

**Morgan Lewis**

# **IP DEVELOPMENTS AND PATENT PROTECTION IN THE AUTOMOTIVE SPACE**

**2020 AUTOMOTIVE HOUR SERIES**

**February 26, 2020**

**Brent Hawkins  
Scott Sherwin**

# Morgan Lewis Automotive Hour Webinar Series

**Series of automotive industry focused webinars led by members of the Morgan Lewis global automotive team. The 10-part 2020 program is designed to provide a comprehensive overview on a variety of topics related to clients in the automotive industry. Upcoming sessions:**

**MARCH 11** | Hot Topics Involving Mobility

**APRIL 1** | Tax Developments Affecting Automotive and Mobility Companies

**MAY 13** | How to Make Use of Data in a Car: Connected Cars, Payment Tech, Analytics, and Other Opportunities

**JUNE 10** | Employee Benefits in the Automotive and Mobility Context

**JULY 15** | Working with, or Operating, a Tech Startup in the Automotive and Mobility Sectors

**AUGUST 5** | Electric Vehicles and Their Energy Impact

**SEPTEMBER 23** | Autonomous Vehicles Regulation and State Developments

**NOVEMBER 11** | Environmental Developments and Challenges in the Automotive Space

**DECEMBER 9** | Capitalizing on Emerging Technology in the Automotive and Mobility Space

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**SECTION 01**

# **INTRODUCTIONS**



## Today's Presenters



**Brent A. Hawkins**

San Francisco

Tel +1.415.442.1449

[Brent.Hawkins@morganlewis.com](mailto:Brent.Hawkins@morganlewis.com)



**Scott D. Sherwin**

Chicago

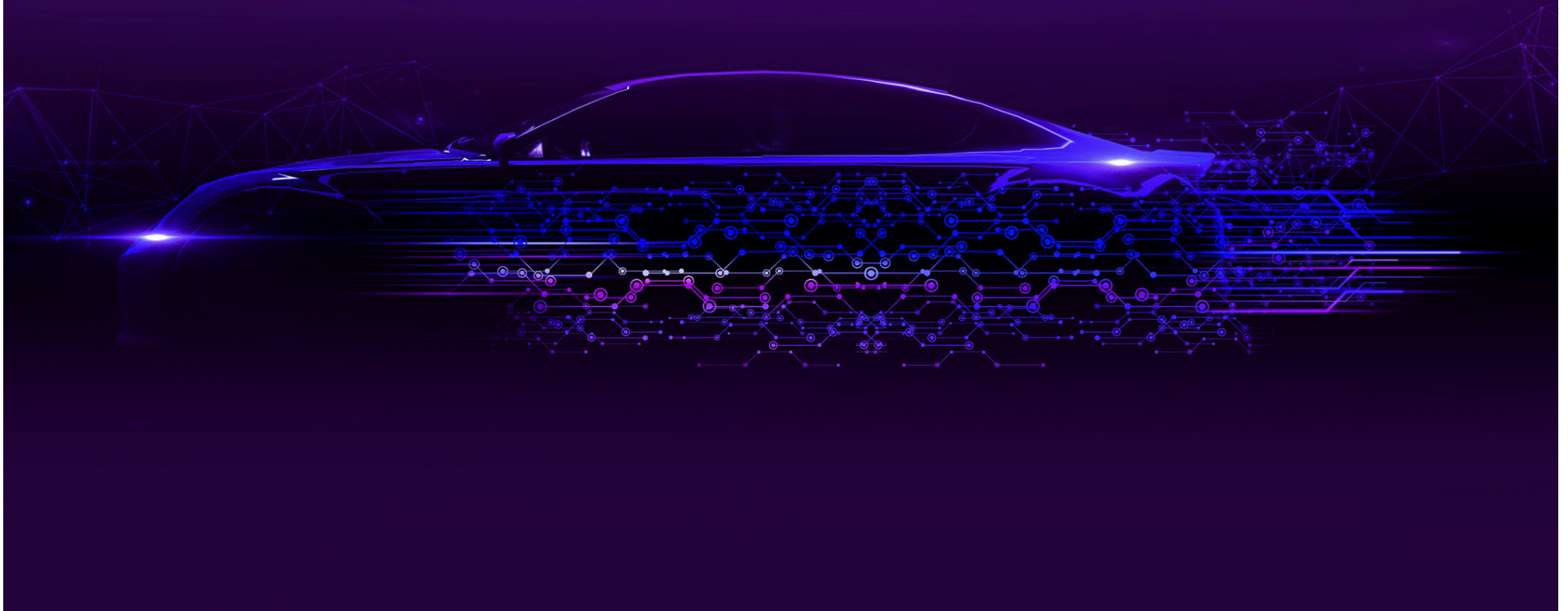
Tel +1.312.324.1789

[Scott.Sherwin@morganlewis.com](mailto:Scott.Sherwin@morganlewis.com)

**Morgan Lewis**

**SECTION 02**

# **IP TRENDS IN THE AUTOMOTIVE SPACE**



# US Patent Rights

- US Patents provide a right to exclude others from making, using, selling, offering for sale, or importing protected inventions
- Utility Patents – 20 years from filing
  - Cover new articles, machines, chemical compositions, or processes
  - Automotive examples: Lidar for autonomous vehicles, infotainment systems, battery technology
    - 3D Lidar by David Hall, inventor of the year, who has over 30 patents and his company Velodyne Lidar Inc. supplies many manufacturers with Lidar sensors. His U.S. Patent No. 7,969,558 upheld at the US Patent Trial and Appeal Board on May 23, 2019.
- Design Patents – 15 years from filing
  - Cover ornamental designs
  - Automotive example: shape of car parts, infotainment UI displays
  - Recent automotive litigation: *Automotive Body Parts Association ("ABPA") v. Ford Global Technologies, LLC*, Case No. 2:15-cv-10137 (E.D. Mich. Feb. 20, 2018)



## IP Trends in Automotive

- Future of vehicle patent litigation
  - High-tech and automotive industries continuing to merge
  - Expected to lead to more patent disputes (start-up v. legacy mentality)
- ITC investigations are more frequent and an effective tool
  - New Federal Circuit decision strengthens impact of ITC rulings
  - Expected to lead to more ITC investigations
- Increasing trade secret litigation
  - Significant expansion of corporate entities in Silicon Valley
  - Litigation is fueled by employees rapidly moving to new companies
- Growth in patent prosecution and licensing



