

July 9, 2012

The Honorable Lisa R. Barton  
Acting Secretary  
United States International Trade Commission  
500 E Street, SW, Suite 112  
Washington, DC 20634

Re: *Certain Wireless Communication Devices, Portable Music and Data Processing Devices, Computers and Components Thereof*, Inv. No. 337-TA-745: Statement on the Public Interest

Dear Secretary Barton:

Samsung respectfully submits the following comments in response to the Commission's request for Statements on the Public Interest in Investigation No. 337-TA-745. This investigation presents important and timely issues on the propriety of granting remedial relief for violations of Section 337 based upon infringement of standards essential patents that the patent holder has agreed to license on reasonable and nondiscriminatory terms and conditions (so-called RAND or FRAND obligations) to implementers of the standard. Samsung, as an active member of a number of industry groups and standards setting organizations (SSOs) that invite or require such commitments, has carefully considered these important issues and welcomes the opportunity to share its views.

**Issues 7-8.** The mere fact that a patented invention is important enough to be adopted by an industry standard should not disqualify its owner from seeking the protections afforded under Section 337. The Commission should instead determine, on a case-by-case basis, whether the owner of a patent that is subject to a RAND obligation expressly waived its right to seek an exclusion order through the standard-setting process. The kind of evidence required to make this determination will necessarily depend on the specific provisions of the SSO's membership agreement and IPR policy, if any, and the nature of

**quinn emanuel urquhart & sullivan, llp**

LOS ANGELES | 865 South Figueroa Street, 10th Floor, Los Angeles, California 90017-2543 | TEL (213) 443-3000 FAX (213) 443-3100

SAN FRANCISCO | 50 California Street, 22nd Floor, San Francisco, California 94111-4788 | TEL (415) 875-6600 FAX (415) 875-6700

SILICON VALLEY | 555 Twin Dolphin Drive, 5th Floor, Redwood Shores, California 94065-2139 | TEL (650) 801-5000 FAX (650) 801-5100

CHICAGO | 500 W. Madison Street, Suite 2450, Chicago, Illinois 60661-2510 | TEL (312) 705-7400 FAX (312) 705-7401

WASHINGTON, DC | 1299 Pennsylvania Avenue NW, Suite 825, Washington, District of Columbia 20004-2400 | TEL (202) 538-8000 FAX (202) 538-8100

LONDON | 16 Old Bailey, London EC4M 7EG, United Kingdom | TEL +44(0) 20 7653 2000 FAX +44(0) 20 7653 2100

TOKYO | NBF Hibiya Building, 25F, 1-1-7, Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011, Japan | TEL +81 3 5510 1711 FAX +81 3 5510 1712

MANNHEIM | Mollstraße 42, 68165 Mannheim, Germany | TEL +49(0) 621 43298 6000 FAX +49(0) 621 43298 6100

MOSCOW | Voentorg Building, 3rd Floor, 10 Vozdvizhenka Street, Moscow 125009, Russia | TEL +7 495 797 3666 FAX +7 495 797 3667

the undertaking, if any, given by the patent holder with respect to the asserted patent, as well as a determination of whether the patent is, in fact, essential to the standard.

If an SSO's membership agreement and/or applicable IPR policy unambiguously state that its members agree in advance to waive their rights to seek specific types of relief (e.g., an exclusion order at the Commission and/or injunctive relief), or where the patent holder has submitted an undertaking agreeing to waive such rights with respect to the asserted patent, the Commission should determine whether those promises bar the issuance of an exclusion order.

On the other hand, in the more common situation where the membership agreement, IPR policy, or undertaking do not require waiver of the right to obtain an exclusion order, the patentee should not be precluded from obtaining such relief, particularly when evidence supporting a respondent's RAND-based affirmative defenses is insufficient to establish such a defense. Not all SSO's are alike and thus it is important to consider the actual terms and conditions to which members have agreed before restricting the rights they would otherwise have to exclude others from practicing their IPRs.

