

IN THIS ISSUE

- Global News and Notes
- China Updates
- France Updates
- Germany Updates
- Italy Updates
- The Netherlands Updates
- Spain Updates
- United Kingdom Updates
- United States Updates

SPOTLIGHT

The Regional Court of Düsseldorf recently issued rulings in a series of cases filed by members of the MPEG LA patent pool against handset manufacturers relating to patents allegedly essential to the AVC/H.264 standard. Judgments have not been published in all cases, but the court has granted the plaintiffs an injunction in each of the judgments published so far, rejecting the FRAND defenses raised by the defendants. Among the reasons why the FRAND defenses were not successful was that the counter-offer of the defendant was only made on behalf of the defendant and did not include the defendant's parent company or other affiliates of the parent company (4a O 15/17). The court made clear that it is FRAND for the patent owner to request the alleged infringer to take a license covering the entire group of companies, and that it is generally not FRAND if only one particular subsidiary, which is active only in one country or a certain region, is willing to take a license. This decision does not come as a surprise, as it is settled case law in Germany that it is FRAND if the SEP owner requests a license on a worldwide basis.

The most noteworthy legal statement of the judgments, however, was that the Regional Court of Düsseldorf clarified that it is FRAND if an individual pool member requests the alleged infringer to take a license to the entire pool, i.e., not only to the patents of the individual pool member (4a O 17/17). The court pointed out that patent pools are generally in the best interest of the users of the standard, as they provide a "one-stop-shop" solution, and that this has been confirmed by the European Commission in its technology transfer agreement guidelines (2014/C 89/03). Against this background, the court held that a request to take a license to the entire pool can only be considered to violate FRAND principles if exceptional circumstances render such request abusive or discriminatory. This in turn means, according to the Regional Court of Düsseldorf, that it is in general not FRAND if the defendant makes a counter-offer which does not cover all patents included in the pool but only those pool patents owned by the plaintiff. The court argued that such behavior cannot be justified, as the implementer of the standard needs a license to all pool patents in order to be able to use the standard.

The decision suggests that it may not be a successful strategy to take a license only from individual pool members who enforce their patents actively, rather than taking a license at the pool level, based on the supposition that the aggregate rate of such individual licenses is lower than the pool rate. If the decision is confirmed by the Higher Regional Court and the Federal Supreme Court, only one individual pool member would have to sue the implementer in order to force him into a pool license.

Contributors: Dr. Benjamin Schröder

Contacts

Paul Brown

Partner, London
paul.brown@hoganlovells.com
+44 20 7296 2105

Ana Castedo

Partner, Madrid
ana.castedo@hoganlovells.com
+34 91 349 82 05

Dr. Frederick Chen

Partner, Tokyo
frederick.chen@hoganlovells.com
+81 3 5157 8263

Zhen (Katie) Feng

Partner, Shanghai
katie.feng@hoganlovells.com
+86 21 6122 3826

Giovanni Ghirardi

Partner, Milan
giovanni.ghirardi@hoganlovells.com
+39 02 720 2521

Joseph (Joe) J. Raffetto

Partner, Washington, D.C.
joseph.raffetto@hoganlovells.com
+1 202 637 5514

Stanislas Roux-Vaillard

Partner, Paris
stanislas.roux-vaillard@hoganlovells.com
+33 1 53 67 18 78

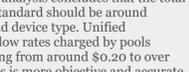
Dr. Benjamin Schröder

Partner, Munich
benjamin.schroeder@hoganlovells.com
+49 89 290 12 168

Ruud van der Velden

Partner, Amsterdam
ruud.vandervelden@hoganlovells.com
+31 20 55 37 600

hoganlovells.com



JUMP TO

- [Global News and Notes](#)
- [China Updates](#)
- [France Updates](#)
- [Germany Updates](#)
- [Italy Updates](#)
- [The Netherlands Updates](#)
- [Spain Updates](#)
- [United Kingdom Updates](#)
- [United States Updates](#)

