOs) commonly impose patent disclosure and FRAND licensing requirements on participants in the standard-setting process. Disputes typically arise when declared SEP holders are alleged to have broken such rules. For instance, a declared SEP holder may be alleged to have failed to timely disclose its patents or patent applications, thereby depriving the SSO of information regarding the patentee's claims when determining whether to standardize technology that the patentee later argues is covered by its patents.[6] Alternatively, the SEP holder may be alleged to have breached its promise to license on FRAND terms.[7]

These issues may become exacerbated when the standardized technology covers only a minor feature of a multifunction device, yet the declared SEP holder's patent enforcement efforts threaten to substantially increase prices for the entire device or keep products that incorporate the patented technology off the market entirely. For example, a declared SEP holder may demand royalties on a base of the entire sales price of a wireless device, even though its patents (if valid and infringed) cover only technology embedded in a component, e.g., a baseband chipset that represents only a modest portion of the value of the device.[8]

The threat that SEP-holder demands will unduly inflate prices, chill innovation, or reduce consumer choice is particularly acute given the vast number of patents that have been declared essential to industry standards (e.g., cellular communications). This may create patent hold-up opportunities for dozens of declared SEP holders, some of which (e.g., non-practicing entities) may believe they have much to gain, and little to lose, by demanding exorbitant royalties. The masses of declared SEPs also create the risk of "royalty stacking"—aggregate royalty burdens that make it uneconomical to market standard-compliant products at all or chill welfare-enhancing innovation that differentiates products that support a given standard—and can impose other obstacles to bringing products to market quickly and efficiently.[9]

As competition enforcers have observed, standards are prevalent in dynamic industries that drive economies and bring great benefits to consumers.[10] Striking the correct balance is therefore a complex but crucial exercise. Abuse of declared SEPs threatens to chill innovation by standard implementers and harm consumers. But ensuring that SEP holders receive compensation for their patents that reflects the value they add to products that implement the standard—to the extent that their patents are actually practiced by implementers and are valid and enforceable—is important to preserving innovators' incentives to invest in new technologies.

In the remainder of this article, we discuss selected non-U.S. decisions, with a particular focus on their treatment of several issues that lie at the heart of disputes over licensing of SEPs:

- In what circumstances, if any, may a declared SEP holder that has made a FRAND commitment obtain an injunction against infringement of a patent it has declared essential to an industry standard and thereby keep standard-compliant products off the market? Is it ever appropriate for an SEP holder to enjoy the dramatically increased bargaining leverage over potential licensees that comes with the potential for injunctive relief?[11]
- Besides seeking injunctions, what types of conduct—e.g., a demand for excessive royalties—can constitute a violation of a FRAND commitment? What are the potential consequences of such a violation?
- To what extent, if any, is a failure to timely disclose during the standard-setting process intellectual property rights (IPR) that are later claimed essential to an industry standard a competition law concern? Should such failures to disclose limit a declared SEP holder's ability to enforce its patents against a standard implementer?[12]

Europe

The European Commission has devoted substantial attention to standard setting and SEP enforcement for several years,[13] as evidenced most recently in the Commission's Statements of Objections against Samsung and Motorola Mobility, both of which focused on attempts to obtain injunctions based on SEPs.[14] The last two years have also seen a flurry of EU Member State court decisions regarding these issues. Developments at the European Commission and, ultimately, in the EU courts may also bring important implications for the treatment of SEP-related disputes in Europe.

Netherlands. In March 2012, the District Court of the Hague denied Samsung's attempt to enjoin Apple's sales of iPhones and iPads that allegedly infringed four patents Samsung had declared essential to the UMTS standard, the most widespread third generation (3G) wireless telecommunications standard. The court accepted Apple defenses based on both FRAND and exhaustion theories.[15] This was an early judicial recognition of the incompatibility between making a commitment to license intellectual property on FRAND terms and pursuing an injunction against an alleged standard implementer.

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With respect to Apple's FRAND theory, the court found Samsung had committed an "abuse of power" (as a matter of its claimed patent rights) and had violated its pre-contractual obligation—derived from its FRAND commitment—to negotiate in good faith. The court based its determination on, among other Samsung actions: (i) suing Apple for an injunction in The Netherlands before responding to Apple's pre-litigation request for a quote of Samsung's FRAND terms for a license to its portfolio of declared UMTS-essential patents; and (ii) making only one offer—for a 2.4 percent royalty based on the entire sales price of the relevant Apple products and never responding to Apple's counteroffer.[16] The court also determined that Apple, contrary to Samsung's claims, had not acted like an unwilling licensee during negotiations with Samsung—for example, when it based its counter-offer on Samsung's proportionate share of all patents that had been declared essential to UMTS and limited its offer to the patents in suit.[17]

