

# Federal Circuit Sheds New Light on *TCL v. Ericsson*

## U.S. Patent Office, U.S. Dept. of Justice and NIST Issue New Joint Statement on SEP Remedies

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# Federal Circuit Vacates and Remands *TCL v. Ericsson* (CDCal 2017) [Selna, J.]

On December 5, 2019, the United States Court of Appeals for the Federal Circuit (Federal Circuit) vacated and remanded the bench trial decision in *TCL Communication Technology Holdings Limited et al. v. Telefonaktiebolaget LM Ericsson et al*, Appeal Nos. 2018-1363,-1732, slip op (Fed. Cir. Dec 5, 2019). The court ruled that **Ericsson had the right to a jury trial to determine compensation for past infringement of Ericsson’s standard essential patents (SEPs) under the Seventh Amendment of the U.S. Constitution.**

See Long. “Federal Circuit rules SEP owner entitled to jury trial on royalty for past unlicensed use of SEP (TCL v. Ericsson)” Lexblog, <https://www.lexblog.com/2019/12/05/federal-circuit-rules-sep-owner-entitled-to-jury-trial-on-royalty-for-past-unlicensed-use-of-sep-tcl-v-ericsson/> (Dec 11, 2019)

# Federal Circuit Vacates and Remands *TCL v. Ericsson* (cont'd)

The Federal Circuit explained that there were four determinations made by Judge Selna in his bench trial that were at issue:

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

Slip op. at 17. Ericsson argued that all four determinations were erroneous for two main reasons, the first being that they at least in part should have been determined by a jury, not the bench, which was in turn supported by three (3) independent reasons why it was deprived of its right to a jury trial under the Seventh Amendment. (Slip op at 17 n. 6)

## Federal Circuit Vacates and Remands *TCL v. Ericsson* (cont'd)

Judge Chen, writing for the panel, found that the third reason - that by adjudicating the release payment amount as retrospective monetary compensation for past wrongs, the court improperly determined legal relief without a jury - was itself sufficient to overturn all the trial court's rulings below. Slip op. at 17-19 and ftns. 6-8, 27:

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

Slip op at 19.

# Federal Circuit Vacates and Remands *TCL v. Ericsson* (cont'd)

The Federal Circuit's bottom line was stated in its CONCLUSION:

“We hold 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. . .

Accordingly, we **vacate 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 term are FRAND. We also vacate the court's determination that Ericsson's offers are not FRAND and its determination of prospective FRAND royalty rates** because both determinations were predicated on common issues to the improperly decided release payment. **Because the release payment will be re-decided by the jury, we reverse the dismissal** of Ericsson's patent infringement claims and TCL's related counterclaims of invalidity and non-infringement as no longer moot. Finally, we remand all above determinations for further proceedings consistent with this opinion.”

Slip op at 27.

## Federal Circuit Vacates and Remands *TCL v. Ericsson* (cont'd)

The Federal Circuit broadly set out its analysis in two pages of its opinion (slip op. at 19-20), then showed how the release payment provided legal relief in four more pages. (slip op. at 21-24).

Below, the trial court sought submissions from both parties as to how the terms of the FRAND license should be determined. The trial court rejected the parties' methodologies and created its own FRAND terms based on its own methodology. Among other licensing terms, **the trial court imposed a “release payment” for the mobile phone manufacturer’s past unlicensed sales. The trial court did so—against Ericsson’s objections that it was entitled to a jury trial on this issue—from the bench. The Federal Circuit found that the trial court erred when it concluded that a jury trial was not necessary to adjudicate the release payment term because, contrary to the trial court’s view, the release payment provides legal, not equitable, relief.**

The Federal Circuit pointed to the fact that the trial court explained that the function of the release payment was compensation for past patent infringement, and to the fact that the trial court dismissed the SEP owner’s patent infringement claims as moot in light of the release payment. “Thus, the court’s own actions confirm that the release payment functions as a substitute for patent infringement damages.” In doing so, **the Federal Circuit also rejected TCL’s argument—that the release payment term was equitable in nature based on the form the relief took—siding instead with the Ericsson, which argued that the substance, not the form, of the relief, should govern.**