Global News and Notes

On 8 January 2019, patent defense organization Unified Patents released an economic report evaluating patents directed to the HEVC/H.265 standard to determine a FRAND royalty. The analysis concludes that the total per-unit royalty for all SEPs directed to the HEVC standard should be around \$0.08–\$0.28 per unit, depending on the use case and device type. Unified acknowledges that its report's royalty estimate is below rates charged by pools MPEG-LA, HEVC Advance, and Velos Media (ranging from around \$0.20 to over \$1.50 per unit). However, Unified asserts its analysis is more objective and accurate than the licensors' rates. Unified retained an independent economic expert and outside counsel to develop a royalty calculation methodology that it claims is based on economic theory, real-world data, and recent legal decisions in an objective manner. The analysis accounted for a consultation with subject-matter experts, the stated marginal improvement of HEVC over previous standards, and the diminishing cost of storage and bandwidth. In response, HEVC Advance and MPEG-LA criticized the report's conclusions and its reliance on previous standard code royalty rates by analogy.

Patent pool licensor Sivel International S.A. and defensive patent aggregator RPX Corporation announced a license agreement to a subset of RPX clients on 10 January 2019. The license includes over 500 of Sivel's SEPs directed to the Wi-Fi standard and 200 non-essential Wi-Fi patents owned by Sivel subsidiary Hera Wireless. The announcement states that the SEPs were licensed on "fair, reasonable, and non-discriminatory" terms. The patents are owned by Orange, Fraunhofer IIS, Koninklijke KPN, Hera Wireless, Enact IP, and Aegis 11, among others. The announcement does not indicate which clients of RPX are included. Reports have indicated that this agreement was the largest that Sivel has entered into thus far.

Contributors: Joe Raffetto and Nicholas W. Rotz

China Updates

The Beijing Intellectual Property Court announced on their official website in late December that a non-public hearing was held to determine if Huawei infringed Samsung Electronics' Chinese patent CN201080043368.6 titled "Extended Physical Downlink Control Channel." That court ruled that prior to the actual non-public hearing, more than 20 days of pre-trial meetings were held between the two parties, which included participation from the parties' attorneys, two damages/economics experts, an industry expert, and four technical experts.

According to the announcement, the alleged infringing SEP pertains to 4G technology. Along with Huawei, Beijing Hengtongda Department Store (likely a location where the alleged infringing items are sold) is also a named defendant to the suit. Notably, the specific alleged infringing products produced by Huawei were not identified in the court's statement. The court said that three key issues were in dispute—namely (1) whether the asserted patent is an SEP, (2) whether any of the parties were at fault during licensing negotiations, and (3) the applicable rules pertaining to issuing injunctive relief in this case.

The court provided a high-level summary of each party's arguments during the hearing. According to the court, Samsung argued that the patent is valid, infringed, and since the technical solution provided by the patent has already been standardized by the 3rd Generation Partnership Project (3GPP), the patent is a SEP. Additionally, Samsung argued that it complied with FRAND during licensing negotiations and that Huawei was obviously "at fault" during such negotiations. As such, Samsung requested a court order that Huawei stop manufacturing, selling and offering for sale of the infringing products, that the Hengtongda Department Store stop selling the infringing products, and that Huawei cease using the method covered by the patent.

In response, Huawei argued that the patent involved is not a SEP and that its actions do not rise to the level of patent infringement. Moreover, Huawei argued it was not at fault in licensing negotiations and that Samsung did not fulfill its obligations to license under FRAND terms, which led to the breakdown of negotiations between the two parties. As such, Huawei had asked the court to dismiss Samsung Electronics' case as a matter of law.

The court noted the hearing lasted one full day. There is no specific time table for when a written decision will be issued.

Contributors: Zhen (Katie) Feng and Kevin Xu

France Updates

In a Law of 30 July 2018 and a Decree of 11 December 2018 on the protection of trade secrets, France adopted new procedural instruments to protect the confidentiality of the exhibits submitted by the parties in all proceedings before civil and commercial courts. In particular, when a party requests the communication or an exhibit which is alleged by its holder to contain a trade secret, Article L.153-1 of the Code of Commerce provides a mechanism allowing the judge to:

1. review this exhibit alone and, if necessary, order an expert review and seek the opinion of the parties' representatives;
2. decide to limit the disclosure of the exhibit to certain parts thereof or restrict its access to identified individuals;
3. decide that hearings will be held in camera; and
4. adjust the content of its decision and the mode of publication thereof, to the necessities of trade secrets' protection.