## IP Trends in Automotive

- More patent litigation expected in the future as additional electric and autonomous vehicles come onto the market
  - *Jaguar Land Rover Ltd. v. Bentley Motors Ltd. et al.*, No. 2:18-cv-00320 (E.D. Va. June 14, 2018).
    - Jaguar Land Rover accused Bentley of infringing a patent used in Jaguar's terrain-selector feature
  - *Broadcom Corp. v. Toyota Motor Corp. et al.*, No. 2:18-cv-00190 (E.D. Tex. May 7, 2018) & *Certain Infotainment Systems, Components Thereof, and Automobiles Containing the Same*, No. 337-TA-1119 (June 12, 2018).
    - Patents cover memory management, graphics processing and global navigation satellite system technology used for in-car devices such as rear-seat entertainment units and navigation systems

## IP Trends in Automotive

- Actions before the International Trade Commission are more effective
  - *Swagway, LLC v. ITC and Segway, Inc. et al.*
  - Segway asserted trademark infringement
  - After Swagway lost on the merits, there was a dispute about whether the ITC ruling would have preclusive effect on district court litigation
  - Initially, the Federal Circuit stated that there was no preclusive effect
  - However, after reconsideration, the Federal Circuit removed that portion of its opinion
  - Result is that non-patent ITC orders are likely to have preclusive effect in parallel district court litigation. This improves the attractiveness of the ITC for enforcing trademarks, copyrights, and trade secrets against companies importing products into the US.
  - The new strategy is to get a quick win on the merits at the ITC and obtain an exclusion order, which can be enforced in district court to collect damages, freeze assets, etc.

## IP Trends in Automotive

- More trade secret litigation as employees change companies
  - *Waymo v. Uber*
  - *Tesla v. Zoox*
  - *Faraday & Future Inc. v. Evelozcity, Inc.*, 2:18-cv-00737 (C.D. Cal.)
    - Electric vehicle startup Faraday & Future sued rival Evelozcity Inc. for trade secret misappropriation in California, claiming its former CFO solicited employees to leave and join his new company, encouraging them to copy and steal Faraday's intellectual property on their way out. Settled Dec. 2018

## IP Trends in Automotive

- Patent filings on electrification of vehicles have increased dramatically
  - We are a destination firm for this work
  - Significant existing experience in Silicon Valley
  - Hosang Lee and his large team recently joined us in DC
- Wireless players are seeking to sell patent licenses to automotive players
  - Nokia v. Daimler patent licensing dispute at European Commission
  - New licensing actions raise SEP issues
- Licensing of technology from software vendors to established players
  - Microsoft, Google, and Apple
  - For example, infotainment systems and connected cars

## IP Trends in Automotive

- First patent pools are starting to appear in the automotive space
  - Avanci, LLC offering first patent pool on connected cars.
    - BMW, and recently Audi, Porsche reportedly licensees
  - Pools offer aggregated sets of patents for a single price
  - Generally must be tied to a standard to pass antitrust scrutiny
- License On Transfer (LOT) Network for Patents
  - Google led program
  - Ford, GM, Honda members
  - Seeks to limit disruptive aspects of patents when transferred from one company to another

**SECTION 03**

# **NEW INTELLECTUAL PROPERTY CONSIDERATIONS**



## Reassess Your IP Strategy

- Automotive companies used to focus on developing a portfolio of utility patents
- Rapid advancements in automotive technology are changing the industry
- Recent legal and legislative developments require automotive companies to reassess how they protect, license, and—if necessary—enforce their IP
- Your business objective is to reconfirm or update your IP strategy



## First Strategy: Understand Design Patents

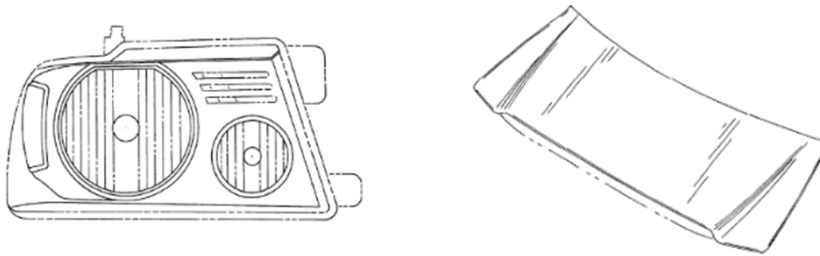
- Must claim an “ornamental” design, not one “dictated by function”
  - *High Point Design LLC v. Buyers Direct, Inc.*, 730 F.3d 1301, 1315 (Fed. Cir. 2013)
- Functional elements permitted, but can not claim a “primarily functional” design
  - *Sport Dimension, Inc. v. Coleman Co., Inc.*, 820 F.3d 1316 (Fed. Cir. 2016)
  - Federal Circuit held that a proper construction includes at least some consideration of functional elements and they should not be completely ignored

## First Strategy: Understand Design Patents

- Application of *Sport Dimension* in the automotive industry
  - *Automotive Body Parts Association ("ABPA") v. Ford Global Technologies, LLC*, Case No. 2:15-cv-10137 (E.D. Mich. Feb. 20, 2018)
    - ABPA sued Ford, seeking a declaratory judgment of invalidity or unenforceability of design patents
    - ABPA “effectively ask[ed] this Court to eliminate design patents on auto-body parts”
    - Though Ford had not moved for summary judgment, the district court announced its intention to enter judgment in favor of Ford *sua sponte* pursuant to Federal Rule of Civil Procedure 56(f)(1)
    - In July 2019, Fed. Cir. affirms summary judgment that ABPA was not entitled to declaratory judgment of invalidity or unenforceability as to Ford’s design patents

## First Strategy: Understand Design Patents

- ABPA argued that auto body parts are functional, thus not eligible for design patent protection
- Headlamp and hood of a truck are inherently functional



- However, the court disagreed
- Although functional, the look of these parts matters
- Thus, design patent protection is possible

## First Strategy: Understand Design Patents

- N.D. California recently found that a screw/washer design that omitted the tube/shaft was distinct from the accused screw
- No ordinary observer could fail to see that the shear tube protrudes from the bottom of the washer, and the shaft of the screw protrudes
  - *Simpson Strong-Tie Co. v. Oz-Post Int'l (dba OZCO Building Prods.)*, 2019 WL 6036705 (N.D. Cal. Nov. 14, 2019)



## First Strategy: Understand Design Patents

- Take advantage of the current design patent environment
- Functional products are entitled to design patent protection
- Expand the scope of these patents by depicting *unclaimed* functional features, particularly if the accused product typically has this feature