## Federal Circuit Vacates and Remands *TCL v. Ericsson* (cont'd)

**The key issue was whether the relief granted by Judge Selna was legal or equitable.** According to *Dairy Queen v Wood*, where there were mixed legal claims and equitable claims arising from the same facts, the legal claims must first be decided by a jury. Judge Selna had determined that it was all equitable, determinable by a bench trial. **The Federal Circuit disagreed with Judge Selna in respect of the past payments that TCL had to make to Ericsson, finding that although in form these were an element of the injunctive relief, in substance these were damages for patent infringement. Those are a legal remedy, and as such were a matter for the jury.**

# U.K. vs. U.S. Views on SEP's & FRAND Damages Before *TCL v. Ericsson* [Fed Cir]

<i>Unwired Planet</i>	<i>TCL</i>
Comparable licenses - main basis for FRAND rate Top-down rate used as a check	Top-down rate - main bias for FRAND, adjustments to reflect comparable licenses
One FRAND rate (in any given set of circumstances); Court of Appeal reversed (are number of possible sets of terms)	No single rate that is necessarily FRAND
Two (2) geographic rates based on number of patents held: Major Markets and Other Markets (based on China rate)	Rates for three (3) regions: USA, Europe and ROW (based on China rate)
ND aspect of FRAND - benchmark approach applied, no breach if one licensee receives a lower rate	Discrimination merely requires harm to individual entities, not harm to competition
Doesn't directly deal with the question of value regarding expired patents	Expired patents included in the total number of SEPs in a standard, but not in Ericsson's share
Multimod rates calculated	Single mode rates treated as applicable to multimode devices (but top-down rates acknowledged to reflect multi-mode royalty burden)
FRAND injunction (enforced only if a licensee isn't entered into)	Final judgment in form of injunction imposing license agreement



# Commentator Reaction to *TCL v. Ericsson*

Davis, “Fed. Circ. Rules Ericsson FRAND Case Must Go to Jury”; Law 360, [https://www.law360.com/articles/1225647/print?section=ip\(Dec5,2019\)](https://www.law360.com/articles/1225647/print?section=ip(Dec5,2019)), noted that:

**The judge’s 2017 ruling was one of the few to date to set a so-called fair, reasonable and nondiscriminatory, or FRAND, rate for patents that are essential to industry standards like 4G wireless.** However, the . . . [Federal Circuit] said Judge Selna of the Central District of California wrongly took on the entire task himself.

**His decision included a FRAND rate that Chinese smartphone maker TCL must pay to license Ericsson’s patents going forward, as well as a “release payment” for past unlicensed sales. The Federal Circuit said that since the release payment is akin to damages for infringement, it is a legal issue that must be addressed by a jury and can’t be resolved by a judge in a bench trial. . . .**

**Since it held that part of the FRAND determination should have been made by a jury, the Federal Circuit vacated all aspects of the judge’s ruling, including his finding that Ericsson’s initial licensing offers to TCL were not FRAND, and remanded for new proceedings. . . .**

TCL’s declaratory judgment suit alleged that license rates it was offered by Ericsson were not FRAND. Judge Selna agreed that Ericsson's offer was not FRAND and proceeded to set what he said would be a FRAND rate, making complex calculations in a 115-page opinion that analyzed license agreements Ericsson reached with other smartphone makers.

**Ericsson argued during the trial that under the Seventh Amendment, it had a right to a trial by jury. Judge Selna disagreed and “explained in a single sentence” that the matter was appropriate for a bench trial. U.C. he “did not address Ericsson’s argument” that it should go to a jury.**

## Commentator Reaction to *TCL v. Ericsson* (cont'd), Davis (cont'd)

The case hinged on whether the payment for TCL's past infringement was legal relief, which must be determined by a jury, or equitable relief, which can be determined by a judge. **While Judge Selna said the payment was equitable in nature because it constitutes performance of a term in a contract, the Federal Circuit said it was legal relief because it amounted to damages for patent infringement, which are within the purview of a jury.**

The appeals court noted that **Judge Selna described the payment as being intended to compensate Ericsson for TCL's unlicensed use of the patents, so "the court's own actions confirm that the release payment functions as a substitute for patent infringement damages."**

The Federal Circuit . . . [also] vacated . . . what it described as the "closely related" FRAND rate Judge Selna calculated for TCL to pay Ericsson going forward, "because both determinations were predicated on common issues to the improperly decided release payment."