To put this in context, some SSOs, including Bluetooth SIG, SD Card Association, WiFi Alliance, and WiMAX Forum, have adopted participation-based IPR policies. Under this type of IPR policy, simply by joining the SSO, or a specific technical committee of the SSO, a participating company makes a general RAND licensing commitment for all patents containing a claim that is in fact essential to the final standard. Such SSOs typically have IPR policies that include safeguards allowing participants to exclude certain essential claims by disclosing the patents containing those claims and declaring that the automatic commitment will not apply to them. Some participation-based IPR policies are RAND-RF (royalty free, but with other RAND terms), as is the case with the USB and W3C standards.

Other SSOs, in contrast, including the European Telecommunications Standards Institute (ETSI), take a different approach to these issues. ETSI is a private, not-for-profit SSO that helps develop wireless telecommunications standards, including Universal Mobile Telecommunications System ("UMTS") and Long Term Evolution ("LTE"), which are used in smartphones and other devices throughout the world. ETSI promulgates its IPR policies through several documents: the ETSI IPR Policy (which includes blank IPR Licensing Declarations forms), the ETSI Guide on IPRs, and the ETSI IPR Policy FAQ<sup>1</sup>. Under the ETSI IPR Policy, owners of IPRs that may be or may become essential to an ETSI standard are required to submit a declaration committing that, "to the extent that the IPR(s) are or become, and remain ESSENTIAL" with respect to a standard, the owner is "prepared to grant irrevocable licences under its/their IPR(s) on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy," namely FRAND terms and conditions. *ETSI IPR Policy* at 42-43. The patent holder is further permitted to make

---

<sup>1</sup> See <http://www.etsi.org/WebSite/AboutETSI/IPRsInETSI/IPRsInETSI.aspx>

the undertaking "subject to the condition that those who seek licences agree to reciprocate." *Id.*

Once such a declaration has been made, companies wishing to practice the standard may seek a license directly from the patent owner and enter into negotiations for such a license. *See, e.g., ETSI IPR Policy FAQ #6* ("It is necessary to obtain permission to use patents declared as essential to ETSI's STANDARDS."); *FAQ #7* ("To this end, the concerned firm has to enter into negotiation with the companies holding patents in order to obtain licenses for the use of the patented technology included in, and essential for the implementation of an ETSI STANDARD.") Samsung is unaware of anything in ETSI's rules or other policy documents that in any way purports to limit the availability of exclusion orders at the Commission or injunctive relief more generally, as ETSI's former Chairman of the Board and current board member, Dr. Michael Walker, recently confirmed while testifying on Apple's behalf in Investigation No. 337-TA-794<sup>2</sup> which involves Samsung's assertion of two declared essential patents against Apple.

**Issues 9-13.** A patent holder that declares that it is prepared to license patents on RAND terms and conditions should be obligated to negotiate such a license at arm's length and in good faith to the extent the patents are essential to the standard. The obligation to negotiate in good faith implies that, when asked for a license by a prospective licensee, the patent holder should offer a license on terms that fall within a RAND range, based on all the facts and circumstances, and voluntarily engage in good faith negotiations with the prospective licensee. On the other hand, when the patent holder is confronted by a party that refuses to negotiate in good faith, it may be difficult if not impossible to reach agreement on terms that adequately and fairly compensate the patent holder for its investment in the technology incorporated in the standard. *See ETSI IPR Policy § 3.2* (explaining that "IPR holders . . . should be adequately and fairly rewarded for the use of their IPRs in the implementation of STANDARDS and TECHNICAL SPECIFICATIONS"). A RAND obligation should not put the patent holder in the position of having to accept whatever terms, if any, the prospective user of the standard proposes.

When the owner of an essential patent has violated a specific RAND commitment, well established RAND-based affirmative defenses such as equitable estoppel, unclean hands, and waiver, if proved by clear and convincing evidence, should be sufficient to prevent the patent holder from prevailing on the patent and thereby unjustly obtaining an exclusion order. To be clear, as a general rule, it should not be the patent holder's RAND commitment that precludes the availability of an exclusion order, but rather, the

---

<sup>2</sup> Q. And isn't it true, sir, that neither the ETSI IPR Policy, nor any other ETSI rule or document prohibits an ETSI member from seeking an injunction, correct?