## Second Strategy: Protect Replacement Components

- Federal Circuit rejected ABPA's argument that design patents are unenforceable under the doctrine of exhaustion and the related repair doctrine
- Patent exhaustion: sale of a patented product can prevent the patent owner from asserting the patent against that same product in the future
- Repair doctrine: allows the owner of a patented product to repair that same product without incurring any infringement liability

## Second Strategy: Protect Replacement Components

- ABPA argued that these doctrines should also be broaden, just like design patent rights have been broadened
  - ABPA argued that when the F-150 truck is sold, design patent rights are exhausted and those patent cannot be asserted against any product
  - ABPA argued that the repair doctrine allows owners to purchase replacement parts, even parts that are different than the OEM parts
- Federal Circuit reconfirmed that exhaustion and repair doctrines are not avoided by the sale of the patented article



## **Second Strategy: Protect Replacement Components**

- Scope of design patent rights has expanded
- Defenses to infringement have not been expanded
- Balance of equities favors design patent holders and makes litigation more difficult for accused infringers

## Third Strategy: Reassess Enforcement Strategy

- Business goal: stop infringers, maintain market share, and receive monetary compensation—all in a timely and financially efficient manner
- Typical legal strategy: utility patent lawsuit in district court and/or a utility patent infringement action before the International Trade Commission (ITC)
- However, the recent Federal Circuit rulings in *Swagway v. ITC* along with the proposed Counterfeit Goods Seizure Act of 2019 legislation may result in new enforcement strategy

## Third Strategy: Reassess Enforcement Strategy

- Non-patent matters decided by the ITC typically have a preclusive effect
- Federal Circuit recently addressed – and possibly altered – the outcome of this issue
- Initially held that, like patent disputes, there was no preclusive effect
- However, the Federal Circuit then *removed* the preclusivity portion of its opinion
- Removal is not a holding that ITC rulings have preclusive effect
- But, it does strengthen the argument that ITC rulings will be given significant weight—and possibly even a preclusive effect—by a district court
  - *Swagway, LLC v. ITC*, 934 F.3d 1332 (Fed. Cir. 2019)

## Third Strategy: Reassess Enforcement Strategy

- Implement *Swagway* ruling by filing an ITC action based on non-patent intellectual property rights, such as its trade dress rights
- This ITC action would likely be less expensive than a traditional utility patent dispute
- If successful at the ITC, the result would be an importation ban
- Additionally, expand on that success by converting favorable ITC decision into a monetary award and permanent injunction in a district court
- Based on *Swagway*, the district court may even quickly proceed to judgment because the prior ITC decision may be given significant weight, if not complete preclusive effect

## Third Strategy: Reassess Enforcement Strategy

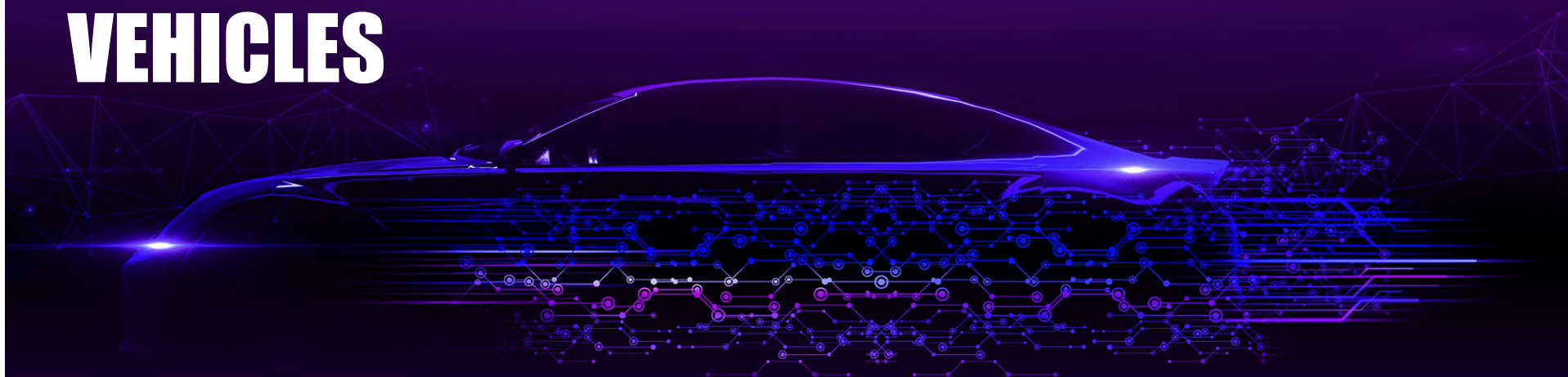
- Could also add patent infringement allegations, particularly design patent allegations
- Design patent dispute is a distinct legal theory from a trade dress dispute, but the court may agree that a trade dress infringer is also a design patents infringer
- If successful in expanding the scope of the district court case, seek additional monetary relief against the infringer
- This strategy could also implemented in parallel with an enforcement action under the proposed [Counterfeit Goods Seizure Act of 2019 legislation](#), which adds design patent infringement as justification for US Customs and Border Patrol to seize goods
- If this bill becomes law, it may be possible to obtain importation bans against infringers based on alleged design patent infringement

# Reassess Your IP Strategy

- First Strategy: Understand Design Patents
  - Scope of design patent rights has expanded
- Second Strategy: Protect Replacement Components
  - It is now easier to assert design patent rights
- Third Strategy: Reassess Enforcement Strategy
  - There are new and creative ways to enforce your rights

