

# CRA Insights: Intellectual Property

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Associates

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## Recent developments in SEP jurisprudence across multiple jurisdictions

Recent verdicts and judgments in telecom standard-essential patent (SEP) cases have provided insight into the rights and obligations of SEP owners and implementers under the Fair Reasonable and Non-Discriminatory (FRAND) regime. Judgments and verdicts in the following cases will be examined in this paper:

Case	Key Findings
<i>FTC v. Qualcomm (US)</i>	<ul style="list-style-type: none"><li>• Appeals Court found Qualcomm had no antitrust duty to license its SEPs to rival chip suppliers</li><li>• OEM-level licensing policy was not anticompetitive</li></ul>
<i>Continental v. Avanci (US)</i>	<ul style="list-style-type: none"><li>• SEP holder may choose to contractually limit its right to license the SEP through a FRAND obligation, but a violation of this contractual obligation is not an antitrust violation</li><li>• Demonstrates complexity of FRAND when new industries face SEP licensing demands</li></ul>
<i>Unwired Planet v. Huawei (UK)</i>	<ul style="list-style-type: none"><li>• English courts can set global SEP portfolio rates and grant an injunction if an implementer refuses to take a license using those FRAND rates</li></ul>
<i>Sisvel v. Haier (Germany)</i>	<ul style="list-style-type: none"><li>• SEP owner may seek an injunction assuming certain steps were taken in FRAND negotiation</li><li>• ND of FRAND does not require a uniform royalty</li></ul>
<i>TCL v. Ericsson (US)</i>	<ul style="list-style-type: none"><li>• Fourth time a US federal judge has determined the SEP royalty in a bench trial, adapting the methodologies put forward by the parties, but relying upon its own calculations and assumptions. However, determinations were vacated on procedural grounds.</li><li>• Recognizes role of juries in determining damages in SEP litigation</li></ul>
<i>IP Bridge v. TCL (US)</i>	<ul style="list-style-type: none"><li>• Whether a patent is essential to a standard is a question of fact to be decided by a fact-finder, not a question of law to be decided by a judge during claim construction</li></ul>
<i>PanOptis v. Apple (US)</i>	<ul style="list-style-type: none"><li>• Eastern District of Texas jury awards \$506.2 million for past damages for infringement of five LTE SEPs and finds willfulness; Judge Gilstrap has since vacated the award and ordered a new damages trial.</li></ul>

In recent years, to avoid the inefficiencies and cost associated with litigating SEP cases in various venues around the world, some SEP owners and implementers have used international arbitration as a means of determining FRAND royalties.

- In 2014, after several years litigating and negotiating a license to InterDigital's wireless technology patent portfolio, Huawei and InterDigital agreed to enter arbitration to determine FRAND rates and terms.<sup>1</sup> The Arbitral Tribunal, governed by the International Chamber of Commerce (ICC), issued a final award in favor of InterDigital in July 2015.<sup>2</sup>
- In 2015, Nokia and Samsung entered into arbitration to determine the amount due for extending their mobile-phone patent licensing deal by five years to cover the period from 2014 to 2018.<sup>3</sup> In early 2016, the International Court of Arbitration of the ICC issued its award for Nokia's five-year license extension to Samsung.<sup>4</sup>
- In 2015, Nokia and LG entered into a smartphone patent license but could not come to terms on the royalties owed by LG. The parties sought arbitration to determine the royalties to be paid.<sup>5</sup> In September 2017, Nokia received an undisclosed award in its ICC arbitration with LG.<sup>6</sup>
- Blackberry and Qualcomm sought arbitration to settle a dispute over royalty payments under a 2010 license agreement and in 2017 Blackberry was awarded \$940 million.<sup>7</sup>

Given the cross-jurisdictional use of SEPs, arbitration may continue to be a forum where SEP owners and implementers seek to settle disputes. It will be important to be aware of different forums' legal doctrines which arbitral panels may want to use in their proceedings.

A discussion of future impacts on SEP licensing and litigation poses questions raised by recent events following the examination of recent cases.

## FTC v. Qualcomm

### Background

On January 17, 2017, the Federal Trade Commission (FTC) "filed a complaint in federal district court charging Qualcomm Inc. with using anticompetitive tactics to maintain its monopoly in the supply of a key

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<sup>1</sup> Interdigital Communications, Inc. v. Huawei Investment & Holding Co., Ltd., 166 F. Supp. 3d 463, 466 (SDNY 2016).

<sup>2</sup> Ibid at 467.

<sup>3</sup> Phil Goldstein, "Nokia, Samsung extend patent-licensing deal for 5 years," *Fierce Wireless*, November 4, 2013 at <https://www.fiercewireless.com/wireless/nokia-samsung-extend-patent-licensing-deal-for-5-years>.

<sup>4</sup> Nokia, "Nokia receives decision in patent license arbitration with Samsung – positive financial impact for Nokia Technologies," press release, February 1, 2016 at <https://www.nokia.com/about-us/news/releases/2016/02/01/nokia-receives-decision-in-patent-license-arbitration-with-samsung-positive-financial-impact-for-nokia-technologies/>.

<sup>5</sup> Don Reisinger, "Nokia, LG agree to smartphone patent licensing deal," *CNET*, June 16, 2015 at <https://www.cnet.com/news/nokia-lg-agree-to-smartphone-patent-licensing-deal/>.

<sup>6</sup> Nokia, "Nokia receives decision in patent license arbitration with LG Electronics," press release, September 18, 2017 at <https://www.nokia.com/about-us/news/releases/2017/09/18/nokia-receives-decision-in-patent-license-arbitration-with-lg-electronics/>.

<sup>7</sup> Ciara Linnane, "BlackBerry awarded final \$940 million in arbitration with Qualcomm over royalties," *MarketWatch*, May 26, 2017 at <https://www.marketwatch.com/story/blackberry-awarded-final-940-million-in-arbitration-with-qualcomm-over-royalties-2017-05-26>.

semiconductor device used in cell phones and other consumer products” in the Northern District of California.<sup>8</sup> FTC alleged Qualcomm:

- Maintained a “no license, no chips” policy under which it will supply its baseband processors only on the condition that cell phone manufacturers agree to Qualcomm’s preferred license terms.
- Refused to license standard-essential patents to competitors.
- Extracted exclusivity from Apple in exchange for reduced patent royalties.