Apple's exhaustion defense was based on the contention that its products practiced Samsung's declared SEPs (if at all—Apple disputed any infringement) only because they contained baseband chipsets that Apple had purchased from Samsung-authorized suppliers of baseband chipsets implementing Samsung's declared UMTS SEPs. Regarding baseband chips supplied by Qualcomm, a chip manufacturer with a license to Samsung's declared UMTS SEPs, Samsung contended that its covenants not to sue Qualcomm's customers, which were in an agreement between Samsung and Qualcomm, had become null and void because Apple had first sued Samsung for infringement of certain non-essential Apple patents.[18] The court rejected Samsung's argument, concluding that because Samsung had made irrevocable commitments to the European Telecommunications Standards Institute (ETSI, an SSO involved with the UMTS standard) to license its declared UMTS SEPs, it was precluded from terminating the covenants not to sue.

The court did not accept Apple's argument that, under French law, it was licensed by virtue of having implemented the UMTS standard.[19] In addition, the court found that Apple had not proven that Samsung's failure to disclose the patents in suit until after the standard was set constituted an abuse of rights. The court determined, among other things, that Apple had failed to prove that the late disclosure had prejudiced Apple or that the SSO would have excluded the relevant technologies had Samsung disclosed its patents before the standard was set.[20]

France and Italy. A court in France also rejected Samsung's request for a preliminary injunction against Apple based on findings similar to the Dutch court's conclusion that Samsung's FRAND commitments rendered the license to Qualcomm (and, by extension, its customer Apple) irrevocable.[21] The French court's interpretation of the ETSI IPR Policy's requirement that FRAND commitments be "irrevocable" is particularly significant given that the ETSI IPR Policy is governed by French law.[22] Samsung's bid for a preliminary injunction was denied for the same reason in Italy.[23]

Germany. The German courts have been a major battleground in recent disputes between owners and implementers of declared SEPs for a broad range of standards. Germany has been an attractive forum for owners of SEPs because a finding of patent infringement can result in the automatic grant of an injunction unless narrow exceptions are met. And even though German law recognizes that competition law may curtail SEP owners in their ability to seek injunctions against standard implementers, existing precedent imposes a heavy procedural burden on potential licensees trying to avert injunction orders.[24] In an interesting development that highlights the interaction between EU competition law and the laws of the EU Member States, however, a lower court in Germany recently sought the European Court of Justice's (ECJ) opinion on whether this precedent conflicts with EU competition law.[25]

In a 2009 decision known as *Orange Book Standard*, the German *Bundesgerichtshof* (Federal Supreme Court) first established that a standard implementer can avoid entry of an injunction order by showing that it is entitled to a FRAND license for the IP that it has allegedly infringed.[26] However, the elements of the *Orange Book* FRAND defense are onerous. First, the alleged infringer must establish that the SEP owner holds a dominant position, which often may follow from the essential nature of the patent at issue. Second, the alleged infringer must show that it, and *not* the patentee, made an unconditional offer to enter into a license agreement on terms that the patentee could not refuse without unfairly discriminating against the would-be licensee.[27] The alleged infringer can meet this requirement either by proposing terms "customarily" found in licensing contracts for the relevant technology (including customary royalties)[28] or—if it believes the patentee's royalty demands are excessive—by allowing the patentee to set the royalty by exercising "reasonable discretion."[29] Third, the *Orange Book Standard* requires that the alleged infringer comply in all material respects with its license proposal. This means, among other things, that it must be willing and able to pay the proposed royalties.

Since 2009, several lower court decisions have applied the *Orange Book* test, including in the German iterations of some of the most hotly disputed patent litigations of the last years. In *Motorola v. Apple*, the Regional Court of Mannheim held that to meet the third element of the *Orange Book* test, a defendant manufacturing technology that reads on the litigated patent(s) at the time of the license proposal must accept as a matter of principle that it is liable for damages for past use.[30] The court held that Apple had not satisfied the *Orange Book* test because the license proposal it had submitted to Motorola, which included a lump-sum payment for past use but also preserved Apple's right to challenge damages exceeding this payment, did not unconditionally accept liability for past infringement.[31] Apple and Motorola ultimately executed a license covering Motorola's declared SEPs in Germany, however, and the Mannheim court is currently adjudicating whether Motorola's requested royalty rate complies with FRAND.