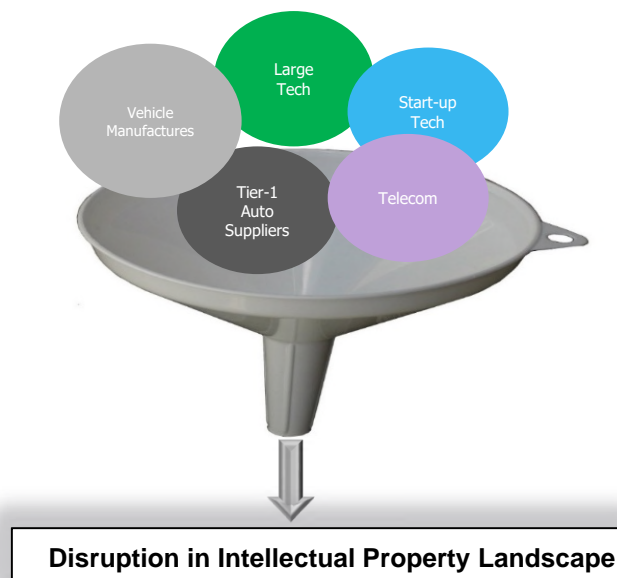
## SECTION 04

# STANDARD ESSENTIAL PATENTS AND AUTONOMOUS/CONNECTED/ADAS VEHICLES

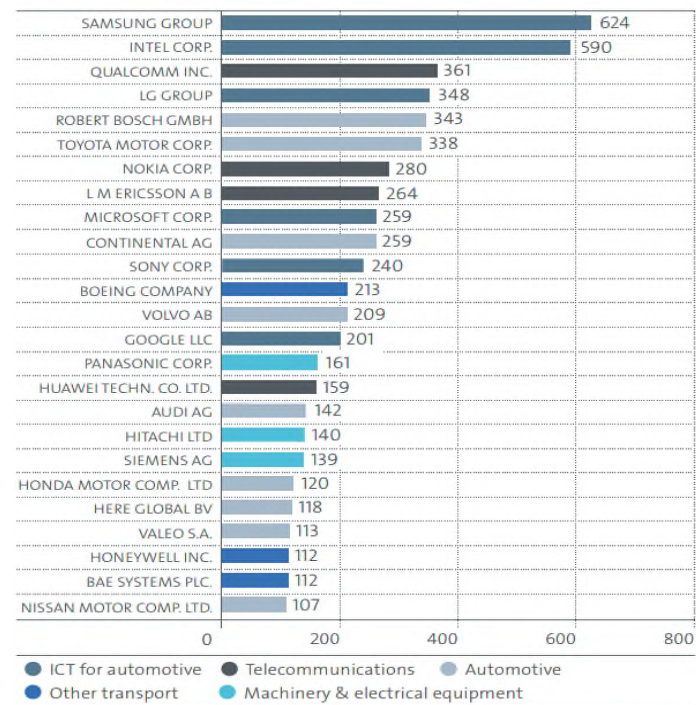




# Intellectual Property Landscape for Autonomous and Connected Vehicles

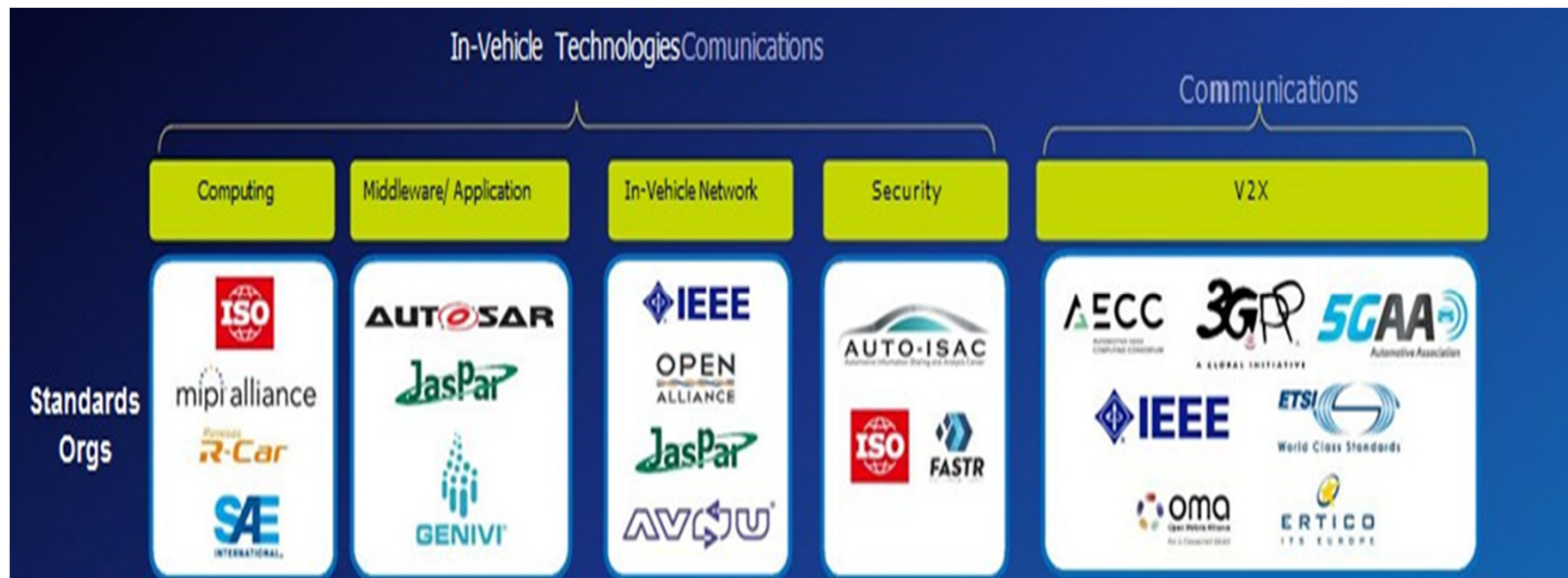


Top 25 SDV applicants at the EPO 2011-2017



Source: EPO

# Standards: Autonomous and Connected Vehicles



# *TCL Communication Tech Holdings Ltd. et al. v. Telefonaktiebolaget LM Ericsson, Case Nos. CV 14-341; CV 15-2370*

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

TCL COMMUNICATION TECHNOLOGY HOLDINGS, LTD., <i>et al.</i> , Plaintiffs/Counterclaim-Defendants,	CASE NO: SACV 14-341 JVS(DFMx) CASE NO: CV 15-2370 JVS(DFMx)
v.	
TELEFONAKTIEBOLAGET LM ERICSSON, <i>et al.</i> , Defendants/Counterclaim-Plaintiffs,	
ERICSSON INC., <i>et al.</i> , Plaintiffs/Counterclaim-Defendants,	
v.	
TCL COMMUNICATION TECHNOLOGY HOLDINGS, LTD., <i>et al.</i> , Defendants/Counterclaim-Plaintiffs.	

NUNC PRO TUNC  
FILED  
CLERK U.S. DISTRICT COURT  
September 14, 2018  
CENTRAL DISTRICT OF CALIFORNIA  
BY: *Lucia Tomic* DEPUTY  
to MARCH 9, 2018

- Held that Ericsson’s proposed terms to TCL were not FRAND.
- Set FRAND rates for TCL’s **future** use of Ericsson’s SEPs, relying on a modified version of TCL’s proposed top-down approach and comparable licenses.
- Determined a “release payment” for TCL’s **past** unlicensed sales by adjusting its calculated prospective FRAND royalty rate.

