

Injunctions For FRAND-Licensed Patents: Debate Continues

Law360, New York (October 10, 2012, 2:24 PM ET) -- Commonly adopted technical standards promote efficiency and compatibility between products and components from different companies. For instance, the H.264 (MPEG-4) standard governs video compression. High-definition digital television, video cameras and Blu-ray players and recorders rely on H.264 to ensure interoperability. Often, technical standards are developed in the context of a collaboration of industry players within a standard setting organization (“SSO”). In order to deal with patents of its member companies that potentially could encumber the industry standard, SSOs typically require their members to disclose potentially relevant patents and to promise to license them on fair, reasonable and nondiscriminatory (“FRAND”) terms.

An important question has arisen in cases involving the enforcement of standard-essential patents: Can the holder of a standard-essential patent obtain an injunction against an alleged infringer? Some commentators have argued that obtaining an injunction on a standard-essential patent would be fundamentally inconsistent with the promise to license that patent on FRAND terms. With so many patentees asserting standard-essential patents, this issue is quite significant.

The implication of a patent owner agreeing to enter into a FRAND license is an issue that has been the subject of a series of recent court and administrative agency decisions and commentary. The Ninth Circuit,[1], as well as Circuit Judge Richard Posner sitting by designation in the Northern District of Illinois[4], recently have issued opinions finding that standard-essential patents that are the subject of FRAND obligations may not be enforced by awarding injunctive relief. By contrast, the [U.S. International Trade Commission](#)[7],[8] has allowed an injunction to issue in the face of a FRAND obligation. The FTC has also recently spoken on the subject, criticizing the approach of the International Trade Commission. [9], [10]

This article reviews these recent decisions and commentary.

[Motorola's Recent FRAND Dispute With Microsoft](#)

In *Microsoft Corp. v. Motorola Inc.*, the Ninth Circuit upheld a district court order preventing Motorola from enforcing a German injunction against Microsoft products, because the Motorola patents at issue were required to be licensed to any third party on a fair, reasonable and nondiscriminatory basis.[1] The German court had issued the injunction as a remedy in Motorola’s infringement suit against Microsoft involving its standard-essential patents related to the H.264 video compression standard and the 802.11 Wi-Fi standard. In so doing, the German court rejected the argument that the agreement to license on FRAND terms “operates as a waiver of claims for injunctive relief.”[2]

In response, Microsoft moved for a preliminary injunction in the Western District of Washington seeking to block the German injunction. Microsoft argued that it would be improper to award an injunction as a remedy in a case involving a patent subject to FRAND obligation. The district court granted Microsoft a preliminary injunction blocking enforcement of the German court’s injunction.

Motorola then filed an interlocutory appeal to the Ninth Circuit. The appeals court affirmed the district court's preliminary injunction, finding that an injunction on a patent for which a FRAND licensing promise had been made is inconsistent with that promise: "Implicit in such a sweeping promise [to license a patent on FRAND terms] is, at least arguably, a guarantee that the patent-holder will not take steps to keep would-be users from using the patented material, such as seeking an injunction, but will instead proffer licenses consistent with the commitment made." [3]

This decision is the most recent ruling in the U.S. courts on this important issue.

Judge Posner Weighs in Against Injunctions for FRAND-Induced Patents in the Motorola/[Apple Dispute](#)

The Ninth Circuit litigation is the second recent federal court case in the U.S. to address this issue. In an earlier district court case involving standards-essential patents that was filed by Motorola against Apple Inc., Judge Posner denied injunctive relief to Motorola.

In so doing, Judge Posner flatly questioned "[h]ow [Motorola] could be permitted to enjoin Apple from using an invention that it contends Apple must use if it wants to make a cell phone with UMTS [mobile telephone standard] telecommunications capability." [4] Judge Posner then performed the required analysis under [eBay](#) v. MercExchange, which requires that patent holders show, inter alia, irreparable harm and the inadequacy of monetary damages in order to obtain injunctive relief. He concluded that "[a] FRAND royalty would provide all the relief to which Motorola would be entitled if it proved infringement of the '898 patent, and thus it is not entitled to an injunction." [5], [6]

The ITC Grants Injunctive Relief on FRAND Patents in Motorola/Microsoft Dispute

The U.S. International Trade Commission has approached the availability of injunctive relief in the face of a FRAND obligation differently.