In *Motorola v. Microsoft*, the Regional Court of Mannheim addressed whether Microsoft's countering of Motorola's royalty demands with a specific lower royalty, rather than asking Motorola to exercise "reasonable discretion" to adjust what Microsoft believed was an excessive royalty demand, satisfied the requirements of the *Orange Book Standard*.[32] The court held that its review of Microsoft's proposed royalty for purposes of deciding whether to impose an injunction against Microsoft's products was limited to whether Motorola would be in "obvious infringement of competition law" if it rejected Microsoft's offer. Concluding that Motorola would not be, the court found against Microsoft and granted an injunction. However, Microsoft successfully fought back in the United States and obtained an injunction from the District Court for the Western District of Washington preventing Motorola from enforcing the German injunction in the United States, a decision later affirmed by the Court of Appeals for the Ninth Circuit.[33]

More recently, the Regional Court of Düsseldorf considered whether the Orange Book test is in tension with European competition law because it requires the alleged infringer to have made a binding license offer.[34] The court noted a potential conflict between the test and the European Commission's "preliminary view" in its Statement of Objections regarding potential SEP abuses by Samsung that "under the specific circumstances of this case, where a commitment to license SEPs on FRAND terms has been given by Samsung, and where a potential licensee . . . has shown itself to be willing to negotiate a FRAND licence for the SEPs . . . recourse to injunctions harms competition."[35] Accordingly, the German court sought an ECJ ruling on whether European competition law requires a more lenient standard for FRAND-based defenses than currently applies under *Orange Book* and its progeny.[36]

United Kingdom. In May 2012, the UK High Court refused to grant an injunction in favor of IPCom, a non-practicing entity,[37] against Nokia for practicing an IPCom patent as to which IPCom had made a FRAND commitment.[38] The court stated on that record that given the FRAND commitment and that Nokia had agreed to accept a FRAND license (with the terms to be decided by the court), an injunction would be inappropriate. IPCom accepted that result "[w]ith what may be described as some urging by the court."[39] The court appeared to apply the general principle of English law that injunctive relief can be denied when monetary compensation will adequately compensate the injured party.[40]

Asia

Over the last year, courts in China, Japan, and Korea have issued notable decisions concerning SEP enforcement. This is in keeping with the emergence of Asia as a major region for competition enforcement, as well as the importance of industry standards and companies that supply standardized products to the economies of countries in Asia.

China. In a case brought by Chinese wireless device maker Huawei Technologies against InterDigital, a developer of wireless technologies, the Shenzhen Intermediate People's Court became the first court in the world to set a specific FRAND rate for a license to a portfolio of SEPs.[41] In 2012, Huawei brought two cases in China in response to infringement actions that InterDigital had filed in a U.S. federal district court and the International Trade Commission (ITC).[42] One of Huawei's actions alleged that InterDigital had abused market power in technology markets and the other alleged that InterDigital had breached its commit-

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ments to ETSI to license its declared SEPs on FRAND terms.[43]

On February 4, 2013, the Chinese court issued two rulings.[44] Although the opinions are not yet public, according to InterDigital's SEC filings, the court found:

- InterDigital violated China's Anti-Monopoly Law by demanding excessive royalties for a license to its SEPs, seeking an exclusion order from the ITC while the parties were in negotiations over a license, tying licensing of SEPs to the licensing of non-essential patents, and requesting that Huawei provide a grant-back of certain patent rights. The court ordered InterDigital to cease its conduct and pay $US 3.2 million in damages and attorneys' fees.
- InterDigital's license offers did not comply with FRAND. Apparently without explanation, it set a royalty rate for InterDigital's portfolio of 2G, 3G, and 4G Chinese SEPs of no more than 0.019 percent of the sales price of the Huawei product incorporating the relevant technology.[45]

The court's royalty rate is orders of magnitude lower than the single-digit percentage demands that have been common for holders of large portfolio of patents declared essential to telecommunication standards. The court, however, used a royalty base consisting of the entire price of the device. Many potential licensees have argued that—both as a matter of FRAND, and as a matter of patent infringement damages principles—a royalty should be calculated only on the portion of the device that allegedly embodies the declared SEPs (e.g., the baseband chip in a smartphone), a price that can typically be determined separately, given that the chipsets and other components are often bought from third parties.[46]

Japan. On February 28, 2013, the Tokyo District Court dismissed a Samsung complaint alleging that Apple had infringed a Japanese patent declared essential to the UMTS wireless standard and seeking an injunction. The court held that Samsung committed several acts constituting an "abuse of rights" under Article 1 of the Japanese Civil Code, thereby barring Samsung from seeking damages for the alleged infringement. Specifically, the court determined:

- Samsung had improperly sought a preliminary injunction based on a patent it had promised to license on