Davis also reported that, during oral arguments the Federal Circuit judges expressed confusion about how to properly determine a FRAND rate and questioned some of the calculations Judge Selna made in his decision. Judge Raymond Chen said at one point that he "wouldn't even know how to begin to articulate" the right way to establish the rate.

## Commentator Reaction to *TCL v. Ericsson* (cont'd)

*See also* Lloyd, “Federal Circuit *TCL v Ericsson* Decision Leaves Licensing Community Wanting More,” IAM, <https://www.iam-media.com/frandseps/widely-anticipated-fed-circuit-decision-leaves-sep-community-wanting-more> (Dec 6, 2019):

**“For the wider IP community, particularly those in the SEP/FRAND space, the reaction appears to be one of disappointment that the CAFC sidestepped an opportunity to tackle Selna's approach to setting the Ericsson royalty.** As Thomas Pease, a partner at Quinn Emanuel . . . pointed out, a broader decision from the court could have had a significant impact: ‘Given that FRAND commitments are usually worldwide in scope and that the SEPs that are the subject of those commitments are often licensed on a global basis, **guidance from the respected Federal Circuit could usefully be employed consistently across all relevant jurisdictions, particularly where the parties opt to have the court decide the FRAND terms.**’

## Commentator Reaction to *TCL v. Ericsson* (cont'd), Lloyd (cont'd)

James Wodarski, a partner at Mintz, Levin **also expressed disappointment that the Federal Circuit had not delivered a more substantive verdict addressing some of the unanswered questions that rights owners and others had following the original decision:** ‘For example, is a top-down approach a suitable methodology and if so were Judge Selna’s inputs into that methodology flawed and similarly with respect to his unpacking of comparable licences did he incorrectly use inputs such as actual revenue?’

The decision, Wodarski also pointed out, means that **the market has been left none the wiser over how Judge Selna and UK judge Colin Birss, who presided over the first instance *Unwired Planet v Huawei* case in the High Court of England and Wales, could ‘come to such divergent FRAND rates while looking at the same patents’”.**

# Commentator Reaction to *TCL v. Ericsson* (cont'd)

In a later piece which appeared in Law 360 on December 13, 2019, “Fed. Circ.’s FRAND Decision Will Put Spotlight on Juries,” Davis commented further that:

**“A recent Federal Circuit decision will likely give juries the lead role in determining licensing rates in disputes over standard-essential patents, taking many aspects of such cases out of the hands of judges in a change that could help patent owners secure bigger awards. . .**

**The practical impact of the decision will be that in any future standard-essential patent case, a jury trial will be required if it is requested by one of the parties, and such requests are most likely to come from patent owners, who tend to believe they face better odds in front of jurors.**

**‘I think patent owners would be better off with a jury trial than a judge trial. I think juries tend to award higher royalties than judges do,’ David Long of Essential Patent LLC said.**

While the Federal Circuit's decision was focused on the part of the case dealing with past use of the patents, the way it's written suggests that juries will be in the driver's seat in most aspects of FRAND calculations going forward.

‘My read is that the judge needs to take guidance from the jury when making the ultimate FRAND calculation,’ said Joseph Dubis of Merchant & Gould PC. **‘It really is limiting the number of issues that judges can decide in the first instance by themselves.’**

**Disputes over standard-essential patents often span the globe, so patent owners may view the ability to make their case to a jury as a factor that weighs in favor of filing such cases in the U.S., as opposed to another country, University of Minnesota Law School professor Thomas Cotter said.**

‘No other country in the world . . . uses juries at all in patent cases, so this would be one of the things that might make the U.S. a somewhat more favorable jurisdiction to patent owners,’ he said. . .

In future cases, whether or not to seek a jury trial on FRAND issues will be an important consideration for litigants. **While patent owners may have better odds with a jury, calculating a FRAND rate can be a daunting task even for experienced judges:** Judge Selna's ruling ran 115 pages and was issued nine months after the bench trial.