Judge Lucy Koh ruled in favor of the FTC on May 21, 2019 finding that Qualcomm violated the Federal Trade Commission Act. The following injunctive relief was entered:<sup>9</sup>

- Qualcomm must not condition the supply of modem chips on a customer’s patent license status and Qualcomm must negotiate or renegotiate license terms with customers in good faith under conditions free from the threat of lack of access to or discriminatory provision of modem chip supply or associated technical support or access to software.
- Qualcomm must make exhaustive SEP licenses available to modem-chip suppliers on fair, reasonable, and non-discriminatory (FRAND) terms and submit, as necessary, to arbitral or judicial dispute resolution to determine such terms.
- Qualcomm may not enter express or de facto exclusive dealing agreements for the supply of modem chips.
- Qualcomm may not interfere with the ability of any customer to communicate with a government agency about a potential law enforcement or regulatory matter.
- To ensure Qualcomm’s compliance with the above remedies, the Court orders Qualcomm to submit to compliance and monitoring procedures for a period of seven years. Specifically, Qualcomm shall report to the FTC, on an annual basis, Qualcomm’s compliance with the above remedies ordered by the Court.

On July 8, 2019, Qualcomm filed a motion for partial stay of injunction pending appeal with the Court of Appeals for the Ninth Circuit.<sup>10</sup> On August 23, 2019, the Ninth Circuit granted Qualcomm’s motion for partial stay.<sup>11</sup>

## Recent developments

On August 11, 2020, the Ninth Circuit unanimously reversed the Northern District of California’s worldwide, permanent injunction holding that:<sup>12</sup>

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<sup>8</sup> FTC, “FTC Charges Qualcomm With Monopolizing Key Semiconductor Device Used in Cell Phones,” press release, January 17, 2017, at <https://www.ftc.gov/news-events/press-releases/2017/01/ftc-charges-qualcomm-monopolizing-key-semiconductor-device-used>.

<sup>9</sup> Federal Trade Commission v. Qualcomm Incorporated, Case No. 5:17-CV-00220-LHK, Findings of Fact and Conclusions of Law, May 21, 2019.

<sup>10</sup> Federal Trade Commission v. Qualcomm Incorporated, US Court of Appeals for the Ninth Circuit, No. 19-16122, Motion for Partial Stay of Injunction Pending Appeal, July 8, 2019.

<sup>11</sup> Federal Trade Commission v. Qualcomm Incorporated, US Court of Appeals for the Ninth Circuit, No. 19-16122, Order, August 23, 2019.

<sup>12</sup> Federal Trade Commission v. Qualcomm Incorporated, US Court of Appeals for the Ninth Circuit, No. 19-16122, Opinion, August 11, 2020.

- Qualcomm had no antitrust duty to license its SEPs to rival chip suppliers; Qualcomm’s OEM-level licensing policy was not anticompetitive.
- There was no antitrust violation for breach of SSO commitments.
- “No license, no chips” policy did not impose an anticompetitive surcharge on rivals’ modem chip sales and is permissible.
- Exclusive dealing arrangements with Apple were not anticompetitive.

On October 28, 2020, the full Ninth Circuit refused to review its August 11 decision despite the FTC’s petition for a rehearing.<sup>13</sup>

## Continental v. Avanci

### Background

On May 10, 2019, Continental Automotive Systems (Continental), a supplier of cellular components to auto manufacturers, sued Avanci, LLC (Avanci) and several of its member companies including Nokia, Unwired Planet, PanOptis, and Conversant in the Northern District of California Federal Court for breach of its obligation to license its portfolio of 2G, 3G, and 4G SEPs on a FRAND basis.<sup>14</sup> Avanci is a patent-pool operator that licenses cellular SEPs on behalf of its member companies.

Continental claimed that Avanci breached its FRAND commitments by licensing patents to car manufacturers rather than Tier 1-3 suppliers, thereby extracting exorbitant royalties. Continental alleged that Avanci charges a flat license rate of \$15 per vehicle, which represents 75% of the price of the chip that embodies Avanci’s SEPs, and 20% of Continental’s selling price to car manufacturers for its products that incorporate this chip.<sup>15</sup>

The case was transferred from the Northern District of California to the Northern District of Texas on December 11, 2019.<sup>16</sup> On February 27, 2020, the US Department of Justice (DOJ) intervened on behalf of Avanci. In its Statement of Interest, the DOJ argued that:<sup>17</sup>

- Avanci’s prices did not violate FRAND.
- Avanci’s alleged “deception” about its licensing rates does not mean it engaged in unlawful exclusionary conduct.
- There is no antitrust obligation to license on FRAND commitments.
- Imposing antitrust liability for FRAND violations would result in overdeterrence.

<sup>13</sup> Bryan Koenig, “Full 9th Circ. Won’t Rethink FTC’s Qualcomm Licensing Loss,” *Law360*, October 28, 2020, at <https://www.law360.com/articles/1323792/full-9th-circ-won-t-rethink-ftc-s-qualcomm-licensing-loss>.

<sup>14</sup> Continental Automotive Systems, Inc. v. Avanci, LLC et al., Case No. 19-cv-2520, Complaint, May 10, 2019.

<sup>15</sup> “Continental Automotive v. Avanci: Wireless SEP Licensing Presents Challenges for Automotive Industry,” Ropes & Gray, June 4, 2019, at <https://www.ropesgray.com/en/newsroom/alerts/2019/06/Continental-v-Avanci--Wireless-SEP-Licensing-Presents-Challenges-to-Automotive-Industry>.

<sup>16</sup> Continental Automotive Systems, Inc. v. Avanci, LLC et al., Case No. 19-cv-2520, Order Granting Motion to Transfer Venue, December 11, 2019.