FRAND terms;

- Samsung failed to negotiate a FRAND license in good faith, including refusing to provide Apple with information it needed to determine whether Samsung's license offer was FRAND (including information about how it arrived at its offer); and
- Samsung had committed an abuse of rights by failing to timely disclose the patent during the standard-setting process, waiting about two years after the SSO standardized technology that Samsung claims is covered by its patents.[47]

Korea. In August 2012, the Seoul South Central District Court found that (i) Apple infringed two patents that Samsung had declared essential to the UMTS standard, and (ii) Samsung had infringed one Apple non-standardized, differentiating patent.[48] The court enjoined the sale in Korea of certain older models of Apple and Samsung products.[49] This injunction was immediately stayed pending de novo appellate review, which is ongoing. The lower court made several rulings on FRAND-related issues:

- Under French law (which governs the ETSI IPR Policy), an implementer of a standard does not automatically obtain a license by making standard-compliant products.[50]
- Under Korean law, a FRAND declaration made pursuant to ETSI's IPR disclosure policies does not estop the SEP owner from seeking an injunction against products that allegedly infringe the patents encompassed by the declaration.[51]
- Samsung had not abused its patent rights under Korean law, and was not prohibited from enforcing its patents. The court found, among other things, that: (i) although a FRAND declarant has an obligation under Korean law to negotiate in good faith, it does not abuse its IP rights by seeking an injunction against a party that implements a standard before seeking a license; (ii) Apple had not acknowledged that the declared SEPs were actually valid and infringed (which the court seemed to suggest was a prerequisite for Apple's abuse of rights claim); and (iii) the court could not determine that Samsung had failed to negotiate in good faith or filed its infringement action for the purpose of restraining competition.[52]
- Samsung had not illegally maintained or reinforced a dominant position in violation of the Korean Fair Trade Act. In particular, the court found that Samsung's claim for an injunction was not an unfair trade practice, which would include (i) unfair prices or conditions rendering access to an essential facility practically or economically impossible or (ii) other unfair conditions, such as discriminatory prices relative to current licensees.[53] The court also found no evidence that Samsung had intentionally failed to conceal its declared SEPs during the standard-setting process or otherwise deceived the SSO, and that there was no proof that the SSO could have selected alternative technologies had Samsung disclosed its intellectual property rights.[54]

Conclusion

With some exceptions, courts worldwide have been robustly enforcing FRAND and disclosure commitments in disputes regarding SEPs to ensure the integrity of the standard-setting process and to protect against patent hold-up. These increasingly consistent outcomes will help shape for the better the competitive landscape in mobile communications and many other critical industries, to the benefit of competition and consumers.

With consistent and vigorous enforcement by courts and competition authorities worldwide of commitments made by SEP holders, SSOs can develop new standards with less fear that SEP hold-up will impair adoption and dissemination of their standards. Innovators can invest in technologies to differentiate products that support a standard with confidence that they will be able to market their products throughout the world, free from declared SEP holders extracting hold-up value from the fact the SEPs have been standardized (rather than charging for the intrinsic value of the technology). At the same time, developers of technologies seeking to be standardized can depend on receiving fair value for their innovations based on converging methodology. And those that play by the rules will have less cause for concern that other technology developers will breach disclosure obligations to gain an unfair advantage in the standardization process, or engage in hold-up that lowers outputs of standard-compliant products and reduces licensing returns for innovators that abide by their FRAND commitments. Finally, the more SEP holders and standard implementers can rely on courts in varying jurisdictions to apply consistent, sensible principles to SEP enforcement disputes, the more that will narrow divergence in their expectations about results from litigation. This will promote agreements on FRAND licensing terms without litigation,[55] ultimately the best result for SEP holders, potential licensees, other industry participants, and consumers alike. ■

1 *See, e.g.*, Microsoft Corp. v. Motorola, Inc., 696 F.3d 872 (9th Cir. 2012); Broadcom Corp. v. Qualcomm Inc., 501 F.3d 297 (3d Cir. 2007); Realtek Semiconductor Corp. v. LSI Corp., No. C-12-03451-RMW (N.D. Cal. May 20, 2013); Microsoft Corp. v. Motorola, Inc., No. 10-01823 (W.D. Wash. Apr. 25, 2013); Apple, Inc. v. Motorola Mobility, Inc., 886 F. Supp. 2d 1061 (W.D. Wis. 2012); Apple, Inc. v. Motorola, Inc., 869 F. Supp. 2d 901 (N.D. Ill. 2012) (Posner, J., sitting by designation); Microsoft Corp. v. Motorola, Inc., 871 F. Supp. 2d 1089 (W.D. Wash. 2012).

