

The Availability of SEP-Based Injunctions: A Pandora's Box?

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ROADMAP

- *Background* — Conflicts between rights and obligations
- *Legal issues involved*
 - Patent law
 - Contract law
 - Competition law
- *Solutions*
 - US approach
 - EU approach
 - Chinese approach
- *Takeaways*



Injunctions

- The several courts having jurisdiction of cases under this title may grant **injunctions** in accordance with **the principles of equity** to prevent the violation of any **right** secured by **patent**, on such terms as the court deems reasonable.

35 U.S. Code § 283 (United States)

- Member States shall ensure that, where a judicial decision is taken finding an **infringement** of an **intellectual property right**, the judicial authorities may issue against the infringer an **injunction** aimed at **prohibiting** the continuation of the infringement.

Directive 2004/48 (European Union)



FRAND

- **ETSI INTELLECTUAL PROPERTY RIGHTS POLICY ART. 6.1**

When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an **irrevocable undertaking** in writing that it is prepared to grant **irrevocable licences** on **fair, reasonable and non-discriminatory (“FRAND”) terms and conditions** under such IPR to at least the following extent:

- **IEEE SA STANDARDS BOARD BYLAWS ART. 6.2**

If the IEEE receives notice that a [Proposed] IEEE Standard may require the use of a potential Essential Patent Claim, the IEEE shall request licensing assurance.....The licensing assurance shall be either:

a)

b) A statement that the Submitter will **make available a license** for Essential Patent Claims to an unrestricted number of Applicants on a worldwide basis **without compensation or under Reasonable Rates, with other reasonable terms and conditions** that are demonstrably **free of any unfair discrimination** to make, have made, use, sell, offer to sell, or import any Compliant Implementation that practices the Essential Patent Claims for use in conforming with the IEEE Standard. An Accepted LOA that contains such a statement signifies that reasonable terms and conditions, including without compensation or under Reasonable Rates, are sufficient compensation for a license to use those Essential Patent Claims and **precludes seeking, or seeking to enforce, a Prohibitive Order except as provided in this policy.**

CONFLICT



**Remedy stage:
Patent holders are
entitled to
injunctions**

**Obligation stage:
SEP holders are
obliged to make
available a license**

Legal Issues

- *Contract*
 - Does a SEP holder's FRAND statement preclude his right to apply for an injunction?
 - Will a SEP holder violate his FRAND commitment if he applies for an injunction?
- *Patent*
 - Is there an automatic right to injunction in patent infringement cases?
 - When will a court grant a SEP-based injunction as requested?
- *Competition*
 - Does the possession of SEPs render monopoly/dominant market power?
 - Does a SEP holder's injunction application constitute an anticompetitive refusal to deal and/or abuse its market dominance?

US

- *eBay Inc. v. MercExchange, L. L. C.*, 547 U.S. 388 (2006)
- MercExchange wished to license its business method patent of operating an electronic market, in which private individuals transact, to eBay (and its subsidiary), who actually operates such an e-commerce platform. No agreement was reached nevertheless and MercExchange brought an infringement suit;
- District Court for the Eastern District of Virginia — The jury found the disputed patent was valid and the infringement existed; Damages are appropriate;
- The Court of Appeals for the Federal Circuit — It was a general rule that a court will grant injunctions against patent infringements absent exceptional circumstances;
- The Supreme Court — The decision to grant or deny an injunction in patent disputes requires a court's equitable discretion and the exercise of traditional equitable doctrines, which had provided a well-established four-factor test that a plaintiff needs to demonstrate for an injunction to be allowed:-
 - (1) that it has suffered an **irreparable injury**;
 - (2) that remedies available at law, such as **monetary damages, are inadequate** to compensate for that injury;
 - (3) that, considering the **balance of hardships** between the plaintiff and defendant, a remedy in equity is warranted; and
 - (4) that the **public interest** would not be disserved by a permanent injunction.