**Some patent owners may worry about overwhelming jurors by tasking them with making such a complicated economic analysis, often for numerous patents, and decide it's not worth the effort to figure out how to clearly and concisely lay out their case at a jury trial.**

‘I'm not as concerned with whether or not juries are capable of doing it, but I certainly see that there are complex issues that litigants will have to explain to the jury so it can come to a well-reasoned judgment,’ Dubis said.

**If a jury has to determine a FRAND rate for a large patent portfolio like Ericsson's, ‘they're going to be drinking from a fire hose,’ Long said.**

## Commentator Reaction to *TCL v. Ericsson* (cont'd), Davis (cont'd)

Another consideration **may be that a jury verdict in a FRAND case will likely consist of very sparse details**, like the jurors' decision on whether a rate is fair and the amount of money the potential licensee must pay. **In some cases**, patent owners might find a novella-length bench trial opinion setting a rate, which would provide a road map for future appellate proceedings, more appealing than the black box of a jury verdict form.

‘Some parties might prefer to just give it to a jury, and other parties may prefer for whatever reason to have a nice, detailed written analysis from the district court,’ Long said. ‘So we'll see how that plays out. There are pros and cons going either way.’

**After Judge Selna's ruling, many observers had expected that the Federal Circuit's opinion would thoroughly analyze his calculations and establish guidelines on how FRAND rates should be determined in future cases, but that did not happen.**

‘There were great hopes for what might come from *TCL-Ericsson* as it worked its way through the appeals process, but that's no longer the case,’ Wodarski [Mintz Levin] said. ‘People are going to look to the law that's becoming very well-developed in the U.K. for more guidance as they approach negotiations.’

The U.K.'s Supreme Court heard arguments in October in a FRAND case called *Unwired Planet International Ltd. v. Huawei*, where the trial court set a licensing rate for standard-essential wireless patents and said one country's courts could set a global royalty rate.

Whatever the outcome in that case, a FRAND ruling from the highest court of a major country is ‘going to give the world its best precedential authority on these issues,’ Wodarski said. That decision will inform how patent owners and potential licensees handle standard-essential patent royalty negotiations in the future.

**The Federal Circuit's ruling could have provided that guidance, but in sidestepping the major issues in favor of a holding that the U.S. Constitution mandates a jury trial, the court ensured its decision will be of limited value in shaping the future of standard-essential patent law, Long said.’**

## Prior U.S. Jury Involvement in FRAND Royalty/Damages Determinations

*Microsoft Corp. v. Motorola Inc.*, 2013 WL 2111217 (W. D. Wash Apr. 25, 2013), *aff'd* 795 F. 3d 1024 (9th Cir 2015).

*Trial judge.* Determined reasonable royalty rate using modified version of *Georgia - Pacific* factors (2013 WL 2111217 at \*3); held that Motorola's RAND commitment created binding contract enforceable by MSFT as 3rd party beneficiary. 854 F. Supp 2d 993, 999 (W.D. Wash 2012).

*Jury.* Determined Motorola liable for breach of contract, awarded \$14.52 MM in damages. 2013 WL 600017 at \*2 (W.D. Wash Nov. 12, 2013) (rate applied to end-product unit).

*Appeal.* Ninth Circuit upheld jury damages awarded under substantial evidence standard 795 F. 3.d 993, 1024, 1045-47 (9th Cir. 2015).

## Prior U.S. Jury Involvement in FRAND Royalty/Damages Determinations (cont'd)

*Ericsson. Inc. v. D-Link Sys.* 2013 WL 4046225 (E.D. Tex Aug 6, 2013), *aff'd in part, vacated in part, rev'd in part*, 773 F. 3d 1201 (Fed. Cir. 2014).

*Jury.* Found defendants liable for infringement, awarded Ericsson \$10MM in damages, based on \$0.15 royalty rate per end product (2013 WL 4046225 at \*1-2, 21-23).

