

The Antitrust Enforcers Charge Onto the Patent Battleground:

What Technology Companies Need to Know About Standard-Related Patents, RAND Commitments, and Competition Law

Morgan Lewis
technology
series

Presenters:

Willard K. Tom
John Clayton Everett, Jr.
Eric S. Namrow

May 8, 2013

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Agenda

- The “hold-up” problem
- SSO self-help: disclosure, negotiation, RAND
- Patent institutions in flux
 - Injunctions
 - The ITC & exclusion orders
 - Damages & royalties
- The antitrust agencies as advocates & enforcers
- The global dimension

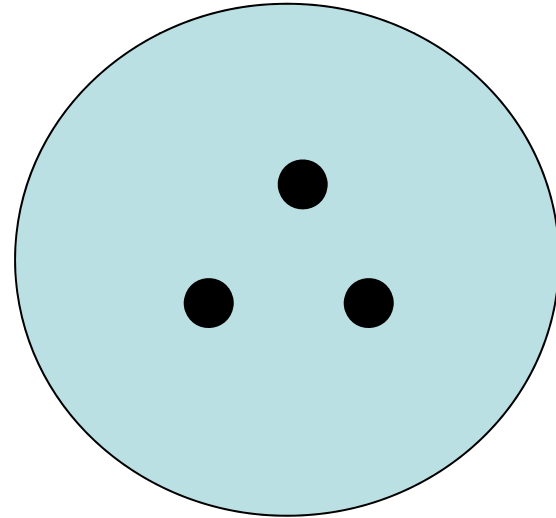
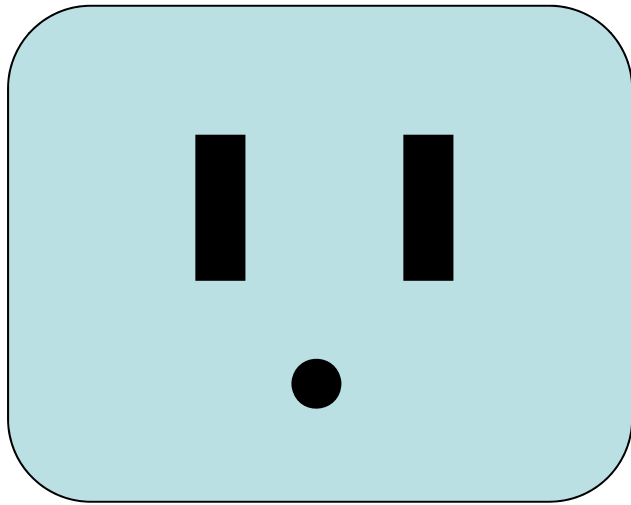


The “hold-up” problem

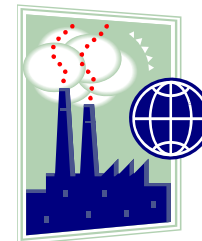
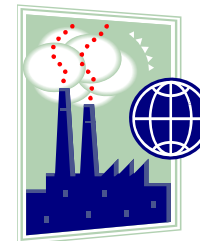
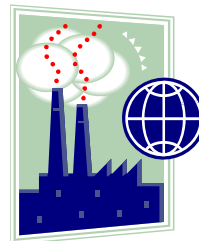
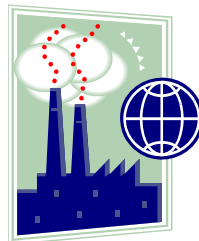
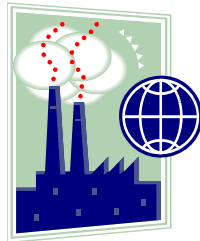
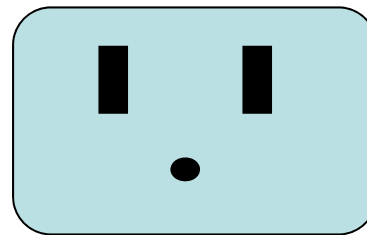
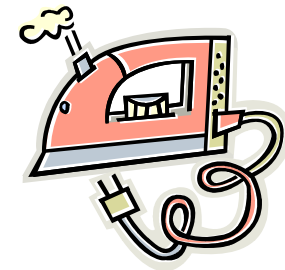
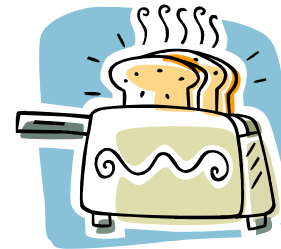
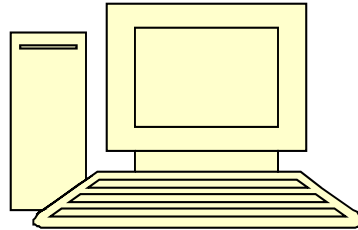
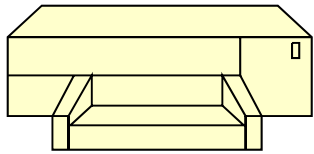
“Patent Hold-Up”

- Patent hold-up is leverage gained not from the value of the invention (“ex ante”), but from the fact that other people are locked into their own or others' investments (“ex post”).