<sup>17</sup> Continental Automotive Systems, Inc. v. Avanci, LLC et al., Case No. 3:19-cv-2933, Statement of Interest of the United States, February 27, 2020.

## Recent developments

On September 10, 2020, Chief Judge Barbara Lynn dismissed the case with prejudice finding that Continental's antitrust claims failed "to plead antitrust standing, an unlawful agreement to restrain trade under § 1 of the Sherman Act, and an unlawful monopoly or conspiracy to monopolize under § 2 of the Sherman Act."<sup>18</sup> The Court also found "that Plaintiff's theories of Defendants' unlawful agreement to price fix through the Avanci platform and unlawful monopolization through deception of the SSOs are legally untenable."<sup>19</sup>

On October 12, 2020, Continental appealed Judge Lynn's dismissal to the US Court of Appeals for the Fifth Circuit.<sup>20</sup> In its opening brief filed in February 2021, Continental argued the District Court disregarded key allegations and erred in its application of antitrust legal standards.<sup>21</sup> While its appeal is pending, Continental continues to seek relief on its FRAND claims elsewhere, filing suit directly against Nokia in the Delaware Court of Chancery in January 2021.<sup>22</sup>

## Unwired Planet v. Huawei

### Background

Unwired Planet International Ltd. (UP International or UP) sued Huawei, Samsung, and Google in 2014 for infringement of five SEPs in the UK. The SEPs at issue formed part of a worldwide patent portfolio which UP International acquired from Ericsson. UP International contended that the five SEPs had been infringed and were essential, and that Huawei, having refused to take a FRAND license, should be restrained by injunction from further infringement. Huawei responded that the SEPs were neither essential nor valid. It also raised defenses and counterclaims based on breaches of competition law, aspects of which were founded upon the contention that UP International and its associated companies had not made an offer to license these patents on FRAND terms.<sup>23</sup>

Justice Colin Birss was faced with several issues at the final trial:<sup>24</sup>

- Whether the licensing terms offered by UP and Huawei, respectively, were FRAND;
- If they were not, to determine the terms that would be FRAND;
- Whether UP abused its dominant position and was therefore barred from claiming injunctive relief as a result of its failure to comply with its FRAND obligations. This allegation of abuse of dominant position

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<sup>18</sup> Continental Automotive Systems, Inc. v. Avanci, LLC, et al., Case No. 3:19-cv-2933, Order, September 10, 2020, p. 26.

<sup>19</sup> Ibid.

<sup>20</sup> Continental Automotive Systems, Inc. v. Avanci, LLC et al., Case No. 3:19-cv-2933, Plaintiff's Notice of Appeal, October 12, 2020.

<sup>21</sup> Christopher Cole, "Nokia's License Boycott Broke Antitrust Law, 5<sup>th</sup> Circ. Told," *Law360*, February 9, 2021, at <https://www.law360.com/articles/1353649/nokia-s-license-boycott-broke-antitrust-law-5th-circ-told>.

<sup>22</sup> BusinessWire, "Continental Files New Suit Seeking Fair Licensing Rates from Nokia," press release, January 26, 2021 at <https://www.businesswire.com/news/home/20210126005728/en/Continental-Files-New-Suit-Seeking-Fair-Licensing-Rates-from-Nokia>.

<sup>23</sup> Unwired Planet v. Huawei, Chancery Division, Patents Court, Case No. HP-2014-000005, Approved Judgment, April 5, 2017, p. 3.

<sup>24</sup> Id. at ¶24.

had three limbs:<sup>25</sup> first, that UP issued these proceedings without properly specifying its case on infringement or presenting to Huawei a licensing offer of any kind, still less a FRAND offer; second, that the rates ultimately demanded by UP were excessive and unreasonable; and third, that UP had improperly sought to bundle together with its UK SEPs all of its SEPs in other jurisdictions by requiring Huawei to enter into a worldwide license.

On April 5, 2017, Justice Birss issued his judgment, finding among other things:<sup>26</sup>

- Willing and reasonable parties would agree on a global license, and such a license was the FRAND license for a portfolio such as that held by UP and for an implementer like Huawei. UP International was therefore entitled to insist on it. It followed that the UK license offered by Huawei was not FRAND.
- The rates sought by UP were too high and it was appropriate for the Court to set the appropriate global FRAND rates between the parties.
- Unwired Planet was in a dominant position in the relevant market but had not abused that dominant position by pursuing the proceedings in the way that it did.
- Rates for a worldwide license would be:
  - For 4G/LTE major markets: 0.052% for handsets, 0.051% for infrastructure. In other markets: 0.026% for handsets, 0.026% for infrastructure.
  - For 3G/UMTS major markets: 0.032% for handsets, 0.016% for infrastructure. In Other Markets: 0.016% for handsets, 0.004% for infrastructure.
  - For 2G/GSM major markets: 0.064% for handsets, 0.064% for infrastructure. In other markets: 0.016% for handsets, 0.032% for infrastructure.

Huawei appealed Justice Birss' judgment on three grounds where it contended that:

1. "The imposition of a global licence on terms set by a national court based on a national finding of infringement is wrong in principle and leads to results which are manifestly unjust."<sup>27</sup>
2. It "ought to have been offered the same rates as those reflected in the Samsung licence because the non-discrimination limb of FRAND prohibits a SEP owner from charging similarly situated licensees substantially different royalty rates for the same SEPs."<sup>28</sup>
3. "[T]he owner of a SEP cannot, without infringing Article 102 of the Treaty on the Functioning of the European Union (the "TFEU"), bring an action for a prohibitory injunction against an alleged infringer without (a) notice or prior consultation and, if the alleged infringer has expressed a willingness to conclude a licensing agreement on FRAND terms, (b) offering to that infringer a licence on such terms."<sup>29</sup>

On October 23, 2018, the UK Appeals Court "upheld a lower court's decision that found an injunction could be granted, possibly preventing sales of mobile phones and telecom equipment in the country by

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<sup>25</sup> Id. at ¶¶672.