In an order late last year (Docket No. 15/17037), the pre-trial judge of the Paris Court of Appeal directly applied these new provisions in a pending case where the production of various confidential patent assignments and share of royalties agreements had been requested to better determine a FRAND royalty rate. Implementing the provisions, the pre-trial judge first ordered that the communication of the non-redacted documents be limited to the parties' lawyers and himself. The parties' counsels were to then send him their written observations about the parts of these documents that could potentially jeopardize a trade secret. If needed, the court would decide whether to implement one or several measures provided for by Article L.153-1. This decision suggests that the new provisions of the Law of 30 July 2018 will make Paris an advantageous forum for determining FRAND rates.

Contributors: Stanislas Roux-Vaillard

Italy Updates

The Court of Milan issued an interesting decision in a case concerning HTC's alleged infringement of SEPs owned by IPCom, a German NPE, where it touched upon the dynamics of standard-setting and the definition of essentiality. In particular, departing from earlier Italian case law, the Court of Milan affirmed that some SEPs may be only optionally implemented in standard-compliant products.

Around 2010, IPCom pressed criminal charges against HTC, claiming that a number of smartphones infringed three of IPCom's SEPs. In response, HTC summoned IPCom before the civil Court of Milan, asking for a declaration of invalidity and non-infringement of these patents. IPCom counterclaimed on infringement for only one of these SEPs (EP 1 226 692), which was declared essential to the UMTS standard before ETSI.

In short, IPCom contended that every product that proved to be compliant with the UMTS standard would automatically infringe EP '692. The Court of Milan, however, noted that declaring a patent as standard-essential to ETSI is a "necessarily unilateral" act. ETSI itself specifies that it "cannot confirm, or deny, that the patents/patent applications are, in fact, essential, or potentially essential" (cf. the ETSI Guide on IPRs *here*). Therefore, infringement must be ascertained on a factual and technical basis. In other words, there can be no presumption of infringement.

The Court further reviewed the UMTS technical specification at stake, noting that the activities covered by the patent (relating to the so-called PDCC layer) were strictly optional for standard-compliant products. Tests carried out on HTC phones confirmed that the mobile devices could not carry out the claimed methods and that, in any case, Italian providers did not require them to use such claimed methods. The infringement of EP '692 patent was consequently excluded.

The *HTC v. IPCom* decision thus highlights a circumstance that had been previously overlooked in the SEPs discourse in Italy, namely that SEPs may indeed be essential, but in relation to portions of the standard that are only optionally implemented in compliant products (suggesting instead the possibility of a "presumptive" infringement, see: Court of Genoa, 8 May 2004, *Koninklijke Philips Electronics v. Computer Support Italicart*; Court of Milan, 8 May 2008, *Italtel v. Sisvel*; Court of Trieste, 23 August 2011, *Telefonaktiebolaget L.M. Ericsson v. ONDA Communication*).

In sum, the approach adopted by the Court of Milan seems to correctly take into account important technical and legal characteristics of the standard-setting dynamics, wherein (i) the "non-disclosure" phenomenon—i.e., claiming essentiality for non-essential patents—is considered to be widespread; and (ii) technical characteristics included in the standard, even if strictly-speaking covered by SEPs, may be only optionally implemented in standard-compliant products.

Contributors: Giovanni Trabucco and Giovanni Ghirardi

The Netherlands Updates

In *Nikon v. ASML*, Nikon enforced various patents relating to immersion lithography technology against ASML before the District Court of The Hague. Although the commercial litigation is not a mandated case, the District Court, ASML alleged that Nikon's patents were "de facto" essential to its immersion lithography machines and that Nikon would not be entitled to claim injunctions. These arguments were rejected by the District Court of The Hague last year.

The District Court held that, as a general rule, it must award an injunction in proceedings on the merits when it finds that there is an infringement. Only in exceptional cases can the Court deviate from this rule, for instance, when enforcement is in violation of the principles of reasonableness and fairness, when it constitutes an abuse of power, when there is a violation of European law, or in case of compelling reasons of public interest. These a exceptions must be applied with restraint and did not apply in this case.