Ex Ante



Ex Post





SSO self-help

First-level Proposed Solutions to Hold-up

- Disclosure requirements
- Ex-ante bargaining

FTC/DOJ 2007 Report

**ANTITRUST ENFORCEMENT AND
INTELLECTUAL PROPERTY RIGHTS:**
Promoting Innovation and Competition



ISSUED BY THE
U.S. DEPARTMENT OF JUSTICE
AND THE
FEDERAL TRADE COMMISSION

APRIL 2007

<http://ftc.gov/reports/innovation/P040101PromotingInnovationandCompetitionrpt0704.pdf>

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Second-level Complications

- Inadequate notice: claim interpretation, pending applications
- Transaction costs of ex ante bargaining
- Engineers or lawyers?
- Sheer number of patents

Proposed Solution to Second-level Complications

- RAND/FRAND



Patent institutions in flux

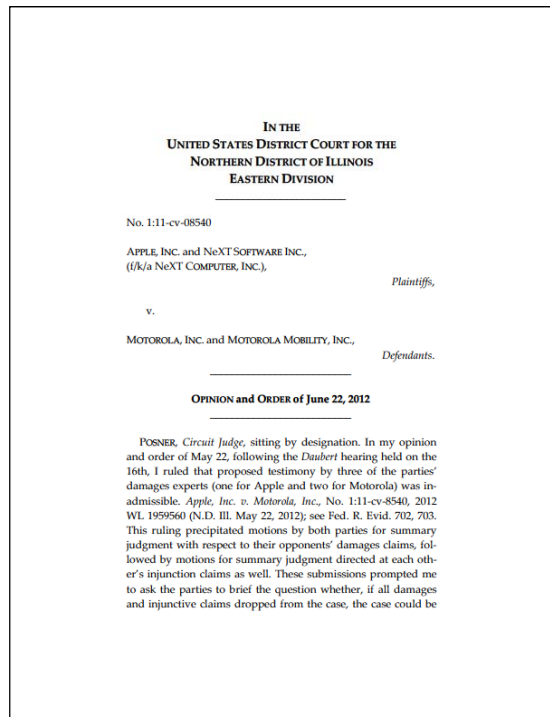
The legal framework gives FRAND meaning (or doesn't)

- What does FRAND mean?
 - Are injunctions/exclusion orders available? When?
 - What royalty or damages? Process for determining?
 - Scope of grantbacks?
- Does FRAND commitment run with the patent?
- How is it enforced (defense, breach, antitrust)?

Are injunctions available?

- eBay v. MercExchange:
 - irreparable injury
 - inadequate remedies at law
 - balance of hardships
 - public interest

Are injunctions available in district court?



Judge Posner's opinion in
Apple, Inc. v. Motorola, Inc.,
No. 1:11-cv-08540 (N.D. Ill.
June 22, 2012)

Posner decision

“I don’t see how, given FRAND, I would be justified in enjoining Apple from infringing the ‘898 unless Apple refuses to pay a royalty that meets the FRAND requirement. 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.”