*Appeal.* Federal Circuit (773 F. 3d at 1225), noted that “the ultimate reasonable royalty award must be based on the incremental value that the patented invention adds to the end product.” In finding that the SEP only added value to a sub-component of the end product, the court held that “a more realistic starting point for the royalty calculations” is often “the smallest salable unit and, at times, even less,” and remanded the case to the trial court for a FRAND determination. (773F. 3d at 1227) (noting that if the overall value of the end product is “properly and legally attributable to the patented feature,” an appropriately apportioned royalty award “may be calculated by reference to [the entire market value of the multi-component product]”).



# Prior U.S. Jury Involvement in FRAND Determinations

*HTC Corp. et al. v. Telefonaktiebolaget LM Ericsson et al.*, Civil Action No. 6: 18-CV - 00243 - JRG (ED Tex Feb 15, 2019).

Ericsson and HTC entered cross-license agreements on their SEPs in 2003, 2008 and 2014. The last license expired in 2016 and the parties reached an impasse in negotiating a renewed license. In December 2016, Ericsson offered a license at a rate of \$2.50 per 4G device; HTC rejected that offer and counter-offered \$0.10 per 4G device. Later, while the case was pending, Ericsson offered a license at 1% the net price of HTC's end product device with a \$1 floor and a \$4 cap. On April 6, 2017, HTC filed suit against Ericsson alleging that Ericsson breached its commitment to license its SEPs on FRAND terms. Ericsson counterclaimed for a declaration that Ericsson did comply with its FRAND commitment.

*Jury.* A jury trial was held on HTC's claim. The jury found that HTC did not prove Ericsson failed to offer a FRAND License to its cellular standard-essential patent rejecting HTC Corp.'s allegation that Ericsson's proposed per-phone royalty violated its contractual obligation to offer fair, reasonable and nondiscriminatory terms. The jury also found that HTC had proved Ericsson failed to negotiate in good faith and that Ericsson had proved its own claim that HTC had itself failed to negotiate in good faith.

## Prior U.S. Jury Involvement in FRAND Determinations (cont'd)

*Trial court.* On motion for declaratory judgement following the jury verdict, the court found that “based on the whole of Ericsson’s submitted comparable licenses, both of Ericsson’s offers to HTC-\$2.50 or 1% with a \$1 floor and a \$4 cap per 4G device - were fair, reasonable, and non-discriminatory,” such that “Ericsson complied with its FRAND assurance to HTC, as set forth in its IPR licensing declarations to ETSI and the ETSI IPR policy.”

Memorandum of Findings of Fact and Conclusions of Law, May 23, 2019, p.14.

# Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments

January 8, 2013

In 2013, DOJ’s Antitrust Division and the USPTO issued a policy statement/guidance advising the International Trade Commission that the public interest may preclude exclusion orders when patent holders have committed to license SEPs on fair, reasonable and non-discriminatory (FRAND) terms and implementers are willing to negotiate in good faith:

“In an era where competition and consumer welfare thrive on interconnected, interoperable network platforms, the DOJ and USPTO urge the USITC to consider whether a patent holder has acknowledged voluntarily through a commitment to license its patents on F/RAND terms that money damages, rather than injunctive or exclusionary relief, is the appropriate remedy for infringement,”

Graham,” PTO Joins DOJ in Supporting Injunctions [re] Standard-Essential Patents”.

<https://www.law.com/therecorder/author/profile/Scott-Graham> (Dec. 23, 2019).

# New Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments<sup>1</sup>

December 19, 2019

The U.S. Patent & Trademark Office (USPTO), the National Institute of Standards and Technology (NIST), and the U.S. Department of Justice, Antitrust Division (DOJ), offer the following views on remedies for standards-essential patents that are subject to a RAND or FRAND licensing commitment.<sup>2</sup>

<sup>1</sup> **This statement offers the views [guidance] of the agencies only and has no force or effect of law. It is not intended to be, and may not be, relied upon to create any rights, substantive or procedural, enforceable at law by any party.** Nothing in this statement should be construed as mandating a particular outcome in any specific case, and nothing in this statement limits the discretion of any U.S. government agency to take any action, or not to take action, with respect to matters under its jurisdiction, **including the United States Trade Representative's discretion in Presidential reviews under section 337(j) of the Tariff Act of 1930, 19 U.S.C. §1337(j).**

