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SPOTLIGHT

Judge Lucy Koh of the Northern District of California found that Qualcomm's SEP licensing practices breached U.S. antitrust law and FRAND contractual obligations, ruling in favor of the U.S. Federal Trade Commission. We recently detailed this decision on Hogan Lovells' LimeGreen IP News [here](#).

The court's ruling was based on findings that Qualcomm had market power in the relevant cellular modem chip markets, that it had acted anti-competitively with respect to both its customers and its competitors in such markets, and that its licensing rates for its modem chip SEPs were unreasonably high. Consequently, Judge Koh ordered Qualcomm to renegotiate license terms with affected customers; to make SEP licenses available to competitor modem-chip suppliers on FRAND terms; to no longer make express or de facto exclusive dealing agreements; to not interfere with customer communications with governmental agencies; and to submit to compliance and monitoring for a period of seven years. Judge Koh rejected an attempt to stay her injunctions pending an appeal, and Qualcomm has since sought a stay from the 9th Circuit Court of Appeals. The U.S. Department of Justice—including support from the U.S. Departments of Energy and Defense—as well as Ericsson and former Federal Circuit Judge Paul R. Michel have submitted briefs in support of Qualcomm's motion for a stay. The 9th Circuit has set an expedited briefing schedule for the appeal and is separately likely to rule on the stay in the coming months.

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Global News and Notes

Market research firm IPLYtics released a May 2019 report summarizing its analysis of SEPs declared essential to the 5G standard. The report concludes that almost 75,000 patents have been declared essential to the 5G standard as of April 2019, and that the share of 5G SEPs declared by Chinese companies has grown dramatically compared to past standards. IPLYtics finds that Chinese companies were responsible for around 34% of declared 5G SEPs, up from a 22% share of 4G SEPs. Companies from the remaining top six countries were somewhat lower: South Korea (25%), United States (14%), Finland (14%), Sweden (almost 8%), and Japan (almost 5%), with other countries holding less than 1% each. IPLYtics further identifies attendees at 5G meetings and contributions to the 5G standard as potential gauges of involvement with the standard, with Chinese companies leading in each of these metrics as well.

Via Licensing Corporation has announced that it purchased around 100 Long Term Evolution (LTE) SEPs owned by BlackBerry and that these SEPs would be added to its licensing package at no additional cost. The patents will be added to Via's "defensive patent bank" that it first launched in October 2017. They cover what Via characterizes as "foundational technologies" for the LTE standard and beyond. Via explains it intends to continue acquiring relevant patents for its patent aggregation pool in an effort to grow its coverage.

Contributors: Joe Raffetto and Nicholas W. Rotz

China Updates

According to an official announcement from the Guangdong Higher People's Court and other reports, Huawei Technologies Co., Ltd and Samsung (China) Investment Co., Ltd have agreed to a global settlement of their SEP disputes. According to the statement, the two companies have agreed to a licensing "framework" concerning worldwide cross-licensing of their SEPs—ending 8 years of related lawsuits. The announcement further notes that Huawei and Samsung have begun to withdraw relevant complaints, while other cases have been resolved as part of the agreed upon terms of the settlement. Moreover, the Guangdong Higher Court notes that the parties have been involved in multiple rounds of patent cross-licensing negotiations since 2011, with both sides having filed more than 40 lawsuits in China and other countries during this period. The announcement makes explicit that multiple rounds of mediation took place at the Guangdong High Court before the settlement was reached. No specific terms or conditions of the settlement have been disclosed as of the date of this report.

Contributors: Zhen (Katie) Feng and Kevin Xu

France Updates

In a decision dated 16 April 2019 (Docket No. 061/2019), the Paris Court of Appeal affirmed a 2015 first instance decision rejecting a patent owner's claims that a telephone manufacturer infringed its allegedly essential patents by implementing the LTE and UMTS standards. The Court found that the two invoked patents were non-essential because it is possible to manufacture a phone which complies with the standards at issue without fully implementing the patents' claims. As the patentee's demonstration of infringement was solely based on the alleged implementation of the standards by the defendants, the Court found that infringement was not established and therefore it did not set a worldwide FRAND license rate.

This decision is interesting in that it indirectly endorses the pre-trial judge's order from 2018, setting a framework for the confidential communication to the proceedings of sensitive documents, such as third parties' license agreements. In particular, some of these documents could only be communicated to a restricted number of persons, and the parties had to file two versions of their submissions, one of them being redacted to protect confidential information. Parts of the hearings were also held *in camera*. This is a first and exemplary illustration of an extensive use of the procedural arrangements provided by the French Law of 30 July 2018 regarding the protection of trade secrets (see our [February 2019 SEP update](#)).

