



Injunctions and Standard Essential Patents (SEPs): The Problems of Arguing from the Particular to the General

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One of the more fashionable issues in EU and national competition laws is SEPs and injunctive relief, and in particular whether and in what circumstances the behavior of a patent owner seeking injunctive relief in respect of SEPs may constitute an abuse of a dominant position.

The issue has now gained particular currency in the EU. In late 2012 the EU Commission issued a Statement of Objections against Samsung indicating its preliminary view that Samsung's seeking injunctions against Apple in various Member States on the basis of its mobile phone SEPs violated Article 102 TFEU. A Statement of Objections was also issued against Motorola Mobility in early May 2013. There has also been litigation at a national level, most notably in France, Germany, the Netherlands, and the United Kingdom. A vast literature has been spawned on this issue —for the most part sponsored by those with vested interests in the outcomes, and sometimes without them declaring so.¹ A wide spectrum of views exists. Some argue for no restrictions on injunctions at all. At the opposite extreme, others argue for no injunctions in the case of SEPs (assuming there is dominance²). In between these extremes there are various positions based on the notion that some constraints on the availability of injunctions are appropriate.

This issue has arisen primarily in the area of smartphone technology. Modern smartphones usually operate on the basis of multiple standards—LTE, 3G/2G, WCDMA-UMTS, GSM/GPRS, EDGE, CDMA, WiFi, WiMAX etc—and it will often be necessary for a single device, in order to operate effectively, to comply with various standards that have been developed for mobile communications. The patents underpinning such standards may be in the tens if not hundreds of thousands and will concern SEPs and non-SEPs in multiple different ownerships.

The alleged competition law concern is that because SEPs are patents which are, or have been declared, essential to the implementation of a standard, they will be difficult to design around. It may therefore not be possible to launch or operate a device without licenses to SEPs from multiple patent owners (many of whom will also be competitors of the requesting parties). While prior to the adoption of the standard multiple competing technologies may have been possible, once the

¹ I do not currently represent (and have not represented) either licensors or licensees in any proceedings involving the issue of SEPs and injunctions. Further, the rules of my professional conduct would prevent me from refusing to act for licensors and/or licensees, subject to direct conflicts of interest.

² It is trite that the property ownership rights granted by the IP laws do not of themselves give rise to an economic monopoly over a relevant market for purposes of competition law. It all depends on the availability of substitute technologies and other constraints on market power, including, notably in a SEPs context, countervailing buyer power exercised by the licensee through the need for the licensor to seek SEP cross-licenses from the licensee for the licensee's own SEPs.

standard has been adopted by the market it may generally be difficult to use another technology. Indeed, the whole point of standardization and inclusion of SEPs is that technology competition takes place *ex ante* for inclusion in the standard(s), and is deliberately intended to be more limited *ex post*.

The debate on these issues as currently framed is puzzling on a number of levels. A first point is that a rule that seeking an injunction in a national court could itself be a violation of EU law stands both EU and national laws on their head. EU law does not generally interfere with rules of civil procedure in national courts. Only two exceptions exist, and they tend to be applied relatively rarely. The first is where the national rule discriminates against EU law-based claims compared to domestic claims – the “equivalence” principle. The other is where the application of the national procedural rule would render the exercise of the relevant EU law substantive right excessively difficult or impossible – the “effectiveness” principle. Even in the area of private damages actions in the EU – where there has been a perceived pressing need for EU-wide harmonization, including over some core procedural rules—the Commission has accepted that interventions into national procedural law would require specific legislation. These proposals, too, have not been uncontroversial at a national level. Finally, under Article 102 TFEU asserting legal rights is not generally an abuse of dominance and requires two cumulative conditions to be treated as such, namely that the action: (1) cannot reasonably be considered as an attempt to establish the rights of the undertaking concerned and can therefore only serve to harass the opposite party; and (2) is conceived in the framework of a plan whose goal is to eliminate competition.³

In fact the debate is all the more puzzling because the EU *has* enacted legislation in the area of enforcement of intellectual property rights—Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights—and recognizes the *importance* of injunctive relief. Recital 24 of the Enforcement Directive states that “[d]epending on the particular case, and if justified by the circumstances, the measures, procedures and remedies to be provided for should include prohibitory measures aimed at preventing further infringements of intellectual property rights.” Article 3 then imposes the following general obligation:

“Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall

³ Case T-111/96, *ITT Promedia NV v Commission* [1998] ECR II-2937.

be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”

Similarly, the agreement on the Unified Patent Court for the EU also envisages the possibility of granting injunctions, both interim and final.