2 *E.g.*, *Microsoft*, 696 F.3d 872; *Broadcom*, 501 F.3d 297; *Apple*, 869 F. Supp. 2d 901; *Microsoft*, 871 F. Supp. 2d 1089; *see also* Analysis of Agreement Containing Consent Order to Aid Public Comment, *In re* Robert Bosch GmbH, FTC File No. 121-0081 (Nov. 26, 2012), *available at* http://ftc.gov/os/caselist/1210081/121126boschanalysis.pdf; Analysis of Proposed Consent Order to Aid Public Comment, *In re* Motorola Mobility LLC and Google Inc., FTC File No. 121-0120 (Jan. 3, 2013), *available at* http://www.ftc.gov/os/caselist/1210120/130103googlemotorolaanalysis.pdf.

3 *See, e.g.*, *Broadcom*, 501 F.3d at 308–09 (recognizing standard setting, among other things, enhances competition in the end-consumer market by ensuring interoperability, reducing product development costs, and reducing consumer switching costs between products).

[4] *See, e.g.*, *id.* at 310 (observing that holders of standards-essential patents "may be able to extract supracompetitive royalties from the industry participants" because those participants are "'locked in' to the standard").

[5] *See, e.g.*, *id.* at 304–05 (describing Broadcom's allegations).

[6] *See, e.g.*, Commission Opinion, Rambus, Inc., FTC Docket No. 9302 (Aug. 2, 2006), *available at* http://www.ftc.gov/os/adjpro/d9302/060802commissionopinion.pdf, *rev'd*, Rambus Inc. v. FTC, 522 F.3d 456 (D.C. Cir. 2008); Apple Inc. v. Samsung Elecs. Co., Ltd., No. 11-01846, 2012 WL 1672493 (N.D. Cal. May 14, 2012).

[7] *See, e.g.*, *Broadcom*, 501 F.3d at 304–05; *Apple*, 2012 WL 1672493 at *4.

[8] *See, e.g.*,Third Party United States Federal Trade Commission's Statement on the Public Interest at 3, *In re* Certain Wireless Communication Devices, Portable Music and Data Processing Devices, Computers and Components Thereof, ITC Inv. No. 337-TA-745 (June 6, 2012), *available at* http://www.ftc.gov/os/2012/06/1206ftcwirelesscom.pdf [hereinafter FTC Public Interest Statement] ("The resulting imbalance between the value of patented technology and the rewards for innovation may be especially acute where the exclusion order is based on a patent covering a small component of a complex multicomponent product."); *see also* Renata B. Hesse, Deputy Ass't Att'y Gen., Antitrust Div., U.S. Dep't of Justice, IP, Antitrust, and Looking Back on the Last Four Years 18 (Feb. 8, 2013), *available at* http://www.justice.gov/atr/public/speeches/292573.pdf ("What we have observed is that some participants in the wireless marketplace have begun to question the value of any one infringed patent to the end device. They may argue that, for example, the value of each small piece of technology inside a smartphone should be minimal. Such questions naturally implicate the larger issue of whether a F/RAND-encumbered SEP holder is pursuing unreasonably high royalties compared to the patent's value to the smartphone . . . ."); Jon Leibowitz, Chairman, Fed. Trade Comm'n, Remarks Prepared for Delivery at the Sixth Annual Georgetown Law Global Antitrust Enforcement Symposium 8 (Sept. 19, 2012), *available at* http://www.ftc.gov/speeches/leibowitz/120919jdlgeorgetownspeech.pdf ("When the allegedly infringing component is, say, only one of 15,000 patents used in a smart phone or a tablet, is it fair to demand two percent of the entire sales price? To ask that question is to answer it."). *Cf.* Microsoft Corp. v. Motorola, Inc., No. 1001823, slip. op. at 192–93 (W.D. Wash. Apr. 25, 2013) (holding royalty charged to manufacturer of chip implementing standardized technology was useful benchmark in determining FRAND rate for SEPs, in part because chip maker testified rate was "based on the selling price of the chip, not the sale price of the end-user product into which the chip is embedded."); LaserDynamics, Inc. v. Quanta Computer, Inc., 694 F.3d 51, 67–68 (Fed. Cir. 2012) ("[I]n any case involving multi-component products, patentees may not calculate damages based on sales of the entire product, as opposed to the smallest salable patent-practicing unit, without showing that the demand for the entire product is attributable to the patented feature.").