US

- **Apple Inc. v. Motorola, Inc., No. 2012-1548, -1549 (Fed. Cir. 2014)**
- Apple alleged infringement of three of its patents from Motorola. Motorola counterclaimed, asserting Apple had infringed six of its own patents, one or more of which were SEPs. Apple amended its complaint to include an additional twelve patents.
- District Court for the Northern District of Illinois — Neither side was entitled to any damages or an injunction.
- The Court of Appeals for the Federal Circuit — The court, by majority, supported Apple’s request for an injunction, while the district court’s decision that Motorola is not entitled to an injunction for infringement of the FRAND-committed ’898 patent was affirmed.
- The court saw no need to create a separate rule or analytical framework for addressing injunctions for FRAND-committed patents but applied the *eBay* factors:-
 - (1) irreparable injury; — ***FRAND-encumbered SEP holders may have difficulty establishing irreparable harm. Motorola had not proven its case.***
 - (2) inadequacy of monetary damages; — ***Motorola’s FRAND commitments, yielding many license agreements, suggested that money damages are adequate.***
 - (3) balance of hardships;
 - (4) public interest. — ***the public has an interest in encouraging participation in SSOs but also in ensuring that SEPs are not overvalued.***
- An injunction may be justified when an infringer unilaterally refuses a FRAND royalty or unreasonably delays negotiations. However, in the present case, the record showed that negotiations were ongoing and no evidence was adduced to show that Apple had been unilaterally refusing to agree to a license.



EU

- *Huawei Technologies Co. Ltd v. ZTE Corp. and ZTE Deutschland GmbH., Case C-170/13 (CJEU 2015)*
- Huawei was the owner of EP 2 090 050 B 1, a patent essential to ETSI's LTE standard. Huawei and ZTE entered into negotiation on the licensing of the SEP in issue but no agreements had been made.
- Landgericht Düsseldorf (Germany) —
 - — *Orangebook (Germany)*: A SEP holder's injunction application would ONLY be an abusive if (1) The infringer has made an unconditional offer to conclude a license, which cannot in good faith be rejected by the SEP holder; and (2) The infringer is already behaving as if the license had been granted (e.g., paying the royalty or putting in escrow an amount equivalent to such royalty). — ***ZTE's offers to conclude an agreement could not be regarded as 'unconditional'***
 - — *Samsung (EC)*: The FRAND commitment has indicated the SEP holder's willingness of offering a license. If the infringer shows a same level of willingness to negotiate, it may be irrelevant that the parties cannot agree on certain clauses in the licensing agreement. — ***Huawei and ZTE were willing to negotiate.***
- Chief Justice of European Union — A SEP holder's seeking of injunction would not be an abuse as long as (1) prior to bringing that action, it has alerted the alleged infringer of the infringement by designating that patent and specifying the way in which it has been infringed, and after the alleged infringer has expressed its willingness to conclude a license, presented to that infringer a specific, written offer, specifying the royalty and the way in which it is to be calculated, and (2) the alleged infringer has not diligently responded to that offer.

EU

- *Huawei Technologies Co. Ltd v. ZTE Corp. and ZTE Deutschland GmbH., Case C-170/13 (CJEU 2015)*

- *Unwired Planet International Ltd and another v Huawei Technologies (UK) Co Ltd and another, Huawei Technologies Co Ltd and another v Conversant Wireless Licensing SÀRL, ZTE Corporation and another v Conversant Wireless Licensing SÀRL, [2020] UKSC 37:*