<sup>2</sup> **For purposes of this statement, a patent is subject to a RAND or FRAND commitment where a patent holder has voluntarily agreed to make available a license for the patent on reasonable and non-discriminatory (RAND) terms or fair, reasonable, and non-discriminatory (FRAND) terms while participating in standards-setting activities at a standards-developing organization (SDO). Often in the United States, SDO members may commit to license all of their patents that are essential to the SDO standard on RAND terms. Often in other jurisdictions, SDO members may commit to license such patents on FRAND terms. For the purposes of this statement, F/RAND refers to both types of licensing commitments.** Commentators frequently use the terms interchangeably to denote the same substantive type of commitment.

# New Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (cont'd)

Steps that encourage good-faith licensing negotiations between standards essential patent owners and those who seek to implement technologies subject to F/RAND commitments by the parties will promote technology innovation, further consumer choice, and enable industry competitiveness.

**When licensing negotiations fail, however, appropriate remedies should be available to preserve competition, and incentives for innovation and for continued participation in voluntary, consensus-based, standards-setting activities.<sup>3</sup> This statement is the joint view of the Agencies on the appropriate scope of remedies to advance those goals.**

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<sup>3</sup>Regardless of a patent holder's F/RAND commitments, under some circumstances, such as coordinated delay in agreeing to a license to drive down its cost [hold-out], the DOJ could find such joint conduct to cause competitive harm, for example, through the collective exertion of monopsony power over a patent holder.

# Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (cont'd)

In the 2013 policy statement<sup>6</sup> the USPTO and the DOJ noted that while **in some circumstances an exclusionary remedy** for infringement of a standards-essential patent subject to a F/RAND commitment **may be inconsistent with the public interest for those patents, an exclusionary remedy may be appropriate in other circumstances**, such as when the potential licensee constructively refuses to engage in a negotiation to determine F/RAND terms.<sup>7</sup>

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<sup>6</sup>U.S. Dep't of Justice and U.S. Pat. & Trade Off., *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments* 1–10 (Jan. 8, 2013), available at <https://www.justice.gov/sites/default/files/atr/legacy/2014/09/18/290994.pdf>. **The primary focus of the 2013 policy statement was on USITC exclusion orders issued pursuant to 19 U.S.C. § 1337. The statement was not “intended to be a complete legal analysis of injunctive relief under the *eBay* standard” in U.S. federal courts. *Id.* at 1 n.1.**

<sup>7</sup>*Id.* at 6–7.

# New Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (cont'd)

In the years since the 2013 policy statement issued, “**the USPTO, NIST, [which didn’t join in the 2013 statement] and the DOJ. . . . have developed additional experience with disputes concerning standards-essential patents. . . . [T]he agencies have heard concerns that the 2013 policy statement has been misinterpreted to suggest that a unique set of legal rules should be applied in disputes concerning patents subject to a F/RAND commitment that are essential to standards (as distinct from patents that are not essential), and that injunctions and other exclusionary remedies should not be available in actions for infringement of standards-essential patents.**”<sup>9</sup> Such an approach would be detrimental to a carefully balanced patent system, ultimately resulting in harm to innovation and dynamic competition. **Accordingly, the USPTO and the DOJ withdraw the 2013 policy statement, and together with NIST issue the present statement to clarify that, in their view, a patent owner’s F/RAND commitment is a relevant factor in determining appropriate remedies, but need not act as a bar to any particular remedy.**<sup>10</sup> “ (pg 4)

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<sup>9</sup> **The 2013 policy statement may also have been misinterpreted to suggest that antitrust law is applicable to F/RAND disputes.** Although the U.S. International Trade Commission may consider “competitive conditions in the United States economy” as part of its public interest analysis, *see, e.g.*, 19 U.S.C. § 1337(d)(1), that **does not signify** that F/RAND licensing disputes raise antitrust concerns.

<sup>10</sup> Although this statement, like the 2013 policy statement, focuses on remedies for the infringement of standards-essential patents subject to a F/RAND commitment, **there are no special rules limiting the remedies available for the infringement of any standards-essential patent, whether subject to a F/RAND commitment or not.** Remedies for infringement of all standards-essential patents are determined pursuant to the prevailing judicial precedent and statutes on patent remedies according to the facts of each case, including the terms of the particular F/RAND commitment.