[9] *See, e.g.*, *Microsoft*, No. 10-01823, slip. op. at 25 ("[A] proper methodology for determining a RAND royalty should address the risk of royalty stacking by considering the aggregate royalties that would apply if other SEP holders made royalty demands of the implementer."). One example of another obstacle is the use of injunctive relief to prevent implementers from practicing the technology disclosed in the SEP. *See, e.g.*, FTC Public Interest Statement, *supra* note 8, at 4–5 (injunctive relief in the patent context may appropriately "preserve the exclusivity that forms the foundation of the patent system's incentives to innovate," but that in the SEP context, "remedies that reduce the chance of patent hold-up . . . can encourage innovation by increasing certainty for firms investing in standards-compliant products and complementary technologies. Such remedies may also prevent the price increases associated with patent hold-up without necessarily reducing incentives to innovate."); Press Release, European Commission, Commission Sends Statement of Objections to Motorola Mobility on Potential Misuse of Mobile Phone Standard-Essential Patents (May 6, 2013), *available at* http://europa.eu/rapid/press-release_IP-13-406_en.htm [hereinafter EC Motorola Mobility Press Release] (recognizing patent holders may abuse a dominant position by seeking injunctions on SEPs); Press Release, European Comm'n, Antitrust: Commission Sends Statement of Objections to Samsung on Potential Misuse of Mobile Phone Standard-Essential Patents (Dec. 21, 2012), *available at* http://europa.eu/rapid/press-release_IP-12-1448_en.htm [hereinafter EC Samsung Press Release] (same).

[10] *See, e.g.*, *Broadcom*, 501 F.3d at 308–09; U.S. Dep't of Justice & U.S. Patent & Trademark Office, Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments 3–4 (Jan. 8, 2013), *available at* http://www.uspto.gov/about/offices/ogc/Final_DOJ-PTO_Policy_Statement_on_FRAND_SEPs_1-8-13.pdf [hereinafter DOJ & PTO Statement] ("[V]oluntary consensus standards, whether mechanical, electrical, computer-related, or communications-related, have incorporated technological advances that are fundamental to the interoperability of many of the products on which consumers have come to rely."); Hesse, *supra* note 8, at 16 (noting "standards offer our economy great efficiencies and offer consumers and businesses new, advanced products").

[11] *See, e.g.*, EC Motorola Mobility Press Release, *supra* note 9 ("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 enter into a licence on . . . [FRAND] . . . terms. In such a situation, the Commission considers at this stage that dominant SEP holders should not have recourse to injunctions, which generally involve a prohibition to sell the product infringing the patent, in order to distort licensing negotiations and impose unjustified licensing terms on patent licensees. Such misuse of SEPs could ultimately harm consumers."); EC Samsung Press Release, *supra* note 9.

[12] *See, e.g.*, Press Release, European Comm'n, Antitrust: Commission confirms Sending a Statement of Objections to Rambus (Aug. 23, 2007) [hereinafter EC Rambus Press Release] ("The SO outlines the Commission's preliminary view that Rambus engaged in intentional deceptive conduct in the context of the standard-setting process, for example by not disclosing the existence of the patents which it later claimed were relevant to the adopted standard.").

[13] *See, e.g.*, European Comm'n, Guidelines on the Applicability of Article 101 of the Treaty on the Functioning of the European Union to Horizontal Co-Operation Agreements § 7 (Jan. 14, 2011), *available at* http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:011:0001:0072:EN:PDF; European Comm'n, Guidelines on the Applicability of Article 81 of the EC Treaty to Horizontal Cooperation Agreements § 6 (Jan. 6, 2001), *available at* http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2001:003:0002:0030:EN:PDF.

[14] *See* EC Motorola Mobility Press Release, *supra* note 9; EC Samsung Press Release, *supra* note 9; Case No. Comp/M.6381, Google/Motorola Mobility, European Commission decision ¶¶ 107 et seq. (Feb. 13, 2012), *available at* http://ec.europa.eu/competition/mergers/cases/decisions/m6381_20120213_20310_2277480_EN.pdf.

[15] D.C. Hague, Mar. 14, 2012, Dkt. Nos. 400367/HA ZA 11-2212, 400376/HA ZA 11-2213, 400385 / HA ZA 11-2215 (Samsung Elecs. Co. Ltd/Apple Inc.) [hereinafter Samsung/Apple Mar. 14, 2012 Decision]; *see also* Gertjan Kuipers, Douwe Groenevelt & Oscar Lamme, *A Further Perspective on Apple v. Samsung: How to Successfully Enforce Standard Essential Patents in the Netherlands* 222, Berichten Industriele Eigendon, Aug. 2012, at 22 [hereinafter *A Further Perspective*], *available at* http://www.debrauw.com/News/Publications/Documents/artikel1_Kuipers-Groeneveld-Lamme.pdf. The court had issued a preliminary decision in October 2011, holding that Samsung could not obtain an injunction based on its declared SEPs. In that decision, the court emphasized that Samsung's 2.4 percent offer failed to satisfy Samsung's obligation to make a FRAND offer.