A. That is correct. It does not—none of the documents prohibit an ETSI member from seeking an injunction explicitly, but what it focuses on is they should agree on FRAND terms for licensing. Failing that they can then appeal to a court.

respondent's proof of an affirmative defense that prevents the patent holder from obtaining the exclusion order.

In the absence of proof of an affirmative defense based on standards-related misconduct, it should not be within the Commission's mandate to police the membership rules of private standards-setting bodies. Competitive conditions in the U.S. market will be served by enforcing the RAND promises made by members of an SSO, but not by imposing additional restrictions that the members never agreed to, particularly where such restrictions would favor some members to the detriment of others. By making a RAND commitment, the owner of a patent should not be deemed to have waived its right to seek an exclusion order, particularly when the infringer is not willing to take or even negotiate a RAND license; nor should a RAND commitment require the patentee to tolerate the use of its patents if a RAND license has not been concluded. Such a policy would ultimately hurt U.S. consumers by creating disincentives for companies to participate in SSOs, in turn dampening technological innovation in the wireless telecommunications industry. *See* 19 U.S.C. § 1337(d)(1).

***Apple v. Motorola.*** Recently, a short order issued by the Hon. Richard Posner, sitting by designation in *Apple, Inc. v. Motorola, Inc.*, No. 1:11-cv-08540 (N.D. Ill. June 22, 2012) was brought to the Commission's attention in Investigation No. 337-TA-752 as potentially relevant to the Commission's ability to issue exclusion orders in investigations involving RAND-encumbered patents. In that order, the Court excluded both parties' damages theories and dismissed the case with prejudice, finding that injunctive relief was not appropriate. Relying on cases like *eBay v. MercExchange, L.L.C.*, 547 U.S. 388, 391-92 (2006) and *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1563 (Fed. Cir. 1983), the Court noted the basic principle that injunctive relief is not automatically available where damages are otherwise adequate to compensate for infringement. *Id.* at \*21, 34. Regarding Motorola's asserted standards patent, the Court stated:

To begin with Motorola's injunctive claim, I don't see how, given FRAND, I would be justified in enjoining Apple from infringing the [patent] unless Apple refuses to pay a royalty that meets the FRAND requirement.

*Id.* at \*18.

The N.D. Ill. order does not have any bearing on the Commission's statutory authority to issue exclusion orders in investigations involving standards essential patents, particularly when a respondent refuses to take or even negotiate a FRAND license. *See, e.g., Spansion, Inc v. Int'l Trade Comm'n*, 629 F.3d 1331, 1359 (Fed. Cir. 2010) (holding that *eBay* does not apply to remedy determinations in the ITC under section 337). Section 337 of the Tariff Act of 1930, as amended, sets forth the ITC's mission, namely to protect U.S. industries from infringing and other unfairly competing imports. 19 U.S.C. § 1337(a)(1) (stating that unfair acts under section 337 "shall be dealt with, in addition to any other provision of law."). Section 337 authorizes the Commission to grant an exclusion order when an imported article is shown to infringe a valid and enforceable U.S. patent. The statute does not contain any special provisions or carve-outs for

standards-essential patents and Samsung is not aware of any statute requiring special treatment for such patents. In the absence of an express change to the ITC's statutory authority, there is no legitimate basis for the Commission to create a bright line rule preventing it from issuing the only relief it can grant, solely because an asserted patent may be subject to some type of RAND obligation. Standards patents have been asserted in numerous investigations (*e.g.*, Investigation Nos. 577, 578, 601, 613, 669, 745, and 753), but, to Samsung's knowledge, not once has the Commission concluded it lacks the authority to issue an exclusion order solely because an asserted patent is subject to a RAND obligation.

Accordingly, Samsung respectfully submits that the Commission should not adopt a bright line rule that would require the Commission to refrain from exercising jurisdiction over an otherwise appropriate investigation simply because an asserted patent may be subject to a RAND obligation. Instead, a case by case approach involving consideration of all appropriate facts and circumstances should be employed to determine whether the complainant forfeited its right to seek relief at the ITC.

Respectfully submitted,

*/s/ Thomas D. Pease*

Thomas D. Pease