PRESENTED AT

The 14th Annual Advanced Patent Law Institute

March 22, 2019
Alexandria, VA

Developments on SEP/FRAND Issues in the U.S. and abroad

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IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION

HTC CORPORATION, HTC AMERICA INC,	§	
	§	**CIVIL ACTION NO. 6:18-CV-00243-JRG**
***Plaintiffs*,**	§	
	§	
v.	§	
	§	
TELEFONAKTIEBOLAGET LM ERICSSON, ERICSSON INC,	§	
	§	
***Defendants*.**	§	
	§	

MEMORANDUM OPINION AND ORDER

I. THE DISPUTE[1]

Defendants Telefonaktiebolaget LM Ericsson and Ericsson, Inc. (collectively "Ericsson") own patents that are essential to the 2G, 3G, 4G, and WLAN standards ("Standard Essential Patents" or "SEPs"). (Dkt. No. 156 ¶ 51 (Answer).) Ericsson has made a commitment to the European Telecommunications Standards Institute ("ETSI") to license its SEPs on terms that are fair, reasonable, and non-discriminatory ("FRAND") to companies that practice the standards. (*Id.* ¶ 110.) This commitment is embodied in ETSI's Intellectual Property Rights ("IPR") policy and forms a contract between Ericsson and ETSI, in which standards-implementers are third-party beneficiaries. *ETSI Rules of Procedure*, Annex 6, Clause 6.1; Taffet, Richard & Harris, Phil, *Standards and Intellectual Property Rights policies*, *in* PATENTS AND STANDARDS PRACTICE, POLICY, AND ENFORCEMENT at 4–10 (Michael L. Drapkin et al. eds., *Bloomberg Law* Book

[1] For a more detailed discussion on the procedural history of this case, the parties' dispute, Standard Essential Patents, and the FRAND commitment, see the Court's previous orders at Dkt. Nos. 220 and 316.

Division, 2018). The ETSI IPR policy expressly provides that such contract is governed by French law. *ETSI Rules of Procedure*, Annex 6, Clause 12.

Plaintiffs HTC Corporation and HTC America, Inc. (collectively "HTC") design, manufacture, and sell smartphones that implement Ericsson's SEPs and are thus third-party beneficiaries to the contract between Ericsson and ETSI. (Dkt. No. 135 ¶¶ 48–50.) According to Ericsson, "HTC claims that the FRAND assurance required Ericsson to [] offer licenses based on estimated profit on the smallest salable patent-practicing unit (SSPPU) in the phones." (Dkt. No. 210 at 1.) Pursuant to Federal Rule of Civil Procedure 44.1, Ericsson moves for a ruling that as a matter of French law, the FRAND commitment does not require an owner of SEPs to offer a license using a royalty based on the SSPPU (the "Motion"). (*Id.* at 15.) Having considered the briefing, the parties' expert declarations, and other relevant sources, the Court hereby **GRANTS** Ericsson's Motion to the extent and for the reasons set forth herein.

II. LEGAL STANDARDS

a. Federal Rule of Civil Procedure 44.1

Federal Rule of Civil Procedure 44.1 allows a party to move for a determination of foreign law. In making this determination, "the court may consider any relevant material or source, including testimony, whether or not submitted by a party or admissible under the Federal Rules of Evidence." FED. R. CIV. P. 44.1. The court, therefore, "may engage in its own research and consider any relevant material thus found," regardless of its admissibility. FED. R. CIV. P. 44.1 advisory committee's note to 1996 amendment. The court's determination "must be treated as a ruling on a question of law," and not fact. FED. R. CIV. P. 44.1; FED. R. CIV. P. 44.1 advisory committee's note to 1996 amendment (noting that this provision was included "so that appellate review will not be narrowly confined by the 'clearly erroneous' standard of Rule 52(a)); *see also*

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First appeared as part of the conference materials for the
14th Annual Advanced Patent Law Institute session
"Developments on SEP/FRAND Issues in the U.S. and Abroad"