The Court considered that ASML no longer possessed a license to Nikon's patents, as the previous license agreement between the parties had expired. The Court further held that immersion lithography technology is not standardised, that the invoked patents are not SEPs, and that Nikon had not submitted a FRAND declaration. That it would be difficult for ASML to work around Nikon's patents does not mean that they would be 'de facto' essential. In principle, Nikon is free to enforce its patents and to grant a license under conditions it deems desirable. It is up to ASML, as the user of patented technology, to timely possess a license. The Court further noted that a patent right is a right to apply a product or method exclusively for a period of 20 years, that the value of this lies in the exclusivity, and that it can only be effectuated by an injunction. ASML's statement that the invoked patents only pertained to a small part of the machines did not change this.

IP rights are part of the fundamental right to property that is guaranteed in the European Human Rights Convention and European Charter of Fundamental Rights. According to the Court, the consequences of an injunction as presented by ASML were speculative, so that it had not been established that the alleged effects on employment, freedom to conduct business, freedom of sciences and freedom of expression and information would occur in practice. In fact, ASML itself indicated that in case of an injunction, it would be more likely that it would reluctantly accept the license conditions of Nikon. The fundamental rights invoked by ASML thus could not justify infringement of patent rights. ASML had not shown that serious public interests were at issue which would require an enforcement ban. The interests at issue rather qualified as business interests.

A lack of willingness to negotiate could also not be established. The parties had exchanged proposals that they each found not acceptable, but the opening bids were still negotiable. The argument that Nikon is essentially holding ASML at gunpoint, so that it is forced to accept a license under unreasonable conditions, cannot be characterised as (pseudo) violation of the principles of reasonableness and fairness. Since there is no (being) SEP, and no statement that a license will be granted under FRAND conditions, the general rule applied that a valid patent right provides a monopoly, which should be respected in the absence of a license. The Court considered that by not acquiring a license in a timely fashion but still applying the patented technology, ASML had effectively created its own "gun."

Contributor: Ruud van der Velden

Spain Updates

An IP Fast Action Protocol was adopted on in late December to expedite handling of ex parte preliminary injunction proceedings, in connection with the 25-28 February 2019 Mobile World Congress.

The Mobile World Congress (MWC) that takes place in Barcelona from 25-28 February 2019 is the largest mobile communications event in the world, where new devices, applications and the latest developments in wireless and mobile communications technology will be showcased. In recent years, this has given rise to a substantial increase of IP rights-related conflicts, in connection with the launches of new products to the fair, to be handled by the Barcelona commercial courts and, more specifically, by the Barcelona Patent Tribunal.

In order to avoid, to the extent possible, that preliminary injunctions (PIs) be granted ex parte during the MWC, the Barcelona IP Courts (including the Patent Courts) have issued, for the fifth year in a row, a Fast-Acting protocol (the *Protocol*) committing to handle with priority all IP-related, unfair competition, and unlawful advertising claims arising in connection with the MWC. The EU Trademark and Designs Court of Alicante have joined the Protocol this year for the first time.

The Protocol, adopted on 13 December 2018 and in force throughout February 2019, provides that:

- Urgent PIs related to IP rights in relation to products that will be exhibited at the MWC will be processed with priority;
- Ex parte PIs will be decided within 48 hours from receipt of the petition by the court, and in the case that a hearing be held, a decision will be rendered within a maximum of 10 days, if a protective brief has been filed by the defendant;
- Protective briefs will be admitted within 24 hours from filing, when there is reasonable concern on the part of the defendant of being sued for ex parte PIs;
- Urgency will be assessed taking into account the plaintiff's prior behavior and the speed with which it has reacted to the knowledge of infringement; and
- The preliminary injunctions and urgent measures granted by the EU Trademark and Designs Court of Alicante will be immediately enforced by the Commercial Courts of Barcelona.

According to the figures on cases handled under the protocols in force in previous years, the Protocol has proven to be quite effective in providing the companies involved in the MWC with a quick judicial response. The *MWC 2018 report*

- PIs was filed and granted, after holding a hearing, before the MWC started inter partes PIs were filed and granted/rejected within 48 hours; and (d) 1 application for ex parte PIs was granted within 48 hours; (c) 7 applications for diligencias de comprobación de hechos "inspection proceedings (ex parte) established by the General Council of the Judiciary showed a 40% increase in the cases handled by the Barcelona Courts with respect to the previous year.
- In 2018, (a) 22 protective briefs (all of them related to patents) were filed and admitted before the MWC started; (b) 3 applications for
- MWC later this February.