[16] *See* Samsung/Apple Mar. 14, 2012 Decision, *supra* note 15, ¶¶ 4.30–4.36. In an earlier decision, *Philips v. SK Kassetten*, the court found that a FRAND commitment would not preclude an SEP holder from seeking to enjoin a standard implementer, absent "special circumstances." D.C. Hague, Mar. 17, 2010, Case Nos. 08-2522, 08-2524. In a later ruling, however, the court found in a preliminary decision that such special circumstances were satisfied when the bylaws of the relevant SSO (of which both the potential licensor and licensee were parties) required members to arbitrate disputes over FRAND terms, thereby making it inevitable that the parties would resolve their dispute over FRAND terms and rendering an injunction inappropriate. D.C. Hague, Mar. 10, 2011, Dkt. No. 389067/KG ZA 11-269

(Sony SCS/LG Elecs.); *see also* Kuipers et al., *A Further Perspective*, *supra* note 15, at 224–25.

17 Samsung/Apple Mar. 14, 2012 Decision, *supra* note 15, ¶¶ 4.36–4.41. Because the court denied Samsung's claim for an injunction, it did not reach the question whether seeking an injunction on declared SEPs also constituted an abuse of a dominant position under competition law.

18 *Id.* ¶¶ 4.8–4.29. The court rejected Apple's exhaustion defense as to chipsets that Apple purchased from Intel, finding that Intel was not authorized to sell those chipsets under its agreement with Qualcomm. *Id.*

19 *Id.* ¶¶ 4.2–4.7.

20 *Id.* ¶¶ 4.45–4.49.

21 Florian Mueller, Foss Patents, *French Court Denies Samsung Request for iPhone 4S Ban* (Dec. 8, 2011), *available at* http://www.fosspatents.com/2011/12/french-court-denies-samsung-request-for.html.

22 ETSI, ETSI Intellectual Property Rights Policy § 12 (Nov. 30, 2011), *available at* http://www.etsi.org/images/etsi_ipr-policy.pdf ("The POLICY shall be governed by the laws of France.").

23 Florian Mueller, Foss Patents, *Italian Court Denies Samsung Motion for Preliminary Injunction Against iPhone 4S* (Jan. 5, 2012), *available at* http://www.fosspatents.com/2012/01/italian-court-denies-samsung-motion-for.html.

24 However, those injunctions typically are not self-enforcing under German law. Successful patent owners must post a security bond covering potential damages to the defendant should the infringement ruling be reversed on appeal. *See, e.g.*, Microsoft Corp. v. Motorola, Inc., 696 F.3d 872, 879 (9th Cir. 2012) (citing expert declaration).

25 LG Mannheim, May 2, 2012—2 O 240/11 at § C.I.

26 Bundesgerichtshof, May 6, 2009—KZR 39/06 (Orange Book Standard).

27 *Id.* ¶ 29.

28 *Id.* ¶ 31. The *Bundesgerichtshof* did not address how customary royalties would be determined. If the patent at issue is frequently licensed on a stand-alone basis, other licensing contracts may provide a benchmark for determining customary rates. That is not always the case, however, especially in industries where patent pools offer packages of SEPs and cross-licensing agreements among manufacturers are common.

29 "Billiges Ermessen," *see id.* ¶ 39. A party's ability to determine a contract element (such as price) by exercising "billiges Ermessen" is codified in section 315 of the German Civil Code ("Bürgerliches Gesetzbuch"—"BGB"). The determination is subject to court review. The *Bundesgerichtshof* appears to assume that a patent owner would violate its obligations under section 315 only by setting a royalty that reflects the hold-up value of standardization (as opposed to the intrinsic value of the patented technology), raising many of the same questions that arise in determining FRAND royalty rates.

30 LG Mannheim, Dec. 9, 2011—7 O 122/11 at § III.2(b)(cc).

31 *Id.* § III.2(c).

32 LG Mannheim, May 2, 2012—2 O 240/11 at § C.I.

33 Microsoft Corp. v. Motorola, Inc., 871 F. Supp. 2d 1089 (W.D. Wash. 2012); *aff'd*, 692 F.3d 872 (9th Cir. 2012).

34 LG Düsseldorf, Mar. 21, 2013—4b O 104/12.

35 EC Samsung Press Release, *supra* note 9. This is in accord with the general view of U.S. agencies. *See, e.g.*, *supra* notes 2 & 9.