<sup>26</sup> Id. at ¶¶806-807.

<sup>27</sup> Unwired Planet v. Huawei, Court of Appeal (Civil Division) on Appeal from Chancery Division, Patents Court, Case No. A3/2017/1784, Approved Judgment, October 23, 2018, ¶¶19.

<sup>28</sup> Id. at ¶¶20.

<sup>29</sup> Id. at ¶¶21.

Huawei Technologies Co. Ltd. after it refused the terms offered for Unwired Planet's standard-essential patents for cellular technology."<sup>30</sup> Huawei appealed the decision to the UK Supreme Court.

## Recent development

On August 26, 2020, The UK Supreme Court ruled that "English courts have the power to set global licensing rates for multinational patent portfolios under European telecom standards."<sup>31</sup> It also affirmed the lower court decisions which found that a judge in England can grant an injunction against an SEP implementer if the implementer does not agree to global license rates set by the court on FRAND terms.

## Sisvel v. Haier

### Background

Sisvel, a patent pool operator with multiple licensing pools in wireless, audio/video coding, digital display, and broadband technologies, sued Haier in Dusseldorf Regional Court in 2014, alleging Haier infringed its European SEPs related to wireless communications. In December 2015 the Dusseldorf Regional Court found that Haier infringed Sisvel's SEPs and issued an injunction.<sup>32</sup> Haier appealed.

In March 2017, the Higher Regional Court of Dusseldorf (Dusseldorf appellate court) confirmed that Haier had infringed Sisvel's SEPs and that the asserted SEPs were valid and ordered Haier to pay damages. However, the Court opined that the injunction claim "couldn't be granted yet."<sup>33</sup>

### Recent developments

On May 5, 2020, the German Federal Court Justice (FCJ) or Bundesgerichtshof (BGH) announced its decision confirming that injunctive relief is available to SEP owners, and published its rationale behind its decision as follows:<sup>34</sup>

- SEP owner must notify implementer of alleged infringement.
- Implementer must actively engage in licensing negotiations with intent of obtaining a license.
- SEP owner may seek an injunction assuming certain steps were taken in FRAND negotiation.
- Usually FRAND-compliant companies offer a portfolio license rather than licensing a subset of the SEP portfolio.

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<sup>30</sup> Matthew Perlman, "Huawei Can't Dodge Injunction in UK After Patent License Row," *Law360*, October 23, 2018. at <https://www.law360.com/articles/1093990/huawei-can-t-dodge-injunction-in-uk-after-patent-license-row>.

<sup>31</sup> Bonnie Eslinger, "English Courts Can Set Global SEPs Rates, Top Court Rules," *Law360*, August 26, 2020, at <https://www.law360.com/articles/1304102/english-courts-can-set-global-seps-rates-top-court-rules>.

<sup>32</sup> David Long, "Germany's highest court tentatively rules that infringer hold-out violated its obligations to negotiate a FRAND license (Sisvel v. Haier)," *Essential Patent LLC*, June 5, 2020, at <https://www.essentialpatentblog.com/2020/06/germanys-highest-court-tentatively-rules-that-infringer-hold-out-violated-its-obligations-to-negotiate-a-frand-license-sisvel-v-haier/>.

<sup>33</sup> Sisvel, "Strength of Sisvel Wireless Patents Confirmed – Haier Ordered to Pay Damages, Injunction Claim to be Further Pursued," press release, March 31, 2017, at <https://sisvel.com/news-events/news/strength-of-sisvel-wireless-patents-confirmed-haier-ordered-to-pay-damages-injunction-claim-to-be-further-pursued>.

<sup>34</sup> Sisvel, "Clarifications on Licensing of Standard Essential Patents – German Federal Supreme Court Issues its Final Ruling in Sisvel vs. Haier Case," press release, July 2, 2020, at <https://sisvel.com/news-events/news/clarifications-on-licensing-of-standard-essential-patents-german-federal-supreme-court-issues-its-final-ruling-in-sisvel-vs-haier-case>.

- Worldwide portfolio licenses are common practice.
- ND of FRAND does not require a uniform royalty; unequal pricing in Sisvel's case was justified due to pressure from the Chinese government.

In March 2021, the FCJ published its second ruling in this case, clarifying its earlier decision regarding the good faith obligations of SEP owners and implementers in FRAND negotiations. An SEP owner's initial licensing offer is not required to be FRAND if it is willing to license and eventually reaches a FRAND offer prior to the conclusion of negotiations. Conversely, implementers must demonstrate a willingness to license throughout the negotiation process to avoid the appearance of holdout.<sup>35</sup>

## TCL v. Ericsson

### Background

TCL and Ericsson entered into a license for Ericsson's 2G SEPs in 2007. In 2012 the parties began negotiations for 3G and 4G SEP licenses which were never consummated. On March 4, 2014 as the 2G license was set to expire, TCL filed a suit against Ericsson in the Central District of California seeking a declaration that Ericsson had failed to offer FRAND terms and conditions, as well as a determination of the FRAND rates to which TCL was entitled. On June 3, 2014, Ericsson filed a mirror-image action against TCL in the Eastern District of Texas seeking a declaration that it had complied with its FRAND obligation. The Texas action was transferred to the California court and consolidated with the California action on June 15, 2015.

TCL and Ericsson agreed to a two-step approach for the trial: (1) a jury would decide the common issue of whether Ericsson's offer complied with its FRAND obligation, and (2) if the jury answered no, a bench trial would be conducted to revise the offer terms to comply with FRAND.<sup>36</sup> By mid-August 2016, all of TCL's claims and counter-claims seeking damages had been dismissed or were no longer viable in view of other motions. However, Ericsson's counterclaims seeking damages for patent infringement, which had been stayed by the court, remained.<sup>37</sup>

While Ericsson acknowledged that the claims and counterclaims remaining for adjudication in the upcoming trial only sought specific performance or declaratory judgment as remedies, it insisted that a jury trial was required.