Watch this space

- Posner decision now on appeal to the Federal Circuit

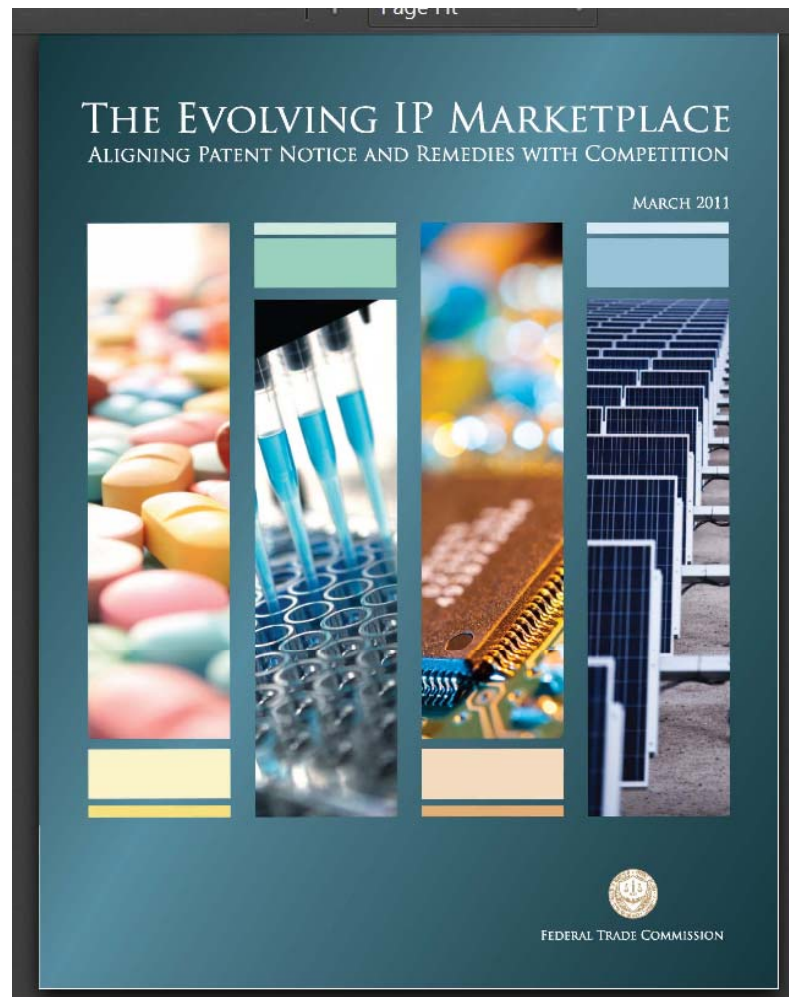
Spancion Inc v. ITC

- Federal Circuit “holds that *eBay* does not apply to Commission remedy determinations under Section 337.”
 - *Spancion, Inc. v. Int’l Trade Comm’n*, 629 F.3d. 1331, 1359 (Fed. Cir. 2010).

Unanswered by Spansion

- Does the ITC have the power to consider eBay-type considerations under the “public interest” provision of its statute?
- Must it do so?

FTC 2011 Report

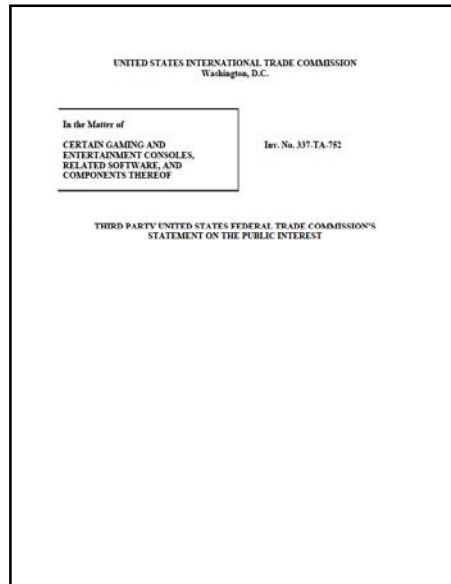


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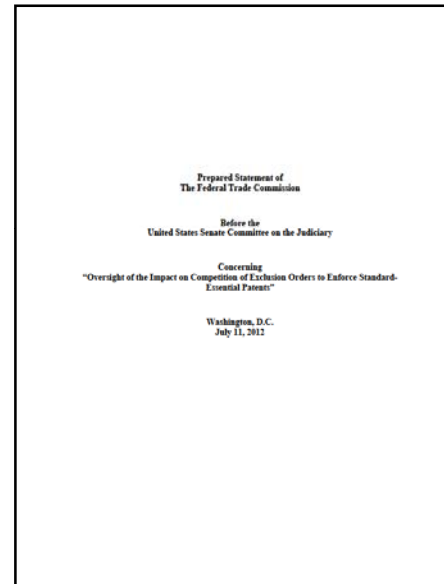
ITC response

- According to a published report, the Chairman of the ITC, in response, wrote a letter to the Chairman of the FTC, stating:
 - “Section 337 provides that the Commission 'shall' impose the remedies specified under the statute unless the public interest factors set forth therein counsel otherwise. . . . [U]nlike the Congress, we do not promulgate substantive policies to be applied in adjudicating Section 337 cases.”

FTC views on public interest



FTC statements to ITC,
<http://www.ftc.gov/os/2012/06/1206ftcgamingconsole.pdf>
and
<http://www.ftc.gov/os/2012/06/1206ftcwirelesscom.pdf>



Testimony of Commissioner
Edith Ramirez before the
Senate Judiciary Committee,
<http://www.ftc.gov/os/testimony/120711standardpatents.pdf>

FTC statements to ITC

- “The ITC has a range of remedies available to it
...”
 - denial of an exclusion order unless the holder has made a reasonable royalty offer
 - delay the effective date of remedies until the parties mediate in good faith

What royalty or damages?