# New Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (cont'd)

As a general matter, . . . “we encourage both standards-essential patent owners and potential licensees of standards-essential patents to engage in good-faith negotiations to reach F/RAND license terms. **All remedies available under national law, including injunctive relief and adequate damages, should be available for infringement of standards-essential patents subject to a F/RAND commitment, if the facts of a given case warrant them.** Consistent with the prevailing law and depending on the facts and forum, **the remedies that may apply in a given patent case include injunctive relief, reasonable royalties, lost profits, enhanced damages for willful infringement, and exclusion orders issued by the U.S. International Trade Commission. . . . These remedies are equally available in patent litigation involving standards-essential patents. . . . While the existence of F/RAND or similar commitments, and conduct of the parties, are relevant and may inform the determination of appropriate remedies, . . . the general framework for deciding these issues remains the same as in other patent cases.”** pgs. 4-5. (ftns deleted).



# New Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (cont'd)

**“The rejection of a special set of legal rules that limit remedies for infringement of standards-essential patents subject to a F/RAND commitment is also consistent with the holdings of the U.S. courts to date.** For example, in *eBay*, the U.S. Supreme Court made clear that traditional principles of equity apply in determining whether an injunction should issue in any patent case in federal court. . . **Accordingly, the U.S. Court of Appeals for the Federal Circuit has found that the availability of injunctive relief for infringement of standards-essential patents subject to F/RAND licensing commitments should be analyzed under *eBay*’s framework like all other patents.** . . . Similarly, with respect to damages, the Federal Circuit has explained, “We believe it unwise to create a new set of *Georgia-Pacific*-like factors for all cases involving RAND-encumbered patents. . . courts must consider the facts of record when instructing the jury and **should avoid rote reference to any particular damages formula.”** pgs. 6-7. (ftns deleted).

# New Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments (cont'd)

“[T]he particular F/RAND commitment made by a patent owner, the SDO’s intellectual property policies, and the individual circumstances of licensing negotiations between patent owners and implementers all may be relevant in determining remedies for infringing a standards-essential patent, depending on the circumstances of each case. . .

**In the Agencies’ view, courts, the U.S. International Trade Commission, and other decision makers in their discretion should continue to consider all relevant facts, including the conduct of the parties, when evaluating the general principles of law applicable to their remedy determinations involving standards-essential patents, such as the factors enumerated in *eBay* or 19 U.S.C. § 1337, as appropriate.** The courts are ‘more than capable of considering these factual issues’ when deciding whether to award remedies for infringement. . . . **In the Agencies’ view, courts—and other relevant neutral decision makers—should continue to determine remedies for infringement of standards-essential patents subject to F/RAND licensing commitments pursuant to the general laws . . . using [a] balanced, fact-based analysis. . .** “ pg. 7 (ftns deleted).

# New Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments: Commentary

See Pepe et al., “A Shift on Standard-Essential Patent Remedies? DOJ, USPTO, and NIST Issue New Joint Policy Statement,” AIPLA/ Lexology (Dec 24, 2019) (“ [A]nother federal agency which has taken an interest in SEP-related issues in the past, the Federal Trade Commission, is **not** a signatory to this policy statement. Whether the FTC may agree with the positions of the DOJ, USPTO, and now NIST is unclear. The 2019 Statement may also have an immediate effect on an important aspect of the tech industry. On October 21, 2019, ITC Chief Administrative Law Judge Bullock issued an Initial Determination finding infringement in Inv. No. 337-TA-1089, in which complainant Netlist accused certain SK Hynix products of infringing Netlist’s SEPs relating to certain memory standards. The ITC’s Final Determination is expected by February 21, 2020. **If the ITC issues an exclusion order**, it would be the first exclusion order since Inv. No. 337-TA-794 based on infringement of an alleged FRAND-encumbered SEP [**where the exclusion order was disapproved by the USTR on Presidential Review**]—and it will be worth paying attention to what, if any, action is taken by the USTR and how, if at all, it relies on the 2019 Statement.”)