The Court held a 10-day bench trial before Judge James V. Selna beginning on February 14, 2017. This is the fourth bench trial where a judge has determined a FRAND royalty and rejected the FRAND methodology put forward by both sides and instead used his own methodology.<sup>38</sup> TCL put forward a top-

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<sup>35</sup> Mathieu Klos, "Sisvel v. Haier: Federal court raises bar for implementers in SEP disputes," *Juve Patent*, March 2, 2021, at <https://www.juve-patent.com/news-and-stories/cases/sisvel-vs-haier-federal-court-raises-bar-for-implementers-in-sep-disputes/>.

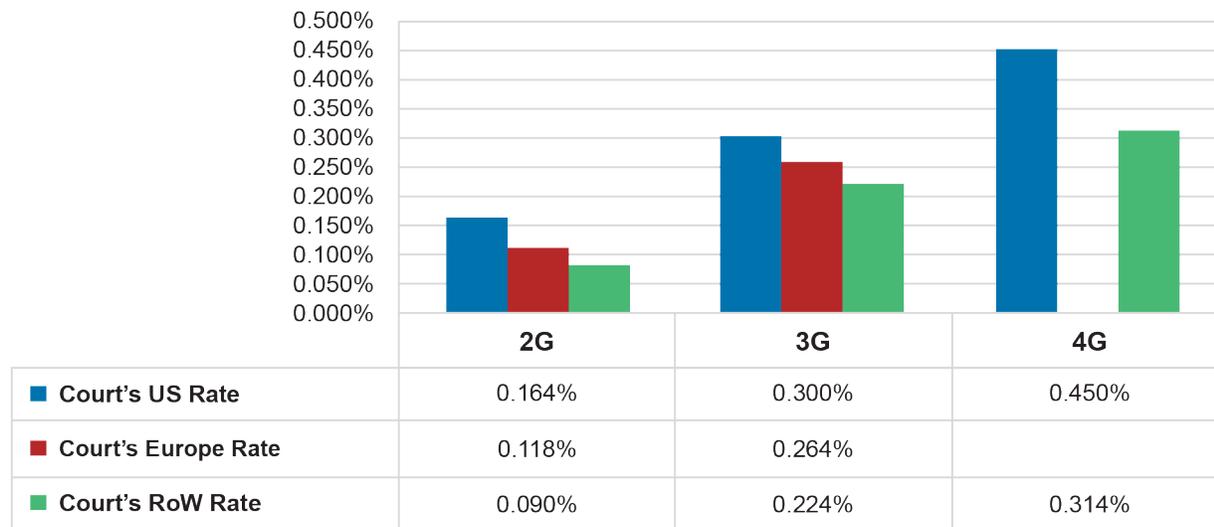
<sup>36</sup> *TCL Comm'n Tech. Holdings Ltd. v. Telefonaktiebolaget LM Ericsson*, 943 F.3d 1360 (Fed. Cir. 2019), p. 9.

<sup>37</sup> *Ibid.*

<sup>38</sup> David Long, "Judge Selna determines FRAND Rate and enters contract-type injunction on ETSI SEPs (TCL v. Ericsson)," *Essential Patent LLC*, January 3, 2018, at <https://www.essentialpatentblog.com/2018/01/judge-selna-determines-frand-rate->

down methodology and Ericsson used a comparable license methodology to calculate the FRAND royalty. On November 8, 2017, Judge Selna issued a Memorandum of Findings of Fact and Conclusions of Law in which he calculated the following FRAND rates for Ericsson's 2G, 3G, and 4G SEPs:<sup>39</sup>

### Court's Final Rates



Judge Selna also determined the FRAND amount to compensate Ericsson for TCL's unlicensed past sales was \$16,449,071.<sup>40</sup> Further, Judge Selna determined that two offers Ericsson made to TCL during the course of the litigation (Option A and Option B) were not FRAND.

Ericsson appealed Judge Selna's decision to the Federal Circuit based on its belief that it had a Seventh Amendment right to a jury trial on the adjudication of the "release payment" term and that there were errors in the Court's FRAND analysis.<sup>41</sup>

### Recent developments

On December 5, 2019, the Federal Circuit held "that the district court deprived Ericsson of its Seventh Amendment right to a jury trial by deciding the legal relief of a release payment for past unlicensed sales in a bench trial" and remanded determinations of FRAND royalty rates, whether Ericsson's offers were FRAND, and the release payment back to the district court for a jury trial.<sup>42</sup> Because of the procedural issue, the Federal Circuit vacated the District Court's determination of the release payment, including the underlying question of whether Ericsson's Option A and Option B offers that include the release payment

enters-contract-type-injunction-etsi-seps-tcl-v-ericsson/. The previous three instances were determined by Judge Robart (2013), Judge Holderman (2013), and Judge Gilstrap (2014).

<sup>39</sup> TCL Communication Technology Holdings, Ltd., et al. v. Ericsson, et al., Case No. 8:14-cv-00351-JVS-DFM, Memorandum of Findings of Fact and Conclusions of Law, November 8, 2017, p. 104.

<sup>40</sup> Id. at p. 115.

<sup>41</sup> TCL Commc'n Tech. Holdings Ltd. v. Telefonaktiebolaget LM Ericsson, 943 F.3d 1360 (Fed. Cir. 2019), p. 4.

<sup>42</sup> Id. at p. 27.

were FRAND. It also vacated the Court's determination that Ericsson's offers were not FRAND and its determination of prospective FRAND royalty rates without deliberating on the merits of these issues.<sup>43</sup>

TCL submitted a petition for a writ of certiorari to the US Supreme Court in May 2020. On October 5, 2020 the Supreme Court denied TCL's petition.

## IP Bridge v. TCL

### Background

On July 24, 2015, Godo Kaisha IP Bridge 1 (IP Bridge) sued TCL Communication Technology Holdings Limited, TCT Mobile Limited, TCT Mobile (US) Inc., and TCT Mobile, Inc. (collectively, TCL), alleging infringement of US Patent Nos. 7,373,295; 8,351,538; and 8,385,239.<sup>44</sup> The asserted patents were LTE SEPs.