A second puzzling, and discourteous, aspect of Commission intervention in this area is that there is no reason to think that national judges cannot consider whether or not injunctive relief is warranted in any particular case. National judges consider issues of interim and final injunctive relief every day. A disproportionate number of cases probably arise in the intellectual property area, more often than not before specialist judges. In English law for example, an injunction is a discretionary remedy. There is no automatic right to it and its availability will depend on the circumstances of the case. This applies even to final injunctions. A rich body of general principles has been developed around this issue in the context of intellectual property rights. The principles were developed as long ago as 1895 in *Shelfer v City of London Electrical Lighting Company* [1895] 1 Ch 287, where a “good working rule” was established that: (1) if the injury to the claimant's legal rights is small; (2) is one which is capable of being estimated in money; (3) is one which can be adequately compensated by a money payment; and (4) the case is one in which it would be oppressive to the defendant to grant an injunction: then damages in substitution for an injunction may be given. (This is similar to US law: see *Ebay v MercExchange*.) There is no reason that I am aware of to suggest that judges are, somehow, incapable of applying these principles simply because the subject-matter happens to concern a smartphone or something equally newfangled.

That the appropriateness of an injunction will depend on the facts of the case is equally well recognized in EU law. Recital 25 of the Enforcement Directive explains that “*where an infringement is committed unintentionally and without negligence and where the corrective measures or injunctions provided for by this Directive would be disproportionate, Member States should have the option of providing for the possibility, in appropriate cases, of pecuniary compensation being awarded to the injured party as an alternative measure.*” This possibility is reflected in the alternative measures under Article 12 of the Directive. Similarly, in the recent *Scarlet Extended* case, the EU Court of Justice confirmed that the

protection of the right to intellectual property was neither inviolable nor absolute and must be balanced against other rights, including the freedom to conduct a business.⁴

A third source of puzzlement is the lack of any hard evidence of a general problem with injunctive relief being easily granted in the case of SEPs. The notion that the problem of SEPs and injunctions was of such severity and pressing need, and could not reasonably be accommodated within existing national court procedures governing injunctions, would require very compelling evidence indeed. Outside of the area of smartphones, there is little such evidence. Even within the area of smartphones, care needs to be taken. I am unaware of any real evidence that UK courts are granting injunctions willy-nilly in the area of SEPs, whether to dominant firms or otherwise. In fact in a case involving Nokia/IP Com, one was refused. In France, the evidence is also very limited, with injunctions apparently being refused in 65% of cases.⁵ Even in Germany—often seen as the poster child for soft injunctions—the *Orange Book* case and its progeny have led to a quite nuanced situation regarding when injunctions will be granted or refused.⁶

In addition, the fact is that those involved in the smartphone patent wars are not poor grandmothers. They are sophisticated global players, with deep pockets, all jockeying for commercial advantage. Each of Apple, Samsung, Google/Motorola, and Microsoft has developed or acquired tens of thousands of patents (both SEPs and non-SEPs) for use in technologies in which they have invested substantial sums. These patents are used for both offensive purposes, to improve their products, and for defensive purposes, to prevent vexatious litigation by rivals. This is an on-going process where initial patent asymmetries appear to be leveling out. Apple and Microsoft appeared to have had significant asymmetry in their favor before Google's acquisition of Motorola Mobility. To a large extent, these players also need each other because of the need to cross-license. The threat of mutually assured destruction may therefore take care of most problems in practice.

A final curiosity is that competition law is being used to correct a number of underlying difficulties that really have nothing to do with competition law. Little is being done about the atomization of patent grants, which allows a single smartphone to comprise hundreds if not thousands of patents, and the owner of

⁴ Case C-70/10 *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)* [2011] ECR I-nyr, paras. 41-46.