In the Motorola-Microsoft dispute before the ITC, Motorola sought to prevent importation into the United States of Microsoft's Xbox360 gaming consoles, which it claimed infringed its patents. In response, Microsoft argued that such a remedy would be inconsistent with Motorola's promise to license the patents-at-issue on RAND ("reasonable and nondiscriminatory") terms and ITC exclusion orders should be categorically unavailable for patents subject to a RAND licensing obligation. [7] In his April 2012 Initial Determination, Administrative Law Judge David P. Shaw rejected Microsoft's RAND-based equitable defense, concluding that there was insufficient legal authority supporting Microsoft's argument. [8]

Of course, it bears noting that — unlike in the district courts, where monetary relief is an available remedy — injunctive relief is the only remedy available at the ITC. Accordingly, if the ITC adopted Microsoft's argument, a patentee asserting a patent subject to FRAND or RAND obligations before the ITC would be left with no remedy. This may explain, in part, the difference between the ITC's approach to this issue and that of the Ninth Circuit and Northern District of Illinois courts.

FTC Criticism of Injunctive Relief in the ITC for FRAND Patents

The [Federal Trade Commission](#) has gone on record with a contrary view from that of its sister agency, the ITC, concerning the availability of injunctive relief for FRAND patents.

Specifically, this past summer, the FTC issued a statement to the Senate Committee on the Judiciary expressing concern that the threat of injunctive relief from the ITC would be leveraged by standard-essential patent holders to extract higher royalties for FRAND-licensed patents — the so-called “hold-up” problem.[9] The FTC cautioned that the ITC’s approach to this issue may increase patent hold-up by making the ITC a more favorable forum for patent holders than the federal courts.[10]

As demonstrated in Judge Posner’s analysis in the Apple case discussed above, courts must consider the eBay equitable factors, which may limit the availability of injunctive relief. The ITC, however, is not so constrained. Accordingly, the ITC may issue injunctive relief more freely than the courts, even for FRAND-licensed patents.

The FTC’s bottom-line concern with the ITC approach is that: “ITC issuance of an exclusion or cease and desist order in matters involving RAND-encumbered [patents], where infringement is based on implementation of standardized technology, has the potential to cause substantial harm to U.S. competition, consumers and innovation.”[11]

Conclusion

Crafting an appropriate remedy for a patent owner subject to FRAND obligations when an infringer refuses to pay for a FRAND license continues to be a hotly debated issue which is likely to be the subject of further litigation. While this issue has yet to be conclusively resolved, the most recent development in the Ninth Circuit pens another chapter in the important debate concerning whether injunctions are an available form of relief for FRAND-licensed patents.

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[1] No. 12-35352, (9th Cir. Sept. 28, 2012).

[2] No. 12-35352, slip op. at 11 (9th Cir. Sept. 28, 2012).

[3] Id. at 23.

[4] Apple Inc. v. Motorola Inc., 2012 U.S. Dist. LEXIS 89960, at *45 (N.D. Ill. June 22, 2012).

[5] 547 U.S. 388, 391 (2006).

[6] Apple, 2012 U.S. Dist. LEXIS 89960, at *49-50.

[7] See Initial Determination, In re Certain Gaming and Entertainment Consoles, Related Software, and Components Thereof, Investigation No. 337-TA-752, at 289-92 (ITC Apr. 23, 2012).

[8] Id.

[9] See Prepared Statement of the Federal Trade Commission before the [United States Senate Committee](#) on the Judiciary Concerning “Oversight of the Impact on Competition of Exclusion Orders to Enforce Standard-Essential Patents” (July 11, 2012), at 1.

[10] See Id. at 8.

[11] Id. at 12.

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