At trial on November 8, 2018, IP Bridge won a patent infringement verdict and award of \$950,000 against TCL.<sup>45</sup> Based on *Fujitsu Ltd. v. Netgear Inc.*, IP Bridge argued for, and the jury found, infringement based on a direct comparison of asserted claims to the LTE standard, rather than to accused products.<sup>46</sup> Judge Joseph F. Bataillon added over \$1 million in supplemental damages and interest, including a royalty rate of 4 cents per patent per infringing product.<sup>47</sup>

TCL filed a judgment as a matter of law (JMOL) contending that *Fujitsu's* "narrow exception" to proving infringement only applied where the patent owner asks the court to assess essentiality during claim construction. The Court denied this JMOL.<sup>48</sup>

On August 1, 2019, TCL appealed to the US Court of Appeals for the Federal Circuit (CAFC) challenging the District Court's use of the *Fujitsu* decision, as follows:<sup>49</sup>

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<sup>43</sup> Id. at p. 27.

<sup>44</sup> Godo Kaisha IP Bridge 1 v. TCL Communication Technology Holdings et al., Case No. 1:15-cv-00634, Complaint for Patent Infringement, July 24, 2015.

<sup>45</sup> Godo Kaisha IP Bridge 1 v. TCL Communication Technology Holdings et al., Case No. 1:15-cv-00634, Jury Verdict, November 8, 2018.

<sup>46</sup> Rebecca Tapscott, "Federal Circuit Clarifies That Standard-Essentiality is a Question for the Factfinder," *IP Watchdog*, August 8, 2020, at <https://www.ipwatchdog.com/2020/08/08/federal-circuit-clarifies-standard-essentiality-question-factfinder/id=123931/>.

<sup>47</sup> Godo Kaisha IP Bridge 1 v. TCL Communication Technology Holdings et al., Case No. 1:15-cv-00634, Final Judgment, July 2, 2019.

<sup>48</sup> See supra note 46.

<sup>49</sup> Michael T. Renaud, et al., "The Standard May Rule Them All: Federal Circuit Panel Appears Prepared to Find Standard Is Sufficient to Prove Infringement for SEP Compliant Products," *The National Law Review*, July 9, 2020, at <https://www.natlawreview.com/article/standard-may-rule-them-all-federal-circuit-panel-appears-prepared-to-find-standard>; Michael T. Renaud, et al., "The Standard Does Rule Them All: Federal Circuit Panel Finds Standard Sufficient to Prove Infringement for SEP Compliant Products," *The National Law Review*, August 5, 2020.

- TCL argued that *Fujitsu* requires the District Court to determine during claim construction that the claim covers every possible implementation of the standard before allowing use of the standard as evidence of infringement.
- Thus, TCL argued that the question of essentiality improperly fell on the jury, rather than the Court.
- TCL argued that, absent a determination of essentiality from the Court, the jury must compare the asserted claims directly to the accused products.

## Recent developments

On August 4, 2020, the Federal Circuit affirmed the District Court decision, reasoning that:<sup>50</sup>

- TCL misinterpreted language from *Fujitsu* in which essentiality was not disputed.
- The question of essentiality is more akin to an infringement analysis than to a claim construction analysis, and must be resolved by the fact finder, not the judge.
- The standard may be used as evidence of infringement where it is established that the accused products are standard compliant and the asserted claims cover a mandatory portion of the standard.

TCL petitioned for a rehearing and on December 4, 2020, the Federal Circuit denied the petition without comment.<sup>51</sup>

On May 3, 2021, TCL filed a petition for a writ of certiorari with the US Supreme Court to review the Federal Circuit's August 4, 2020 opinion and December 4, 2020 judgment.<sup>52</sup>

## PanOptis v. Apple

### Background

On February 25, 2019, Optis Wireless Technology, LLC, Optis Cellular Technology, LLC, Unwired Planet, LLC, Unwired Planet International Limited and PanOptis Patent Management, LLC (collectively, PanOptis) sued Apple Inc. for infringement of seven patents declared essential to the LTE standard.<sup>53</sup> PanOptis alleged that it had attempted to get Apple to take a license but that Apple did not make a good faith effort to negotiate. PanOptis accused certain iPhone, iPad, and Apple Watch models of infringement.

### Recent developments

On August 11, 2020, an Eastern District of Texas jury found that Apple had willfully infringed PanOptis' five remaining patents in the case and awarded PanOptis \$506.2 million as a royalty for past sales.<sup>54</sup>

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<sup>50</sup> See supra note 46.

<sup>51</sup> Andrew Karpan, "Fed. Circ. Sticks with Ruling on Standard-Essential Patents," *Law360*, December 4, 2020, at <https://www.law360.com/articles/1334659/fed-circ-sticks-with-ruling-on-standard-essential-patents>.

<sup>52</sup> Petition for a Writ of Certiorari, Supreme Court of the United States, TCL Communication Technology Holdings, Limited et al. v. Godo Kaisha IP Bridge 1, May 3, 2021.

<sup>53</sup> Optis Wireless Technology et al. v. Apple Inc., Case No. 2:19-cv-66, Original Complaint, February 25, 2019.

<sup>54</sup> Dani Kass, "Texas Jury Says Apple Owes \$506M Over 4G LTE Patents," *Law360*, August 11, 2020 at <https://www.law360.com/articles/1300409/texas-jury-says-apple-owes-506m-over-4g-lte-patents>; Optis Wireless Technology et al. v. Apple Inc., Case No. 2:19-cv-66, Verdict Form, August 11, 2020.