⁵ See S Age, *Injunctions In Proceedings For Infringement Of Standard Essential Patents*, UCL Faculty of Laws conference on Standards, FRAND, NPEs & Injunctions, 6 November 2012.

⁶ See Dr. D Kamlah, *Germany – Recent Decisions on Standard Essential Patents*, UCL Faculty of Laws conference on Standards, FRAND, NPEs & Injunctions, 6 November 2012.

only a handful of them to hold up the major owners. Equally, the issue of injunctive relief would be greatly assisted by a clear statement (or statements) of law on what FRAND terms⁷ actually mean. While many standards bodies specify that royalties should be FRAND-based, few give further specificity or granularity as to what that means in terms of the actual, or likely, royalty rates. In these circumstances, it is unsurprising that difficulties arise in considering injunctions: the licensor and licensee may legitimately hold very different views as to the correct rate. (It seems unlikely that the recent Judge Robart ruling on 25 April 2013 in *Motorola* will be the last word on the meaning of FRAND.) Finally, standard-setting bodies covering areas of major economic importance should have greater harmonization on disclosure policies. If indeed firms are being held-up *ex post* by ransom demands, it is legitimate to ask what is being done *ex ante* to prevent this, or at least minimize it.

None of the above is to say that the specifics of SEPs or technology markets may not have a bearing, perhaps sometimes considerable, on the appropriateness of injunctive relief in the context of dominant firms and SEPs. There may be good reasons why a dominant SEP owner would be justified in not dealing with a would-be licensee. The obvious case is an unwilling licensee. Thus, earlier in 2013 the FTC approved commitments from Motorola/Google that permit injunctive relief for alleged infringement of a FRAND patent against a potential licensee who: (1) is outside the jurisdiction of the United States District Courts; (2) has stated in writing or in sworn testimony that it will not license the FRAND patent on any terms (but challenging the validity, value, infringement or essentiality of an alleged infringing FRAND patent does not give rise to an unwilling licensee); and (3) refuses to enter a license agreement covering the FRAND patent on terms that have been set in the final ruling of a court or through binding arbitration.⁸ There may also be concerns as to creditworthiness or security concerns. A licensee unwilling to cross-license its own SEPs in the same area may expect to be treated less favorably if an injunction is sought (it seems to offend principles of equity to insist on your right to something you are unwilling to reciprocate on). A non-practicing entity (NPE) may also find it somewhat harder to get an injunction since it is, after all, only in the business of collecting a royalty payment. However, there is nothing inherently wrong with not practicing a patent you own: inventors and universities have done this for years. But the point is that

⁷ FRAND stands for "Fair, Reasonable, and Non-Discriminatory" and is often used to describe patent licensing terms.

⁸ See FTC Decision and Order *In the Matter of Motorola Mobility LLC, Google Inc.*, Section II.E. The order is available at <http://www.ftc.gov/os/caselist/1210120/130103googlemotorolado.pdf>. The FTC's position is not based on Section 2 of the Sherman Act ("monopolization" offense) but on Section 5 of the Federal Trade Commission Act which encompasses a broader notion of unfair competition.

the national court can take all the relevant circumstances into account—whatever they are—in deciding whether or not to grant an injunction, be it interim or final.

In conclusion, the issue of SEPs and injunctive relief has the hallmarks of *possible* concerns in a very specific area being used to stand the general law on its head to accommodate the fashionable concern in question. This is to be deprecated. The fact is that national courts have considered the appropriateness of injunctive relief for intellectual property rights for well over a hundred years now; indeed long before Europe had any competition laws at all. There is no real evidence to suggest that the problems created by SEPs are so ubiquitous, grave, and unidirectional that competition law should effectively lead to national civil rules of procedure and judicial good sense being displaced or at least severely curtailed. If specific competition, or other, issues arise, then judges can factor them into their assessment, in striking a fair balance. (They can also consider specific competition law arguments in so far as relevant.) In the 56 years since the EU was first founded, EU law attempts to interfere with national civil procedure rules and remedies have, quite rightly, been wholly exceptional. It should be kept that way, at least until record evidence justifying such an onerous intervention exists.