# New Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments: Commentary

Long, “U.S. Patent Office, U.S. Dept. of Justice And NIST Issue Joint Statement on SEP Remedies,” Essential Patent Blog (Dec 19, 2019), pointed out that,

**“... [T]he FTC currently has an internally divided Commission on applying competition law to SEPs.** For example, the FTC case against Qualcomm was filed by a split Commission (2 to 1 vote) just days before the new [Trump] administration was sworn-in and the FTC has been equally divided since then such that the FTC Staff has proceeded in that case without any policy guidance from the appointed Commissioners. **Indeed, after the FTC prevailed in that case at the district court level, one FTC Commissioner published views that the decision was wrong and bad for the United States and another FTC Commissioner took an opposing view.** For its part, the DOJ filed briefing that opposes the outcome of that case and was instrumental in convincing the Ninth Circuit in its appellate review of the decision to stay the district court’s decision because there is a likelihood that the decision and the FTC Staff’s positions were wrong.”

# New Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments: Commentary

Bial et al, “A F/RAND Commitment Does Not Bar Injunctive Relief According to New DOJ, USPTO and NIST Policy Statement on Remedies for Standards-Essential Patents”, Lexology, <https://www.lexology.com/library> (December 30, 2019), commented that:

**“The new policy is in line with the DOJ’s current views on the antitrust treatment of conduct surrounding the licensing of standards-essential patents, and in particular the effect of antitrust law on the incentives to innovate established by patent law. [AAGA] Delrahim has articulated numerous times that he does not view a patent holder’s refusal to license its technology in breach of its purported F/RAND commitments as an antitrust problem [hold out] (though it may be a contractual issue).** As he said in announcing the new policy statement: “Our patent system is what has made the American economy the innovation capital of the world, and we should not misapply the antitrust laws to diminish the incentive to innovate.” Under Secretary of Commerce for Intellectual Property and Director of the USPTO [I]ancu said: “The statement is balanced and structured to incentivize technological development and growth of standards-based industries” and it “effectively takes the government’s thumb off the scale.”

The purpose of the new statement is to “offer[ ] the views of the agencies only and has no force or effect of law,” and the agencies note that “[i]t is not intended to be, and may not be, relied upon to create any rights, substantive or procedural, enforceable at law by any party.” However, we can expect that the new policy will have at least some influence in the courts, particularly where the DOJ files statements of interest in private suits, which the DOJ has been doing with increasing frequency under Mr. Delrahim’s leadership.”

# New Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments: Commentary

Renaud et al, “Out with the old, and in with the new: joint policy statement and recent cases confirm that injunctive relief on standard-essential patents is available at the ITC”, AIPLA/Lexology (Dec 23, 2019), forecasts the ascendancy of the ITC as the place to go for SEP owners, stating that:

**Beyond the new 2019 policy statement and determination in Inv. No. 337-TA-1089, the ITC’s advantage over district courts with respect to SEP disputes became more pronounced in view of a recent Federal Circuit decision.** In particular, **the Federal Circuit’s *TCL v. Ericsson* decision vacated the district court’s attempt to determine a FRAND royalty rate and subjected a 10 year-long dispute to an entirely new jury trial.** Many thought that the Federal Circuit might use this case to provide long-sought guidance regarding FRAND negotiations, but were left disappointed.

**With all of this in mind, it is apparent that the ITC is the preferred forum within the U.S. for asserting SEPs, and, where the implementer desires to meaningfully participate in the U.S. market, may be the most important venue in the world.** As U.S. district courts struggle to articulate—let alone decide on—a coherent and consistent methodology for determining FRAND rates, and without Federal Circuit scrutiny and guidance, the ITC provides an efficient and effective venue for SEP owners seeking redress against efficient infringement by standards implementers. **With the 2013 joint policy statement replaced, and the ITC showing it will provide effective relief concerning infringement of SEPs, observers should expect an uptick in SEP activity at the ITC.**

## And don't forget that

Individual parties may voluntarily stipulate to, contract for or agree to specific dispute mechanisms, including well-recognized ADR proceedings such as mediation and/or arbitration resolution mechanisms when F/RAND/SEP issues are presented