On April 14, 2021, Judge Gilstrap vacated the jury award and ordered a new trial with respect to damages noting “the Court is persuaded that the FRAND-compliance of the damages awarded by the jury has legitimately been called into question. Given that the patents found to be infringed are FRAND-encumbered SEPs, any royalty awarded must be FRAND.”<sup>55</sup>

## Future impacts on SEP licensing and litigation

There are number of developments both in the courts and among SEP owners and implementers that will help define SEP licensing and litigation in the future, such as:

- Announced 5G royalty rates;
- Continued intervention by the DOJ in SEP antitrust matters;
- Global SEP portfolio rate setting; and
- The US International Trade Commission (ITC) as a venue to adjudicate SEP disputes.

### Announced 5G royalty rates

Ericsson, Huawei, Interdigital, Nokia, and Qualcomm all announced the royalty rates they will charge for licenses to their respective 5G SEP portfolios for use in handsets.

On March 3, 2017, Ericsson announced that it would grant licenses to its SEP portfolio at a royalty rate of \$5 per 5G/New Radio (5G/NR) multimode compliant handset with a possible floor of \$2.50 per handset on a case-by-case basis.<sup>56</sup>

On November 19, 2017, Qualcomm announced its royalty terms for a worldwide license for OEM-branded mobile handsets that implement the 5G/NR standard as follows:<sup>57</sup>

- An effective running royalty rate of 2.275% of the selling price of branded single-mode 5G handsets; and
- An effective running royalty rate of 3.25% of the selling price of branded multi-mode (3G/4G/5G) handsets.

On August 21, 2018, Nokia announced that it expected to charge a licensing rate capped at €3 per device for a license to its 5G portfolio for mobile phones implementing the 5G/NR standard.<sup>58</sup>

On March 16, 2021, Huawei announced that it will cap royalties for 5G handsets at \$2.50 per phone.<sup>59</sup>

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<sup>55</sup> Optis Wireless Technology et al. v. Apple Inc., Case No. 2:19-cv-66, Order, April 14, 2021.

<sup>56</sup> Ericsson, “Ericsson’s FRAND Licensing Terms for 5G/NR in 3GPP Release 15,” press release, March 3, 2017, at <https://www.ericsson.com/assets/local/patents/doc/frand-licensing-terms-for-5g-nr-in-3gpp-release-15.pdf>.

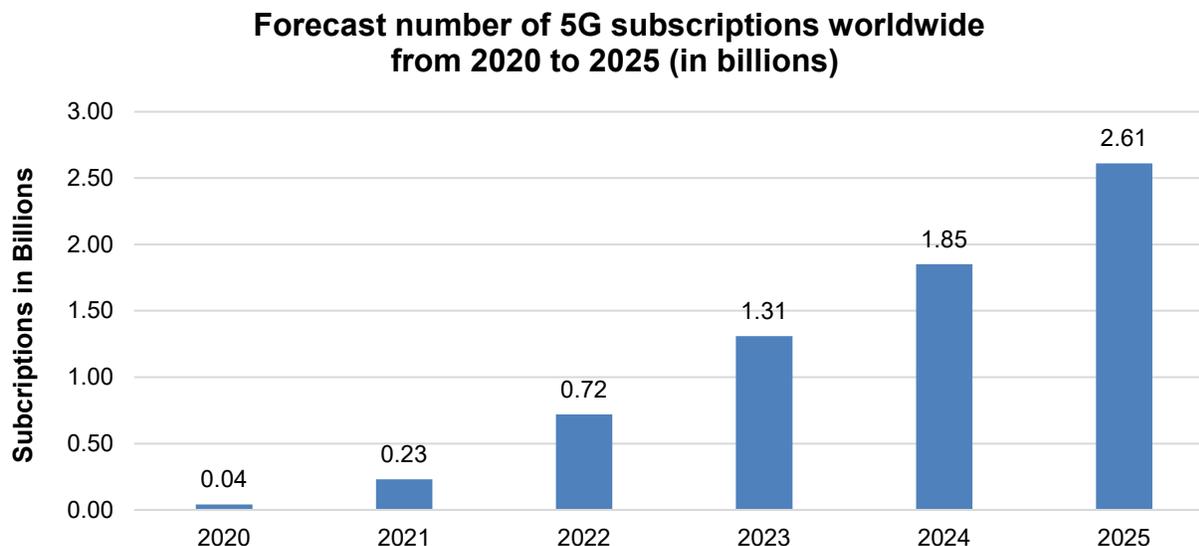
<sup>57</sup> Qualcomm, “Qualcomm 5G NR Royalty Terms Statement,” press release, November 19, 2017, at <https://www.qualcomm.com/media/documents/files/qualcomm-5g-nr-royalty-terms-statement.pdf>.

<sup>58</sup> Nokia, “Nokia Licensing Rate Expectations for 5G/NR Mobile Phones,” press release, August 21, 2018, at <https://www.nokia.com/about-us/news/releases/2018/08/21/nokia-licensing-rate-expectations-for-5gnr-mobile-phones>.

<sup>59</sup> “Huawei to Start Demanding 5G Royalties From Apple, Samsung,” *Bloomberg*, March 16, 2021 at <https://www.bloomberg.com/news/articles/2021-03-16/huawei-to-start-demanding-5g-royalties-from-smartphone-giants?sref=ibgLeYtb>.

Interdigital has announced its program rate available for a 5G SEP license for handsets is 0.60% of the average selling price (ASP) with an ASP floor of \$50 and an ASP cap of \$200.<sup>60</sup>

The announced 5G royalty rates will influence licensing discussions in what is forecast to be a rapidly growing 5G handset market. According to Statista, the number of 5G subscriptions worldwide will increase from 40 million in 2020 to 2.61 billion in 2025:



Source: Statista

Will other owners of 5G patent portfolios follow suit and publicly announce 5G royalty rates and will the announced rates facilitate SEP licensing?

### **Continued intervention by the DOJ in SEP antitrust matters**

The DOJ filed an amicus brief on August 30, 2019 and argued at the Ninth Circuit hearing in February 2020 on behalf of Qualcomm in *FTC v. Qualcomm*. In addition, in February 2020, the DOJ intervened on behalf of Avanci in *Continental v. Avanci*.