Amended  
Memorandum of Findings of Fact and Conclusions of Law  
(PUBLIC REDACTED VERSION)

***TCL Communication Tech Holdings Ltd. et al. v. Telefonaktiebolaget LM Ericsson, Case Nos. CV 14-341; CV 15-2370***

Licensors	Value Share	Rate
1	A%	a
2	B%	b
3	C%	c
4	D%	d
5	E%	e
6	F%	f
7	G%	g
...	...	...
Total	100%	Maximum Royalty Burden

# TCL Communication Tech Holdings Ltd. et al. v. Telefonaktiebolaget LM Ericsson, Case Nos. CV 14-341; CV 15-2370

## UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA

TCL COMMUNICATION  
TECHNOLOGY HOLDINGS, LTD.,  
et al.,

Plaintiffs/Counterclaim-Defendants,

v.

TELEFONAKTIEBOLAGET LM  
ERICSSON, et al.,

Defendants/Counterclaim-Plaintiffs,

ERICSSON INC., et al.,

Plaintiffs/Counterclaim-Defendants,

v.

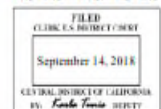
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Defendants/Counterclaim-Plaintiffs.

CASE NO: SACV 14-341 JVS(DFMx)

CASE NO: CV 15-2370 JVS(DFMx)

NUNC PRO TUNC



to MARCH 9, 2018

*Total Aggregate Royalty*

$\times$  *Ericsson's Proportional Share of the Total Aggregate Royalty*

$=$  *Ericsson's Royalty Rate*

Ericsson's proportional share can be further broken down as:

$$\text{Proportional Share} = \frac{\text{Number of unexpired SEPs owned by Licensor}}{\text{Total Number of SEPs in the Standard}}$$

Throughout this section, the Court refers to the number of unexpired SEPs owned by Ericsson as the numerator, and the total number of SEPs as the denominator. As explained below, because Ericsson's SEP portfolio is weaker in some countries than others, the Court also had to apply a regional strength ratio. The full top down formula used by the Court can be expressed as:

*Ericsson's Royalty Rate* =

$$\text{Total Aggregate Royalty} \times \left( \frac{\text{Number of unexpired SEPs owned by Licensor}}{\text{Total Number of SEPs in the Standard}} \right) \times \text{Regional Strength Ratio}$$

Amended

Memorandum of Findings of Fact and Conclusions of Law

(PUBLIC REDACTED VERSION)

**Morgan Lewis**



## ***TCL Communication Tech Holdings Ltd. et al. v. Telefonaktiebolaget LM Ericsson, Case Nos. CV 14-341; CV 15-2370***

UNITED STATES DISTRICT COURT  
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TCL COMMUNICATION  
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*et al.*,

Plaintiffs/Counterclaim-Defendant

v.

TELEFONAKTIEBOLAGET LM  
ERICSSON, *et al.*,

Defendants/Counterclaim-Plaintiffs

ERICSSON INC., *et al.*,

Plaintiffs/Counterclaim-Defendants,

v.

TCL COMMUNICATION  
TECHNOLOGY HOLDINGS, LTD.,  
*et al.*,

Defendants/Counterclaim-Plaintiffs.

Amended

Memorandum of Findings of Fact and Conclusions  
(PUBLIC REDACTED VERSION)

The Court concludes there is no single rate that is necessarily FRAND, and different rates offered to different licensees may well be FRAND given the economics of the specific license. (*Id.*) Based on the drafting history of ETSI's IPR Policy, Dr. Huber concluded that "the drafters did not intend 'non-discriminatory' to ensure the exact same treatment or identical license terms for all licensees to the same portfolio of essential patents." (*Id.* ¶ 44.) Significantly, Dr. Huber was the only legal expert with experience in and an understanding of the ETSI standards process to opine on the meaning of non-discrimination. It necessarily follows that TCL cannot claim that anything other than the nominally lowest rate in marketplace is *per se* discriminatory.

Ericsson's use of floors in its rates is itself discriminatory. In the absence of a credible showing that Ericsson's SEPs add a measurable incremental value, there is no basis for essentially discriminating on the basis of the average selling price where a floor would result in a higher effective rate for lower priced phones. Here, the Court has rejected Kennedy's ex Standard analysis. There is no predicate in this record for floors.

# ***TCL Communication Tech Holdings Ltd. et al. v. Telefonaktiebolaget LM Ericsson, Case No. 18-1363 (Fed Cir.)***

United States Court of Appeals  
for the Federal Circuit

TCL COMMUNICATION TECHNOLOGY  
HOLDINGS LIMITED, TCT MOBILE LIMITED, TCT  
MOBILE (US) INC.,  
*Plaintiffs-Appellees*

v.

TELEFONAKTIEBOLAGET LM ERICSSON,  
ERICSSON INC.,  
*Defendants-Appellants*

2018-1363, 2018-1732

Appeals from the United States District Court for the  
Central District of California in No. 8:14-cv-00341-JVS-  
DFM, Judge James V. Selna.

ERICSSON, INC., TELEFONAKTIEBOLAGET LM  
ERICSSON,  
*Plaintiffs-Appellants*

v.

TCL COMMUNICATION TECHNOLOGY  
HOLDINGS LIMITED, TCT MOBILE LIMITED, TCT  
MOBILE (US) INC.,  
*Defendants-Appellees*

Four determinations made by the District Court that were at issue on appeal:

1. The District Court's determination "that Ericsson's proposed terms to TCL were not FRAND."
2. The District Court "set[ting] a prospective FRAND royalty rate for TCL's future use of Ericsson's SEPs, relying on a combination of methodologies, including its own modified version of TCL's proposed top-down approach and comparable licenses."
3. The District Court "set[ting] a "release payment for TCL's past unlicensed sales" by "adjusting its calculated prospective FRAND royalty rate."
4. The District Court's "dismissal of Ericsson's patent infringement claims and TCL's related counterclaims of invalidity and non-infringement as moot in light of the relief granted in the release payment, because any damages amount from those infringement claims were already subsumed in the release payment determination."



