



# Standard Essential Patents and FRAND Royalties

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## STANDARD ESSENTIAL PATENTS

### The Basics: Terminology

#### • Industry Standards

- “technical specifications that ensure that a variety of products from different manufacturers operate compatibly”

- Microsoft Corp. v. Motorola, Inc., 795 F.3d 1024, 1030 (9th Cir. 2015)



#### • Standard Essential Patent (SEP)

- “Patents that are essential to the standard (in that they must be practiced to accomplish the standard) are called standard essential patents, or ‘SEPs.’”
  - Microsoft Corp. v. Motorola, Inc., 2013 WL 5373179, at \*1 (W.D. Wash. Sept. 24, 2013)
- Determined *claim-by-claim*, not for entire patent.
- A claim is technically essential to standard if not possible to make products that comply with standard without practicing the claim.

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# STANDARD ESSENTIAL PATENTS

## The Basics: Terminology

### • Standard Essential Patent (SEP) cont.

- ETSI Intellectual Property Rights Policy (Rules of Procedure, 5 April 2017)
  - "ESSENTIAL" . . . means that **it is not possible on technical (but not commercial) grounds**, taking into account normal technical practice and the state of the art generally available at the time of standardization, to make, sell, lease, otherwise dispose of, repair, use or operate EQUIPMENT or METHODS which comply with a STANDARD without infringing that IPR.
- IEEE Standards Association (13 June 2017)
  - An Essential Patent Claim means any Patent Claim . . . the use of which was necessary to implement either a mandatory or optional portion of a normative clause of the IEEE Standard when, at the time of the IEEE Standard's approval, there was **no commercially and technically feasible non-infringing alternative** implementation method for such mandatory or optional portion of the normative clause. **An Essential Patent Claim does not include any Patent Claim that was essential only for Enabling Technology . . .**

# STANDARD ESSENTIAL PATENTS

## The Basics: Terminology

### • Fair, Reasonable, Non-Discriminatory Royalty (FRAND)

- License grant to an unrestricted number of applicants on a worldwide, non-discriminatory basis and on reasonable terms and conditions.

### • **Not FRAND**

- **Patent Hold-Up:** "The ability of a holder of as SEP to demand more than the value of its patented technology and attempt to capture the value of the standard itself."
  - Microsoft Corp. v. Motorola, Inc., No. C10-1823JLR, 2013 WL 2111217, at \*10 (W.D. Wash. Apr. 25, 2013)
- **Royalty Stacking:** When a standard implicates numerous patents, perhaps hundreds, if not thousands, if companies are forced to pay royalties to all SEP holders, the royalties will "stack" on top of each other and may become excessive in the aggregate.
  - Ericsson, Inc. v. D-Link Sys., Inc., 773 F.3d 1201, 1209 (Fed. Cir. 2014)

## STANDARD ESSENTIAL PATENTS

### The Basics: Patent Infringement and Standards

- Even if patent owner or Standard Organization declares patent(s) essential to a standard, patentee still has the burden to prove infringement
- Claims are not infringed by Standards/Specifications
  - Must prove accused product contains structure corresponding to every apparatus claim element, or implementer performs every step of claimed method.
  - “Only in the situation where a patent covers every possible implementation of a standard will it be enough to prove infringement by showing standard compliance.”
    - Fujitsu Ltd. v. Netgear Inc., 620 F.3d 1321, 1328 (Fed. Cir. 2010)

## STANDARD ESSENTIAL PATENTS

### The Basics: Patent Infringement and Standards

- Consequences of admitting patent(s) essential to a standard
  - Standard implementer may have additional defenses
    - Contractual breach of agreement to license with FRAND terms
      - *See, e.g., Ericsson Inc. v. Samsung Elecs. Co.*, 2007 WL 1202728, at \*1 (E.D. Tex. Apr. 20, 2007)
    - Not entitled to value resulting from association with the standard
      - *See, e.g., Commonwealth Sci. & Indus. Research Organisation v. Cisco Sys., Inc.*, 809 F.3d 1295, 1304-06 (Fed. Cir. 2015)
    - Antitrust violations
      - *See, e.g., Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297, 313 (3d Cir. 2007)

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