Contributors: Ana Castedo and Inmaculada Lorenzo

United Kingdom Updates

On 30 January 2019, the Court of Appeal handed down its judgment in the jurisdiction appeal in *Conversant Wireless Licensing S.A.R.L v. Huawei Technologies Co. Ltd., ZTE Corporation and Ors* [2019] EWCA Civ 38 (on which we have previously reported). Jurisdiction had been challenged at first instance on two grounds: (i) *forum non conveniens*; and (ii) that the validity and infringement of foreign patents is not a justiciable subject matter for the English court. The latter ground fell away following the Court of Appeal's judgment in *Unwired Planet* (see our previous analysis of this decision *here*), leaving only the *forum non conveniens* ground in issue.

The appellants argued that new evidence had arisen in the form of the new Guangdong Court Guidelines, which state that the Chinese courts can determine a royalty for SEPs which exceed the Court's territorial scope (though not where one party reasonably objects). The appellants argued these guidelines should be taken into account, in light of the findings at first instance that the Chinese courts did not have jurisdiction to determine global FRAND rates. Conversant argued that the guidelines were so new that it was speculative to interpret them in the way argued for by the appellants, and the Court of Appeal, having allowed the new evidence into the appeal, agreed.

The appeal was ultimately denied on the basis that the dispute primarily concerns the infringement, validity, and essentiality of UK patents, with the FRAND element only coming into play when considering the appropriate relief for infringement of the UK SEPs. The FRAND element could not be considered separately for the purpose of the *forum non conveniens* analysis, and if Conversant was made to seek a remedy in China, then it would need to advance its case based on different patents and rely on different facts.

The Court of Appeal additionally refused the appellants' request for a referral to the CJEU on justiciability, citing the following three reasons:

1. the Court of Appeal had been able to reach a clear conclusion on the issue without need of a referral;
2. Huawei had failed to suggest that a referral was necessary on the same issue (precluding any justiciability argument before the Court of Appeal); and
3. the Court of Appeal did not consider there to be any lack of clarity in the relevant EU Law.

Contributors: Paul Brown, Ian Moss, James Gray

The Pre-Trial Review (PTR) proceedings in the *TQ Delta, LLC v ZyXEL Communications UK Limited & Ors* [2018] EWHC 3651 concerning FRAND rate setting was heard just before Christmas in December 2018. The PTR addressed several Applications, the most significant of which concerned the content of TQ Delta's expert evidence and a new licence TQ Delta entered into shortly prior to the PTR.

Regarding evidence, Zyxel commented that one of TQ Delta's experts had gone beyond its pleaded case in claiming on Zyxel's expert's calculations of the aggregate royalty burden; instead, the expert proceeded to set out an entirely new economic approach. Zyxel argued that, absent an amendment to its Statement of Case, it was not permissible for TQ Delta to introduce a new economic basis for calculating the FRAND royalty, and that the relevant sections of the expert's evidence should therefore be struck.

Considered in parallel was a TQ Delta's Application to introduce its newly-signed licence into the case as a comparable. There had been no delay in bringing this licence to Zyxel's attention and, *prima facie*, Justice Arnold thought that TQ Delta should have the right to rely on it. Zyxel argued, however, there was not enough time before trial for the new licence to be properly investigated and dealt with in evidence.

Deciding on the above issues, Justice Arnold gave TQ Delta a choice as to whether it preferred (i) to run a "slim-line" case, i.e. to abandon the new licences and its expert's alternative royalty calculation and proceed to trial; or (ii) to run its full case, but with an adjournment of the FRAND issues to a separate trial to enable Zyxel to respond to the new issues. TQ Delta opted for the latter, as a result of which the January trial proceeded to consider technical validity and essentiality arguments only (judgment is yet to be handed down). The FRAND trial was adjourned so that Zyxel could consider and address the new issues ahead of trial.