Case 2:10-cv-01823-JLR Document 681 Filed 04/25/13 Page 1 of 207

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10-CV-01823-ORD

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

MICROSOFT CORPORATION, Plaintiff, v. MOTOROLA, INC., et al., Defendants.	CASE NO. C10-1823JLR FINDINGS OF FACT AND CONCLUSIONS OF LAW
MOTOROLA MOBILITY, INC., et al., Plaintiffs, v. MICROSOFT CORPORATION, Defendant.	

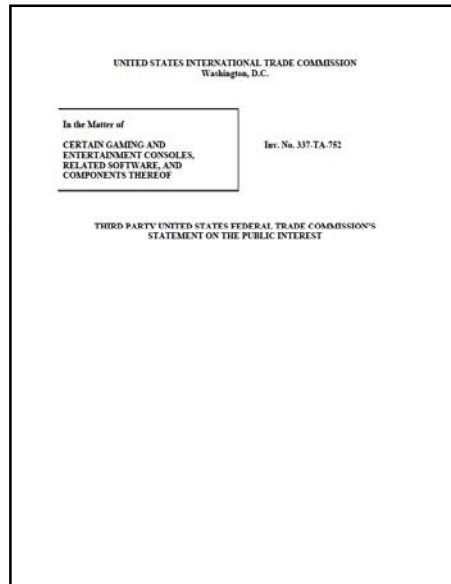
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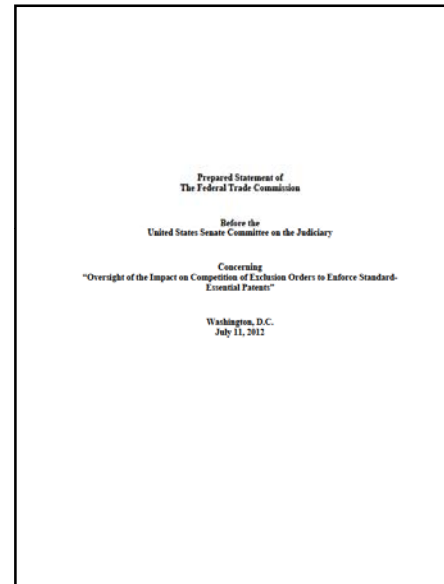


The antitrust agencies as advocates & enforcers

FTC views on public interest



FTC statements to ITC,
<http://www.ftc.gov/os/2012/06/1206ftcgamingconsole.pdf>
and
<http://www.ftc.gov/os/2012/06/1206ftcwirelesscom.pdf>



Testimony of Commissioner
Edith Ramirez before the
Senate Judiciary Committee,
<http://www.ftc.gov/os/testimony/120711standardpatents.pdf>

DOJ/ PTO Policy Statement

UNITED STATES DEPARTMENT OF JUSTICE AND
UNITED STATES PATENT & TRADEMARK OFFICE

POLICY STATEMENT ON REMEDIES FOR STANDARDS-ESSENTIAL PATENTS SUBJECT TO
VOLUNTARY FRAND COMMITMENTS

January 8, 2013

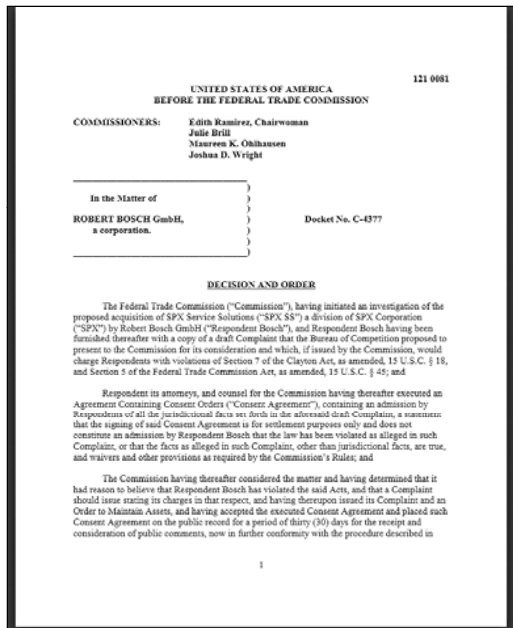
The U.S. Department of Justice, Antitrust Division (DOJ), and the U.S. Patent & Trademark Office (USPTO), an agency of the U.S. Department of Commerce, provide the following perspectives on a topic of significant interest to the patent and standards-setting communities: whether injunctive relief in judicial proceedings or exclusion orders in investigations under section 337 of the Tariff Act of 1930¹ are properly issued when a patent holder seeking such a remedy asserts standards-essential patents that are encumbered by a RAND or FRAND licensing commitment.²