## ***TCL Communication Tech Holdings Ltd. et al. v. Telefonaktiebolaget LM Ericsson, Case No. 18-1363***

Criteria	IP damages experts	Interdigital	Nokia	Panasonic	Uber
Top down FRAND approach		Should only be used when royalty stacking or hold up evidence exists	Use only as check, not primary methodology	Can be useful when paired with another check such as licenses	All applicable SEPs must be considered for FRAND rate
Comparable licenses; non-discrimination	Per unit floors and caps are less likely to discriminate than percentage royalty or per unit royalty	Should be preferred approach; royalty floors are not "per se" discriminatory	Use as primary methodology	Use as a check; exact congruence not required	Different pricing for different device makers is discriminatory
Maximum aggregate royalty rate		There is no industry consensus on such caps; should not be binding on all patent owners	Public predictions are not binding	Must not become cost prohibitive	Extracting value from a downstream channel is discriminatory
Patent owner proportional share	Per unit floors can be apportioned to SEP value	Treating each patent as having equal value is plainly unreliable	Too inclusive on total SEPs; too exclusive on Ericsson SEPs	Findings on total SEPs and individual shares not binding on others; rigorous analysis required	Apportionment requires assessing contribution of SEPs to the industry standard
Regional strength ratio		Public predictions should have been scaled upward to arrive U.S. rate	Wrong to assume U.S. portfolio is stronger		

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United States Court of Appeals  
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*Defendants-Appellees*

“Because we conclude that the **release payment** is in substance **compensatory relief** for TCL’s past wrongs (i.e., practicing Ericsson’s patented technologies without a license), we hold that the district court deprived Ericsson of its constitutional **right to a jury trial** on that legal relief by requiring that Ericsson adjudicate that relief in a bench trial”

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*Defendants-Appellees*

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- Determined that the calculation for release payment was "closely related" to the "going forward" FRAND "because both determinations were predicated on common issues to the improperly decided release payment."
- Vacated all aspects of the district court's ruling, including its finding that Ericsson's initial licensing offers to TCL were not FRAND, and remanded for new proceedings

## *Open Questions Post-TCL v. Ericsson*

- Left unresolved whether top down approach is the, or even *an*, appropriate FRAND analysis for SEPs
- Can release payment FRAND analysis be disentangled going forward FRAND analysis?
- How will FRAND be determined in the future
  - ADR?
  - FRAND jury instructions?
  - Bifurcated trial?

# *Unwired Planet v. Huawei (UK): Court of Appeal Decision (Oct. 23, 2018)*



Neutral Citation Number: [2018] EWCA Civ 2344

Case No: A3/2017/1784

IN THE COURT OF APPEAL (CIVIL DIVISION)  
ON APPEAL FROM CHANCERY DIVISION, PATENTS COURT  
Mr Justice Birss  
[2017] EWHC 711 (Pat)

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 23/10/2018

Before :

LORD KITCHIN  
LORD JUSTICE FLOYD  
and  
LADY JUSTICE ASPLIN

Between :

(1) UNWIRED PLANET INTERNATIONAL  
LIMITED

(2) UNWIRED PLANET LLC

- and -

(1) HUAWEI TECHNOLOGIES CO. LIMITED  
(2) HUAWEI TECHNOLOGIES (UK) CO  
LIMITED

Claimant/  
Tenth Party/  
Respondents

Defendants/  
Appellants

-----  
Andrew Lykiardopoulos QC and James Segan (instructed by Powell Gilbert) for the  
Appellants  
Adrian Speck QC, Sarah Ford QC, Isabel Jamal and Thomas Jones (instructed by EIP  
and Osborne Clarke LLP) for the Respondents

Hearing dates: 17th May- 23rd May 2018

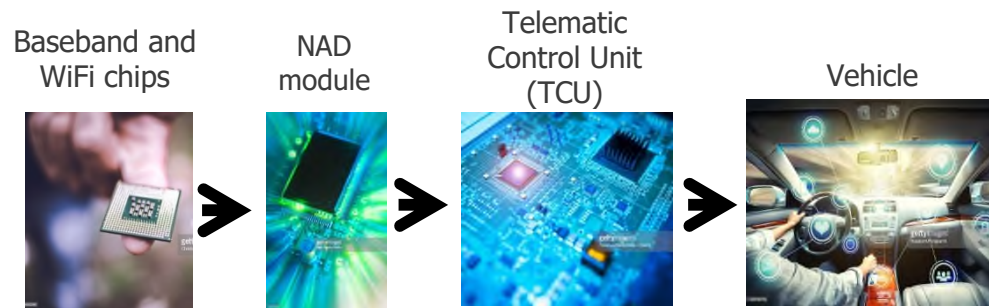
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Approved Judgment

- Confirmed Judge Birss' setting of FRAND rates
- There is not only "one true FRAND" set of rates; a range of FRAND rates may be possible
- FRAND rates may be set on a global basis
- Differential rates are not per se discriminatory; "most favoured licensee" provision not required
- Huawei v. ZTE (CJEU) requires "notice" by patent owner before seeking injunction, and sufficiency of notice depends on the circumstances

## ***FRAND Rates: Some Global Convergence and Divergence***

- Some use of top-down approach, at least where royalty stacking concerns exist
  - *Unwired Planet*: top-down as check on comparable licenses
  - *TCL*: top-down as primary; comparable licenses as check
- A range of FRAND rates is possible (no single FRAND rate)
- Injunction
  - *Unwired Planet*: open path to injunction if sufficient prior “notice” provided
  - *TCL*: “injunction” imposing license agreement and royalties?

# The Automotive Value Chain



# FRAND and the Automotive Value Chain

**GENERAL PREMISE:** Owners of SEPs must generally agree to give a commitment to license these patents to on FRAND terms as a condition for inclusion of their technology into the standard.

## COMPETING VIEWS

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• SEP owners should be free to choose at which level of the supply chain they grant licenses (e.g., finished product makers or manufacturers of components)</li><li>• SEP owners should be able to offer use-based licenses and charge different rates depending on the end use made of the SEP (even if technology covered by the SEP is the same)</li></ul> | <ul style="list-style-type: none"><li>• SEP owners are obligated to licenses to any willing licensee regardless of the level of the supply chain in which the potential licensee is situated</li><li>• The technology covered by the SEP fulfills exactly the same role in any standard-compliant product regardless of its end-use because the function of the technology covered by the SEP is defined by the standard</li></ul> |
|---|--|



# FTC v. QUALCOMM, Inc., Case No. 17-cv-220 (N.D Cal.)

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United States District Court  
Northern District of California

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

FEDERAL TRADE COMMISSION,  
Plaintiff,  
v.  
QUALCOMM INCORPORATED,  
Defendant.

Case No. 17-CV-00220-LHK  
**FINDINGS OF FACT AND  
CONCLUSIONS OF LAW**

Plaintiff Federal Trade Commission ("FTC") brings suit against Defendant Qualcomm Incorporated ("Qualcomm") for allegedly violating Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and seeks permanent injunctive relief. Specifically, the FTC claims that Qualcomm has harmed competition in two markets for baseband processors, also called modem chips, through a set of interrelated Qualcomm practices. The FTC Act prohibits "[u]nfair methods of competition," which include violations of the Sherman Act. The FTC asserts that Qualcomm's conduct violates (1) Section 1 of the Sherman Act, 15 U.S.C. § 1; (2) Section 2 of the Sherman Act, 15 U.S.C. § 2; and (3) Section 5 of the FTC Act, 15 U.S.C. § 45(a). ECF No. 966.