36 In 2011, the most recent year for which statistics are available, the ECJ took approximately sixteen months to decide an average request for a preliminary ruling. *See* ECJ, Annual Report for 2011 at 10, *available at* http://curia.europa.eu/jcms/upload/docs/application/pdf/2012-06/ra2011_activite_cour_en.pdf.

37 Non-practicing entities (NPEs) are firms that neither develop the technology incorporated into a patent nor manufacture products implementing that technology. A sub-group of NPEs are patent assertion entities (PAEs), which are businesses that purchase patents to generate revenues from the licensing fees associated with those patents. See Jon Liebowitz, Chairman, Fed. Trade Comm'n, Remarks at Patent Assertion Entity Workshop (Dec. 10, 2012), *available at* http://www.ftc.gov/speeches/leibowitz/121210paeworkshop.pdf. Sometimes PAEs are referred to as "patent trolls." *See* Fed. Trade Comm'n, The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition 60 (Mar. 2011), *available at* http://www.ftc.gov/os/2011/03/110307patentreport.pdf. In December 2012, the U.S. Department of Justice and the U.S. Federal Trade Commission jointly held a workshop to consider the effect of PAEs on innovation and competition. Materials from that workshop are available at http://www.ftc.gov/opp/workshops/pae/.

38 Nokia OYJ v. IPCom GmbH, [2012] EWHC 1446 (Ch.), No. HC10 C01233.

39 *Id.* ¶¶ 5–6.

40 *See id.* A similar principle is found in U.S. law. One requirement to be entitled to an injunction for patent infringement is that "remedies available at law, such as monetary damages, are inadequate to compensate" the patent holder for the infringement. eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006). In the FRAND context, a few U.S. courts have also recognized this principle. *See, e.g.*, Microsoft Corp. v. Motorola, Inc., No. 10-01823, slip. op. at 32 (W.D. Wash. Apr. 25, 2013) ("[T]he owner of an SEP is under the obligation to license its patents on RAND terms, whereas the owner of a patent uncommitted to RAND has monopoly power over its patent and may choose to withhold licensing."); Apple, Inc. v. Motorola, Inc., 869 F. Supp. 2d at 914 ("By committing to license its patents on FRAND terms, Motorola committed to license the '898 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.").

41 In April 2013, a U.S. federal district court also determined rates for two portfolios of Motorola SEPs. Using a detailed analysis guided by the general principle that, in an ex-ante hypothetical negotiation for FRAND patents, the royalty is set "by looking at the importance of the SEPs to the standard and the importance of the standard and the SEPs to the [alleged infringer's] products," the court determined that the first portfolio was worth $0.00555 per unit and the second was worth $0.03471 per unit. *Microsoft Corp.*, No. 10-01823, slip. op. at 7–8.

42 *See* Form 10-K, InterDigital, Inc. at 31–32 (Feb. 27, 2012), *available at* http://ir.interdigital.com/common/download/sec.cfm?companyid=IDCC&fid=1405495-12-9&cik=1405495.

43 *See id.*

44 Form 10-K, InterDigital, Inc. at 23 (Feb. 26, 2013), *available at* http://files.shareholder.com/downloads/IDCC/2438652851x0xS1405495-13-10/1405495/filing.pdf.

45 *Id.* InterDigital has stated that it intends to appeal both decisions.

46 *See, e.g.*, LaserDynamics, Inc. v. Quanta Computer, Inc., 694 F.3d 51, 67–68 (Fed. Cir. 2012); Uniloc USA, Inc. v. Microsoft Corp., 632 F.3d 1292, 1318–20 (Fed. Cir. 2011); Lucent Techs., Inc. v. Gateway, Inc., 580 F.3d 1301, 1336–39 (Fed. Cir. 2009); *see also supra* note 8.

47 *See generally* 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, *In re* Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers, ITC Inv. No. 337-TA-794 (Mar. 4, 2013), *available at* http://essentialpatentblog.com/wp-content/uploads/2013/03/337-TA-794-Apples-Notice-of-New-Facts.pdf.

48 Seoul S. Cent. D.C., Aug. 24, 2012.

49 *See id.*

50 *Id.* § G.1.

51 *Id.* § G.2.

52 *Id.* § G.3.

53 *Id.* §§ H.1–H.2.

54 *Id.* at § H.3.

55 *See, e.g.*, Frank Easterbrook, *The Limits of Antitrust*, 63 Tex. L. Rev. 1, 12–13 & n.24 (1984) (observing that "[c]ases are settled when parties can agree on the likely outcome of a trial").