The patent system promotes innovation and economic growth by providing incentives to inventors to apply their knowledge, take risks, and make investments in research and development and by publishing patents so that others can build on the disclosed knowledge with further innovations. These efforts, in turn, benefit society as a whole by disseminating knowledge and by providing new and valuable technologies,

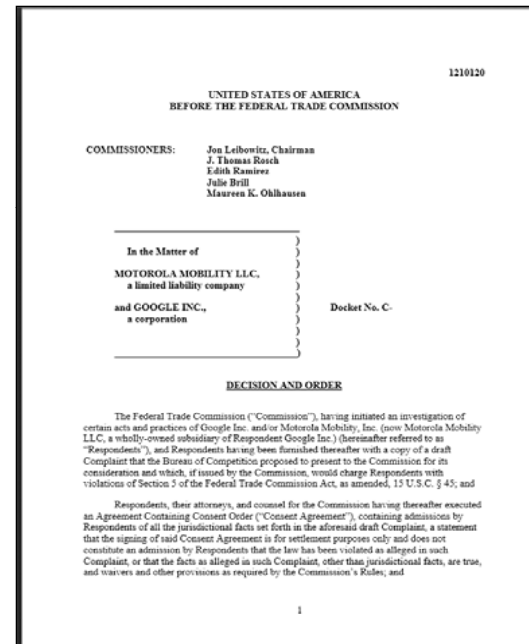
¹ Although the focus of the present policy statement is on exclusion orders issued pursuant to 19 U.S.C. § 1337, similar principles apply to the granting of injunctive relief in U.S. federal courts, which is governed by the standards set forth by the U.S. Supreme Court in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). The present policy statement is not, however, intended to be a complete legal analysis of injunctive relief under the *eBay* standard.

² For purposes of this statement, a patent is RAND- or FRAND-encumbered where a patent holder has voluntarily agreed to license the patent on reasonable and non-discriminatory (RAND) terms or fair, reasonable, and non-discriminatory (FRAND) terms while participating in standards.

FTC Enforcement

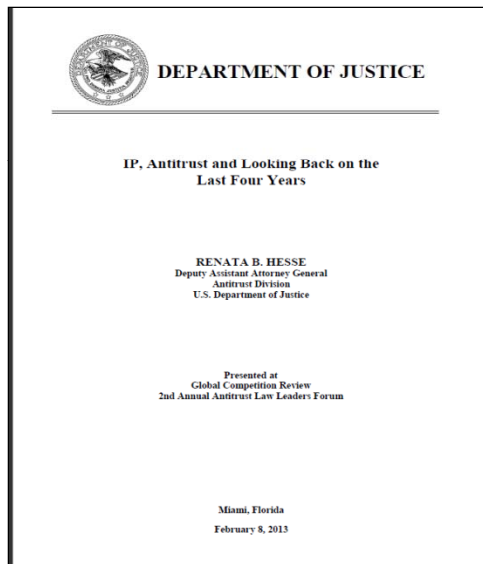


Robert Bosch GmbH



In the Matter of
Motorola Mobility LLC

DOJ Enforcement?



- “Is it potentially a violation of Section 2 when a F/RAND-encumbered SEP owner exercises the monopoly power that he or she acquired through participation in the standard-setting process in breach of the SEP owner’s F/RAND commitment?”
- “This is an issue that we continue to look at and encourage members of the bar and academia to do so as well.”



The global dimension

The global dimension

FOSS PATENTS

THIS BLOG COVERS SOFTWARE PATENT NEWS AND ISSUES WITH A PARTICULAR FOCUS ON
UNIX/LINUX, MOBILE DEVICES (SMARTPHONES, TABLET COMPUTERS),

German appeals court stays Google v. Apple case
over (likely invalid) push notification patent

German court rules against Microsoft in
Motorola patent fight



On February 4, 2013, the Shenzhen Intermediate People's Court . . . determined that . . . the royalties to be paid by Huawei for InterDigital's 2G, 3G and 4G essential Chinese patents under Chinese law should not exceed 0.019% of the actual sales price of each Huawei product

Contact Information



Willard K. Tom

Washington, DC
tel. 202.739.5389

wtom@morganlewis.com



Eric S. Namrow

Washington, DC
tel. 202.739.5296

enamrow@morganlewis.com



J. Clayton "Clay" Everett, Jr.

Washington, DC
tel. 202.739.5860

jeverret@morganlewis.com

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