On April 3, 2017, Qualcomm moved to dismiss the FTC's Complaint. ECF No. 69. On June 26, 2017, the Court denied Qualcomm's motion to dismiss. ECF No. 134.

1  
Case No. 17-CV-00220-LHK  
FINDINGS OF FACT AND CONCLUSIONS OF LAW

- Court held that "Qualcomm's [licensing] practices violate Sections 1 and 2 of the Sherman Act."
- Court entered an injunction, ordering Qualcomm to:
  1. refrain from conditioning the supply of modem chips on a patent license status, and to negotiate or renegotiate license terms with customers in good faith;
  2. make exhaustive SEP licenses available modem-chip suppliers on FRAND terms;
  3. refrain from entering express or de facto exclusive dealing agreements for the supply of modem chips;
  4. refrain from interfering with the ability of any customer to communicate with a government agency; and
  5. submit to compliance and monitoring procedures for 7 years.

# FTC v. QUALCOMM, Inc., Case No. 17-cv-220 (N.D. Cal)

United States District Court  
Northern District of California

8 UNITED STATES DISTRICT COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN JOSE DIVISION  
11  
12 FEDERAL TRADE COMMISSION,  
13 Plaintiff,  
14 v.  
15 QUALCOMM INCORPORATED,  
16 Defendant.  
17  
18 Plaintiff Federal Trade Commission ("FTC") sues Defendant Qualcomm, Inc.  
19 ("Qualcomm") for violation of § 5 of the Federal Trade Commission Act ("FTCA"), 15 U.S.C. §  
20 45. Before the  
21 two industry ag  
22 chip suppliers.  
23 in this case, the  
24  
25 I. BACKGROUND  
26 A. Factual Background  
27 This case presents the complicated interaction between cellular communications st  
28 standard essential patents ("SEPs"), and the market for baseband processors, or "modem c

Case No. 17-CV-00220-LHK  
ORDER GRANTING FTC'S M  
FOR PARTIAL SUMMARY  
JUDGMENT  
Re: Dkt. No. 792

## a. IPR Policy Text

The IPR policies at issue in this motion are no different. Both the TIA and ATIS IPR policies include non-discrimination provisions that prohibit Qualcomm from distinguishing between types of applicants. Under the TIA IPR policy, a SEP holder promises to license its SEPs to "all applicants" on "terms and conditions that are reasonable and non-discriminatory." TIA IPR at 8. Under the ATIS IPR policy, a SEP holder must grant a SEP license to any applicant "under reasonable terms and conditions that are demonstrably free of any unfair discrimination." ATIS

IPR at 10.

Also, contrary to Qualcomm's argument, neither IPR policy limits a SEP holder's FRAND commitment to those applicants who themselves "practice" or "implement" whole standards.

Rather, the TIA IPR policy requires that the applicant desire to use the license "to the extent necessary for the practice of any or all of the Normative portions for the field use of use of practice of the Standard." TIA IPR at 8 (emphasis added). The TIA IPR policy expressly

# Continental Auto. Syst. v. Avanci, et al.

## Case No. 19-cv-02520; 19-cv-02933

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1 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP  
 2 A Limited Liability Partnership  
 3 Including Professional Corporations  
 4 STEPHEN S. KORNICZKY, Cal. Bar No. 135532  
 5 MARTIN R. BADER, Cal. Bar No. 222865  
 6 MATTHEW W. HOLDER, Cal. Bar No. 217619  
 7 12275 El Camino Real, Suite 200  
 8 San Diego, California 92130  
 9 Telephone: 858.720.8900  
 10 Facsimile: 858.509.3691  
 11 E mail: skorniczky@sheppardmullin.com  
 12 mbader@sheppardmullin.com  
 13 mholder@sheppardmullin.com  
 14 MICHAEL W. SCARBOROUGH, Cal. Bar No. 203524  
 15 MONA SOLOUKI, Cal. Bar No. 215145  
 16 Four Embarcadero Center, 17th Floor  
 17 San Francisco, California 94111  
 18 Telephone: 415.434.9100  
 19 Facsimile: 415.434.3947  
 20 E mail: mscarborough@sheppardmullin.com  
 21 msolouki@sheppardmullin.com  
 22 Attorneys for Plaintiff  
 23 Continental Automotive Systems, Inc.  
 24  
 25 UNITED STATES DISTRICT COURT  
 26 NORTHERN DISTRICT OF CALIFORNIA  
 27  
 28 CONTINENTAL AUTOMOTIVE SYSTEMS, INC., a Delaware corporation,  
 Plaintiff,  
 v.  
 AVANCI LLC, a Delaware corporation, AVANCI PLATFORM

Case No. 19-cv-2520  
 COMPLAINT FOR BREACH OF FRAND COMMITMENTS AND VIOLATIONS OF ANTITRUST AND UNFAIR COMPETITION LAWS:  
 (1) Breach of Contract;

Case No. 19-cv-2520  
 COMPLAINT

- Breach of contract
- Promissory estoppel
- Violation of §1 of the Sherman Act
- Violation of §2 of the Sherman Act
  - Unlawful monopolization
  - Conspiracy to monopolize
- Violation of Cal. BPC §17200 (Unfair Competition)

# *Continental Auto. Syst. v. Avanci, et al.*

## Case No. 19-cv-02520; 19-cv-02933

Case 5:19-cv-02520 Document 1 Filed 05/10/19 Page 1 of 63

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5 MARTIN R. BADER, Cal. Bar No. 222865  
6 MATTHEW W. HOLDER, Cal. Bar No. 217619  
7 12275 El Camino Real, Suite 200  
8 San Diego, California 92130  
9 Telephone: 858.720.8900  
10 Facsimile: 858.509.3691  
11 E mail: skorniczky@sheppardmullin.com  
12 mbader@sheppardmullin.com  
13 mholder@sheppardmullin.com  
14  
15 MICHAEL W. SCARBOROUGH, Cal. Bar No. 203524  
16 MONA SOLOUKI, Cal. Bar No. 215145  
17 Four Embarcadero Center, 17th Floor  
18 San Francisco, California 94111  
19 Telephone: 415.434.9100  
20 Facsimile: 415.434.3947  
21 E mail: mscarborough@sheppardmullin.com  
22 msolouki@sheppardmullin.com  
23  
24 Attorneys for Plaintiff  
25 Continental Automotive Systems, Inc.  
26  
27 UNITED STATES DISTRICT COURT  
28 NORTHERN DISTRICT OF CALIFORNIA