Contributors: Paul Brown, Ian Moss, James Gray and Lucy Adelman

United States Updates

In a 20 December 2018 decision, published in redacted form on 29 January 2019, Judge Beth Labson Freeman of the Northern District of California denied ASUSTek Computer Inc.'s motion for summary judgment that InterDigital, Inc.'s SEP licensing practices breached InterDigital's FRAND obligation. The case is Case No. 5:15-cv-01716-BLF, and the decision is available *here*. The court also granted in part and denied in part InterDigital's motion for summary judgment, (a) granting summary judgment that ASUS cannot invalidate the parties' past 2G and 3G patent licensing agreement on a "most favored licensee" (MFL) theory that the agreement, even if FRAND when signed, became non-FRAND based on subsequent, more favorable licenses granted by InterDigital and (b) rejecting a request to dismiss ASUS's Sherman Antitrust Act claim. The court rejected ASUS's contention that the ETSI FRAND obligation contains an MFN obligation that would require continued re-evaluation of the licensing terms, based on the text of the ETSI agreement, as well as the parties' experts. The court also denied ASUS's request for summary judgment as to InterDigital's compliance with FRAND vis-a-vis ongoing 4G SEP negotiations that was largely based on TCL v. Ericsson's reasoning, concluding that there existed material factual disputes as to what constituted "similarly situated companies." Judge Freeman reasoned that the use of volume discounts is not necessarily discriminatory, so long as sales volume is not the sole motivator for the discount. She further observed that the law in the area is yet unsettled, pending the TCL appeal to the Federal Circuit. This summary judgment ruling comes as the case is progressing toward a jury trial, presently scheduled for May 2019.

Judge Rodney Gilstrap of the Eastern District of Texas ruled on 7 January 2019 that Ericsson's FRAND obligations do not require it to license its cellular and wireless SEPs based on a cellphone's smallest salable patent-practicing unit (SSPPU). The case is Case No. 6:18-cv-00243-JRG, and the decision is available *here*. The ruling appears to foreclose the plaintiff's argument that the royalty rate must be based on the cheaper sub-components of its cellular phones, rather than the total end-product price. In his ruling, based on French law governing Ericsson's ETSI FRAND obligation, Judge Gilstrap rejected a narrow view of the FRAND obligation and emphasized how it contains no prescribed methodology for calculating a FRAND royalty rate. He reasoned that neither the parties' common intentions nor a "most favored licensee" (MFL) theory that the agreement, even if FRAND when signed, became non-FRAND based on subsequent, more favorable licenses granted by InterDigital and (b) rejecting a request to dismiss ASUS's Sherman Antitrust Act claim. The court rejected ASUS's contention that the ETSI FRAND obligation contains an MFN obligation that would require continued re-evaluation of the licensing terms, based on the text of the ETSI agreement, as well as the parties' experts. The court also denied ASUS's request for summary judgment as to InterDigital's compliance with FRAND vis-a-vis ongoing 4G SEP negotiations that was largely based on TCL v. Ericsson's reasoning, concluding that there existed material factual disputes as to what constituted "similarly situated companies." Judge Freeman reasoned that the use of volume discounts is not necessarily discriminatory, so long as sales volume is not the sole motivator for the discount. She further observed that the law in the area is yet unsettled, pending the TCL appeal to the Federal Circuit. This summary judgment ruling comes as the case is progressing toward a jury trial, presently scheduled for May 2019.

The U.S. Department of Justice filed a status report on 29 January 2019 indicating its intent to file a Statement of Interest in a litigation filed by u-blox AG against InterDigital, Inc. in the Southern District of California. The case is Case No. 2:19-cv-001-CAB-BLM, and the status report is available *here*. u-blox, a Swiss developer of automotive cellular and GPS modules, sued InterDigital on 1 January 2019, alleging violations of FRAND obligations and the U.S. Sherman Antitrust Act related to its SEP licensing program, as well as non-infringement of certain patents. In the status report, the DOJ expressed its opposition to u-blox's general argument that InterDigital's licensing practices run afoul of U.S. antitrust law. The DOJ took particular issue with u-blox's motions for a temporary restraining order and a preliminary injunction to prevent InterDigital from contacting u-blox's customers to request royalties, arguing that these requests were not improper. Judge Cathy Ann Bencivengo denied u-blox's communications at a 31 January 2019 hearing. The status report was filed under the name of Assistant Attorney General Makan Delrahim, who has been outspoken in favor of SEP licensors, and could signal more active engagement by his DOJ Antitrust Division into SEP licensing issues over the coming months.

Contributors: Joe Raffetto and Nicholas W. Rotz