On September 10, 2020, the DOJ issued to the Institute of Electrical and Electronics Engineers, Incorporated (IEEE) an update and supplement to its 2015 Business Review Letter which addressed, among other things, the IEEE Patent Policy which explicitly prohibits SEP owners from seeking injunctive relief as a remedy to SEP disputes. In its September 2020 letter, the DOJ revisited the prohibition of injunctive relief for SEP owners:<sup>61</sup>

*“The recent policy and jurisprudential positions declining to infer diminished rights for essential patent holders as part of a FRAND commitment flow from the consensus view in the United States that seeking an injunction is an “exclusive right” conferred by the U.S. Constitution. This important right promotes dynamic competition by ensuring that there are strong incentives to invest in new technologies.<sup>26</sup> Injunctive relief is a critical enforcement mechanism and bargaining tool—subject to*

<sup>60</sup> Interdigital, at <https://www.interdigital.com/rate-disclosure>.

<sup>61</sup> Letter from Makan Delrahim, US Department of Justice – Antitrust Division, to Sophia A. Muirhead, Institute of Electrical and Electronics Engineers, Incorporated dated September 10, 2020 (2020 DOJ Business Review Letter), pp. 5-6.

*traditional principles of equity*<sup>27</sup>—that may allow a patent holder (including an essential patent holder) to obtain the appropriate value for its invention when a licensee is unwilling to negotiate reasonable terms.”

The DOJ further discussed the potential misinterpretation of IEEE Policy’s use of the smallest saleable patent-practicing unit (SSPPU) as a “recommended” factor in licensing negotiations and the IEEE Policy omission of discussion of “hold out” by patent implementers as a risk to negotiations for SEP licenses.<sup>62</sup> Will the DOJ’s intervention in SEP disputes continue under the Biden Administration in 2021 and beyond?

### **Global SEP portfolio rate setting**

As mentioned in the discussion of *Unwired Planet v. Huawei*, English courts have the power to set global royalty rates for SEP portfolios, and in *Sisvel v. Haier*, that worldwide portfolio licenses are common for SEP portfolios. In *TCL v. Ericsson*, Judge Selna established global rates for Ericsson’s SEP portfolio.

In December 2020, the Shenzhen Intermediate People’s Court ruled that it can set global FRAND rates in a dispute between Oppo and Sharp over Sharp’s SEP portfolio covering 3G, 4G, and WLAN technologies.<sup>63</sup>

In December 2020, the Wuhan Intermediate Court of China barred Ericsson from seeking royalties from Samsung on its 4G and 5G patents in any other forum.<sup>64</sup> The following month, Judge Gilstrap of the Eastern District of Texas ruled that Samsung could not enforce that ruling in US District Court.<sup>65</sup>

In June 2020, Xiaomi petitioned the Wuhan Intermediate Court of China to set global FRAND rates for InterDigital’s 3G and 4G SEP portfolio, while InterDigital filed suit in the Delhi High Court in India seeking injunctive relief.<sup>66</sup> In December 2020, the Wuhan Court upheld an anti-suit injunction against InterDigital related to its litigation in India.<sup>67</sup>

Will courts in other jurisdictions establish global rates for SEP portfolios?

### **ITC as a venue to adjudicate SEP disputes**

On December 17, 2020, Koninklijke Philips N.V. (Philips) filed a complaint at the ITC alleging that UMTS and LTE cellular communications modules made by Thales, Telit and Quectel infringe four of Philips’ SEPs.<sup>68</sup> Philips Sleep, a division of Philips located in the US that is part of the Philips Connected Care Segment, manufactures Continuous Positive Airway Pressure (CPAP) devices incorporating the patented

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<sup>62</sup> 2020 DOJ Business Review Letter, pp. 6-8

<sup>63</sup> Michael T. Renard, et al., “Is This Seat Taken? A Chinese IP Court Proclaims Its Authority to Declare Global FRAND Terms,” *The National Law Review*, December 7, 2020, at <https://www.natlawreview.com/article/seat-taken-chinese-ip-court-proclaims-its-authority-to-declare-global-frand-terms>.

<sup>64</sup> Susan Decker and Laurel Brubaker Calkins, “Ericsson Wins Key Ruling Over Samsung in U.S.-China Fight,” *Bloomberg*, January 11, 2021, at <https://www.bloomberg.com/news/articles/2021-01-11/texas-judge-bars-samsung-from-using-china-court-against-ericsson>.

<sup>65</sup> *Ibid.*

<sup>66</sup> Professor Yang Yu and Professor Jorge L. Contreras, “Will China’s New Anti-Suit Injunctions Shift the Balance of Global FRAND Litigation?” *Patently-O*, October 22, 2020, at <https://patentlyo.com/patent/2020/10/contreras-injunctions-litigation.html>.

<sup>67</sup> Rory O’Neill, “Wuhan court upholds Xiaomi anti-suit injunction,” *World Intellectual Property Review*, December 17, 2020, at <https://www.worldipreview.com/news/wuhan-court-stands-over-xiaomi-anti-suit-injunction-20514>.

<sup>68</sup> In the Matter of Certain UMTS and LTE Cellular Communication Modules and Products Containing the Same, Inv. 337-TA-1240 (1240 Investigation), Complaint filed December 17, 2021.

technology which include monitoring technology which collects and transmits information to clinicians and the user's own devices to monitor the patient's sleep apnea.<sup>69</sup>

This investigation is one of the first where the ITC will adjudicate a SEP dispute and potentially grant a SEP owner a general exclusion order – will there be more to follow?

## Contact

**Larry Rosenberg**

**Principal**

+1-212-294-8881

[lrosenberg@crai.com](mailto:lrosenberg@crai.com)

**Cameron Lindsay**

**Consulting Associate**

+1-202-662-3899

[clindsay@crai.com](mailto:clindsay@crai.com)

[www.crai.com/ip](http://www.crai.com/ip)

**CRA** Charles River  
Associates

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<sup>69</sup> 1240 Investigation, Complaint, pp. 8-9.