22 CONTINENTAL AUTOMOTIVE  
23 SYSTEMS, INC., a Delaware  
24 corporation,  
25 Plaintiff,  
26 v.  
27 AVANCI LLC, a Delaware  
28 corporation, AVANCI PLATFORM

Case No. 19-cv-2520  
COMPLAINT FOR BREACH OF  
FRAND COMMITMENTS AND  
VIOLATIONS OF ANTITRUST  
AND UNFAIR COMPETITION  
LAWS:  
(1) Breach of Contract;

Case No. 19-cv-2520  
COMPLAINT

- Conti withdrew motion for anti-suit injunction
- Transferred case to N.D. Texas pursuant to 28 U.S. Code § 1404(a)
- On February 10, 2020, Defendants filed motion to dismiss pursuant to 12(b)(1),(2) and (6)

## ***Daimler v. Nokia (Europe)***

- Nokia alleged that Daimler practiced some of the standards covered by Nokia's SEPs by incorporating the standards in TCUs sourced from suppliers, including Continentals
- Nokia seeks a license from Daimler; Daimler and Continental contend that Nokia should license its SEPs to the TCU suppliers directly
- Nokia filed ten infringement actions against Daimler in Germany; Continental US filed suit against Nokia in the Northern District of California, where it asks for a global FRAND-license from Nokia
- Daimler filed for an anti-suit injunction to stop Nokia from proceeding with the German suits against Daimler

## ***Daimler v. Nokia (Europe)***

- Daimler filed complaint with the European Commission claiming Nokia's licensing behavior concerning its SEPs is anti-competitive
- Nokia filed ten patent lawsuits at the regional courts of Düsseldorf, Mannheim and Munich against Daimler over 3G and 4G mobile communication standards.
- The EC asked Nokia, Daimler and four suppliers—Continental, Valeo, Gemalto and Bury—to enter into mediation.
- The parties have entered into independent mediation in an attempt to avoid and EU antitrust investigation

# Political Developments in FRAND/SEP Enforcement

- U.S. Department of Justice and Federal Trade Commission have signaled a shift in enforcement paradigm

SEP owners have  
breached license  
commitment



SSOs are stifling innovation  
by imposing FRAND  
requirements on patent  
holders

# Department of Justice: FRAND/SEP Enforcement

- DOJ policy concerns
  - Encourages patent “hold-up”
  - SSOs’ ability to force holders of SEPs to grant licenses on FRAND terms disproportionately favors implementers
  - Reduces incentives to innovate
- DOJ’s enforcement perspective
  - FRAND is not an antitrust issue
    - SEP holder has no antitrust duty to deal with implementers despite unilateral commitments to license on FRAND terms
    - Cause of Action for breach of FRAND commitment violates Section 2 of the Sherman Act (i.e., was meant to protect competition, not police prices)
  - Suggests FRAND commitments may give rise to obligations under contract law

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## Joint Policy Statement of SEP Remedies

- USPTO, the National Institute of Standards and Technology, and the U.S. Department of Justice (Antitrust Division) issued a joint statement on December 19, 2019
- Take the position that courts and agencies have misinterpreted an early policy statement from 2013 to suggest that injunctions and other exclusionary relief should not be available in SEP infringement actions
- All remedies available under national law, including injunctive relief and adequate damages, should be available for infringement of SEPS subject to FRAND commitment (includes ITC exclusionary orders)

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# QUESTIONS?



# THANK YOU

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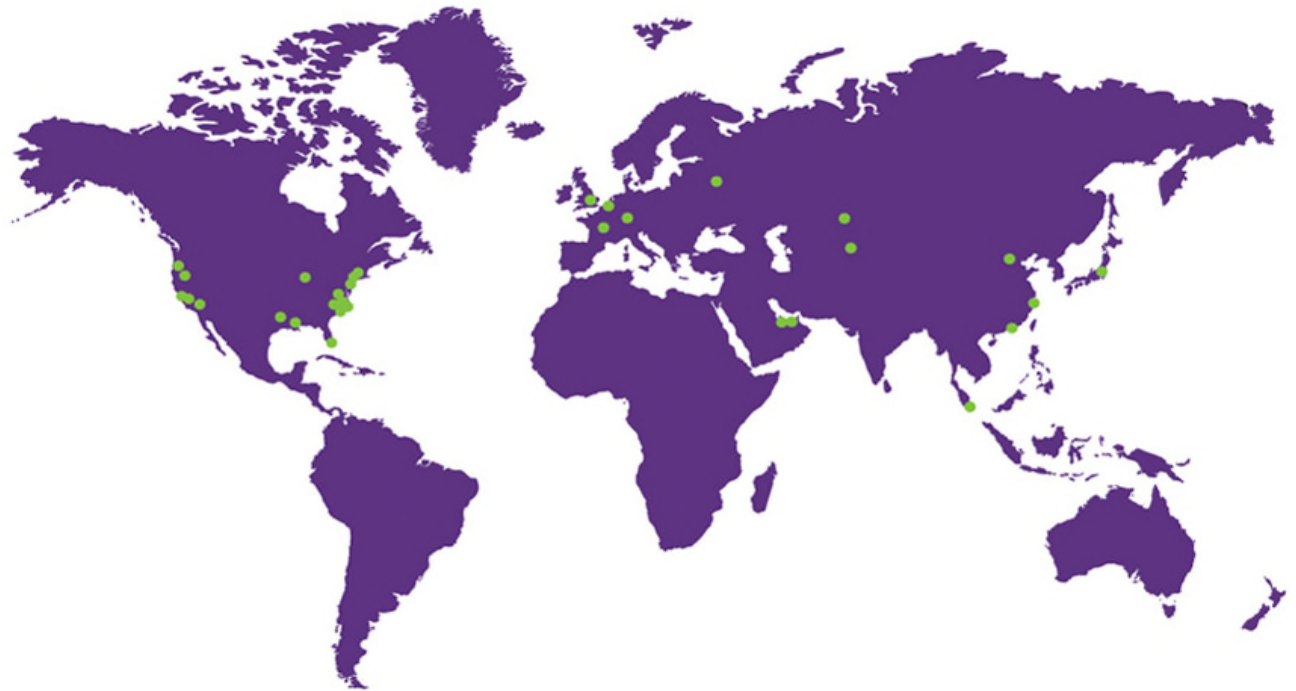
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