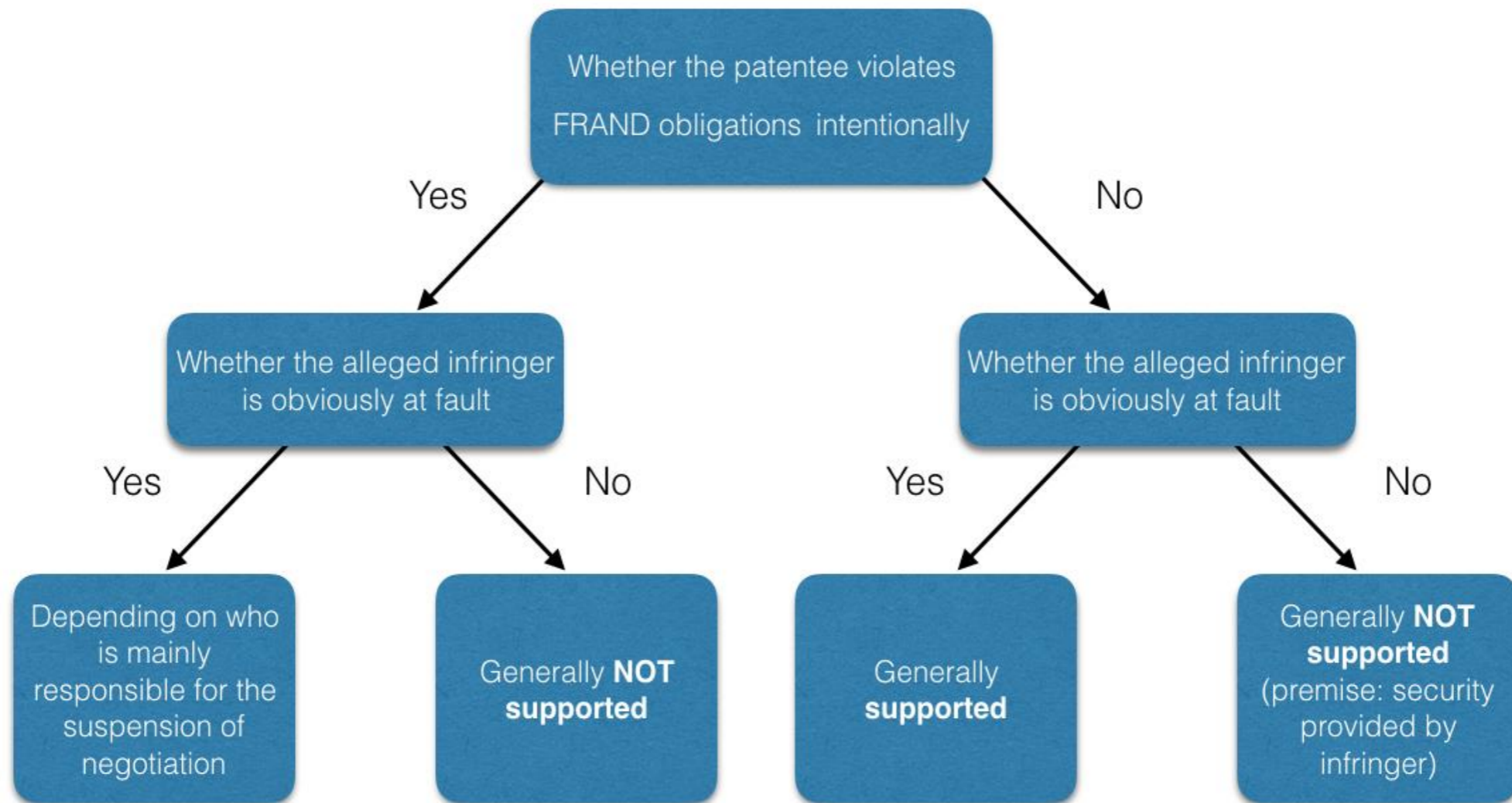
- [The CJEU's decision in *Huawei v ZTE*, excluding the requirement of prior notice] are setting out a “standard of behaviour against which both parties’ behaviour can be measured to decide in all the circumstances if an abuse has taken place”, rather than imposing mandatory requirements which had to be complied with in all cases.

China

- *Xi'an IWNComm Wireless Network Communications Co., Ltd. v. Sony Mobile Communications (China) Co., Ltd., 2017 Jing Min Zhong No.454*
- IWNComm was the owner of PRC Patent no. ZL02139508.X essential to the WAPI standard. 35 of Sony's mobile models were implementing the WAPI standard and thus utilizing IWNComm's SEP in issue. The negotiation was halted because IWNComm urged for a confidentiality agreement to be signed before they could provide a claim chart to Sony as requested, while Sony insisted to do it without a confidentiality agreement.
- Beijing IP Court & Beijing Higher People's Court — The existing legal framework sees the granting of an injunction following the finding of patent infringement as the usual while the denial as an exception. In the SEP context, the key factor is the fault of both parties.

China

- *Xi'an IWNComm Wireless Network Communications Co., Ltd. v. Sony Mobile Communications (China) Co., Ltd., 2017 Jing Min Zhong No.454*



Summary

		US	EU	China
Contract	Does a SEP holder's FRAND statement preclude his entitlement an injunction?	No.	No.	No.
	Will a SEP holder violate his FRAND commitment if he seeks an injunction?	Depends on the exact commitment made to the SSO in question.	Depends on the exact commitment made to the SSO in question.	Yes if good-faith negotiation are ongoing.
Patent	Is there an automatic right to injunction in patent infringement cases?	No.	Left for national law to determine.	Yes.
	When will a court grant a SEP-based injunction as requested?	When the <i>eBay</i> factors are fulfilled.	Left for national law to determine.	When the SEP holder has not violate its FRAND commitment while the alleged infringer is obviously at fault.
Competition	Does the possession of SEPs render monopoly/dominant market power?	Not necessarily.	Not necessarily.	Not necessarily.
	Does a SEP holder's injunction application constitute an anticompetitive refusal to deal and/or abuse its market dominance?	S2 of the Sherman Act.	Not if the <i>Huawei v ZTE</i> criteria are met.	The Anti-Monopoly Law and relevant regulations.

THANK YOU