Contributors: Stanislas Roux-Vaillard and Julie Gemptel

The Netherlands Updates

On July 2, 2019, the Court of Appeal of The Hague awarded Philips an injunction against Wiko, based on Wiko's infringement of certain SEPs owned by Philips. Although it was undisputed that Philips was entitled to initiate the proceedings because Wiko had initially not acted as a "willing licensee," Wiko subsequently failed to show that it had become a "willing licensee" and that Philips had abused its powers by failing to negotiate in good faith during the proceedings.

The Court of Appeal held that Wiko did not show that Philips' offer violated its FRAND obligations. Although three of the patents asserted at the District Court were found invalid, the patent at issue on appeal was upheld by the Court of Appeal, as it had been by courts in the UK and Germany. Wiko's objections to the duration of the proposed agreement, the coupling of the UMTS and LTE portfolios, the fixed license fee, and the application of a non-compliance rate were also rejected, as Wiko failed to show that these conditions were unusual and Philips further demonstrated that these were negotiable. The fact that Philips agreed upon a different license structure with certain licensees did not create a presumption that the offer to Wiko was discriminatory.

Wiko failed to show that its counteroffer was FRAND. Wiko's offer was based on the number of Philips patents and not on the technical and economic value thereof. Furthermore, Wiko did not compare the number of Philips' SEPs to those SEPs that pertained to mobile phones. Wiko's statement that certain Philips patents would likely be invalid or not essential was also considered irrelevant, as this would apply equally to other SEP portfolios.

Additional details regarding this decision can be found from our team [here](#).

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United Kingdom Updates

In its 18 July 2019 judgment in TQ Delta v. ZyXEL, the UK Court of Appeal allowed ZyXEL's appeal and vacated the September 2018 trial. In doing so, the Court of Appeal decided a purely declaratory finding of RAND licensing terms would have no utility where ZyXEL had already stated they had no interest in taking a license and were willing to pay an already agreed sum of damages for the past infringement. The appeal Judges disagreed with lower court Justice Mr. Birss that the worldwide scope of a RAND license could preclude ZyXEL from waiving its rights in the UK, as to follow that finding would effectively be saying the proceedings must go on as if ZyXEL were still relying on the RAND undertaking to resist a UK injunction, even where ZyXEL were prepared to give an irrevocable undertaking not to.

On 4 July 2019, the Patents Court handed down its decision in Conversant v Huawei [2019] EWHC 1687 (Pat), finding that, while Conversant's SEP was essential and INFRINGED, it was nevertheless invalid for added matter. A technical trial for another of Conversant's patents is due to be heard in October.

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United States Updates

Judge Rodney Gilstrap of the Eastern District of Texas ruled that Ericsson had offered its SEPs on FRAND terms during licensing negotiations with a major cellphone manufacturer. Ericsson moved for this *affirmative* ruling, after a jury in February rejected the cellphone manufacturer's claim that Ericsson's practices had violated FRAND. In making his ruling, Judge Gilstrap disagreed with the manufacturer's argument that Ericsson's royalty rates must be based on the cellular baseband processor (*i.e.*, allegedly the "smallest saleable patent practicing unit" for the SEPs at issue)—rather than the cellular mobile device as a whole. The court found that: (1) customers' value of cellular connectivity helps drive the overall cellular device price; (2) many SEP patent claims required components beyond the baseband chip; and (3) the actual industry practice is to license devices at the end product level, rather than the baseband chip component level. Finally, looking to comparable licenses, the court concluded the rates Ericsson offered were consistent with the industry and consistent with FRAND. Judge Gilstrap's decision strikes a tension with both Judge Selna of the Central District of California's *TCL v. Ericsson* decision and Judge Koh of the Northern District of California's recent *FTC v. Qualcomm*, disagreeing with *TCL's* comparable licenses methodology, as well as *Qualcomm's* "smallest saleable patent practicing unit" reasoning. The *TCL* and *Qualcomm* decisions, as well as the decision in this case, are presently on appeal to the Federal Circuit.

On July 12, the Federal Circuit vacated a USPTO inter partes review (IPR) decision that had rejected as invalidating prior art a working draft of the High Efficiency Video Coding standard (the H.265 standard) distributed to an e-mail listserv. Samsung had filed an IPR petition at the USPTO against a patent owned by Infobridge Pte. that claimed a method of "encoding and decoding video data" that was apparently essential to the H.265 standard. The Samsung invalidity challenges were based on a working version of the H.265 distributed to an e-mail listserv of about 250 members and non-members of the relevant standard-setting body. The USPTO's Patent Trial and Appeal Board (PTAB) rejected Samsung's challenge because it viewed the e-mail as a "limited distribution," rather than a "generally" or "widely" disseminated disclosure to persons skilled in the art. The Federal Circuit found that the PTAB had confused actual access with accessibility, and that the pre-AIA § 102(a) prior art question is "whether a person of ordinary skill in the art could, after exercising reasonable diligence, access a reference." Whether particular members of the public *actually* received the information is not relevant. Accordingly, the Federal Circuit vacated the decision and remanded the case for application of the correct standard.

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