10-3-2012

Should FRAND Patents Get Exclusion Orders?

Colleen Chien
Santa Clara University School of Law, colleenchien@gmail.com

Follow this and additional works at: http://digitalcommons.law.scu.edu/facpubs

Part of the Law Commons

Automated Citation
Colleen Chien, Should FRAND Patents Get Exclusion Orders? (2012), Available at: http://digitalcommons.law.scu.edu/facpubs/556

This Conference Paper is brought to you for free and open access by the Faculty Scholarship at Santa Clara Law Digital Commons. It has been accepted for inclusion in Faculty Publications by an authorized administrator of Santa Clara Law Digital Commons. For more information, please contact sculawlibrarian@gmail.com.
Should FRAND Patents Get Exclusion Orders?

October 3, 2012 National Academy of Sciences
© 2012 Assistant Professor Colleen Chien
colleenchien@gmail.com

Section 337, not eBay, governs whether the ITC should grant an exclusion order

4 Equitable Factors (eBay)

4 Public Interest Factors (§ 1337(d)(1))

“May grant”
4 Equitable Factors (eBay)

“Shall direct...unless”
4 Public Interest Factors (§ 1337(d)(1))

(1) Public Health
(2) Competitive Conditions
(3) Related Production
(4) US Consumers

4 Public Interest Factors (§ 337(d)(1))

This difference in standards has resulted in a difference in outcomes

Chien & Lemley (2012)
Today’s Panel: Should FRAND patents be able to get exclusion orders but not court injunctions?

Today’s Panel: Should FRAND patents be able to get exclusion orders?

Many IT patents are FRAND encumbered...

In Today’s Presentation, I will ...

1. Describe the FRAND Bargain
2. Analyze It under eBay and Section 337
3. Look Outside the Courtroom
1. Describe the FRAND Bargain

I agree to offer my technology at a reasonable price...
We agree to adopt your technology

Take it at my price, or else!

2. Analyze the FRAND Bargain under eBay and Section 337
### Patent Disputes

| Patent Holder | ← Accused Infringers |

### FRAND + Patent Disputes

| Patent Holder | ← Infringer + |

### The FRAND Bargain + eBay

| Patent Holder | ← Infringer + |

I agree to offer my technology at a reasonable price

Ebay: FRAND means that $ is sufficient, and an injunction is generally not warranted.

### The FRAND Bargain + Section 337

| Patent Holder | ← Infringer + |

4 Public Interest Factors
1. Public Health
2. Competitive Conditions
3. Related Production
4. US Consumers

### The FRAND Bargain + Section 337

| Patent Holder | ← Infringer + |

4 Public Interest Factors
2. Competitive Conditions
4. US Consumers
The FRAND Bargain + Section 337

Patent Holder  Û  Infringer +

4 Public Interest Factors

(2) Competitive Conditions
(4) US Consumers

Section 337

Patent Holder  Û  Infringer

But it’s rarely that simple...

Section 337 + FRAND

Patent Holder  Û  Infringer +

If it’s a FRAND patent ...

“the threat of an exclusion order may allow the holder of a RAND-encumbered SEP to realize royalty rates that reflect patent hold-up, rather than the value of the patent relative to alternatives, which could raise prices to consumers while undermining the standard setting process.”
What if its FRAND ...

Patent Holder \leftrightarrow Infringer +

But patent holder’s offer isn’t reasonable

Recommend: bolsters case for disfavoring exclusion order as rewarding anti-competitive behavior

What if its FRAND ...

Patent Holder \leftrightarrow Infringer +

But infringer refuses to take a license

Recommend: exclusion order is favored when there is no district court jurisdiction. If there is district court jurisdiction, district court damages are favored (perhaps trebled?).

What if its FRAND ...

Patent Holder \leftrightarrow Infringer +

But infringer does not plead estoppel, waiver, laches

Recommend: Infringer’s lack of knowledge is incidental to the social bargain, doesn’t justify upsetting the pro-competitive commitment

What if its FRAND ...

Patent Holder \leftrightarrow Infringer +

But infringer does plead estoppel, waiver, laches

Recommend: Infringer’s knowledge is incidental to the social bargain, though bolsters preserving the pro-competitive commitment

What if its...

Patent Holder \leftrightarrow Infringer +

Not FRAND, only standards essential

Recommend: no pro-competitive FRAND commitment to protect, but other considerations will be relevant

Btw, exclusion orders are not just on-off switches

Levers for Tailoring Exclusion Orders
Scope
Timing of Implementation
Bond/Penalty Provisions

Chien & Lemley (2012)
In Today’s Presentation, I will ...

3. Look Outside the Courtroom

What will happen if the ITC is aligned with district court?

This is the status quo... so likely nothing...

Will patentholders hold out from standards/FRAND?

With no change in status quo, unlikely
They can’t afford to give up right...

What will happen if the ITC awards exclusion orders on FRAND?

FRAND promises won’t mean as much
The Market Will React
SSOs to add a “no exclusion” clause?
FRAND patents may rush to the ITC
see, e.g.
TA-337-800 Interdigital (3G)
TA-337-818 Vernetix (VPN) (just refiled)
TA-337-808 HTC (4GLTE)
...
There are many FRAND patents

What will happen if the ITC awards exclusion orders on FRAND?

FRAND promises won’t mean as much
The Market Will React
SSOs to add a “no exclusion” clause?
FRAND patents may rush to the ITC
see, e.g.
TA-337-800 Interdigital (3G)
TA-337-818 Vernetix (VPN) (just refiled)
TA-337-808 HTC (4GLTE)
...

Indeed, the Statute Requires the ITC to consult with them...

§ 1337 (d)(1)
The Commission shall consult with, and seek advice and information from, the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and such other departments and agencies as it considers appropriate.

Vernetix (VHC) is “a tiny company with a handful of patents and little or no ongoing R&D is worth billions of dollars.” – Seekingalpha.com
What Will the ITC Do?

The ITC Has not Issued an Exclusion Order Since the July 2012 Hearings (but N is small)

Thank You

References:

Patent Holdup, the ITC (with Mark Lemley), Cornell Law Review 2012 (forthcoming)

Brief of 19 Professors in 337-TA-745 (available on SSRN)

colleenchien@gmail.com
Twitter: @colleen_chien