



ARE Patent Litigation Alert: Ninth Circuit Prevents Enforcement of German Injunction of Patents Under FRAND Licensing Obligation

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On September 28, 2012, the U.S. Court of Appeals for the Ninth Circuit issued an opinion touching on an issue that has engendered increasing debate in recent years — the availability of injunctions for patents committed to a fair, reasonable and non-discriminatory (“FRAND”) license. FRAND license requirements have become common place with standard setting organizations for member’s patents which are essential to practice an industry standard.

In *Microsoft Corp. v. Motorola, Inc.*, No. 12-35352, Slip op. (9th Cir. Sept. 28, 2012), 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 FRAND basis.

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 had rejected the argument that the agreement to license on FRAND terms “operates as a waiver of claims for injunctive relief.” (slip op. at 11).

In response, Microsoft moved for a preliminary injunction in the Western District of Washington seeking to block the German injunction, arguing 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.

The Ninth Circuit affirmed the district court’s preliminary injunction, holding that, “[i]mplicit 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.” (*Id.* at 23).

While this issue has yet to be conclusively resolved, this 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.

Postscript:



After the original posting of this Alert, the district court in the Microsoft v. Motorola case addressed the dispute that started the case — the proper value of a FRAND royalty.

In a motion for partial summary judgment, Motorola had sought to dismiss Microsoft's claim seeking a court-determined RAND license agreement, arguing that it would be improper for the court to create a RAND license agreement. The court rejected Motorola's arguments. First, the court emphasized that it would not create a license agreement but rather would only determine a RAND royalty range as well as a particular RAND royalty value. The particular value is the royalty Microsoft will pay to Motorola, the parties being unable to negotiate such a value on their own. The RAND range, on the other hand, will serve to help the jury assess whether Motorola's offer to license at a 2.25% royalty was made in good faith. Previously, Microsoft had rejected 2.25% as not meeting the RAND requirement, which set off the entire dispute. The court also held that even though it was not creating a RAND license, it nevertheless has the power to do so in order to enforce Microsoft's legal right to a RAND license, which arose from Motorola's SSO commitment to license the patents at issue on RAND terms.

While this latest ruling does not touch on the FRAND-injunction issue, it serves to highlight other related, and perhaps even more complex issues for parties and courts to sort out in FRAND cases: what royalty rate and royalty amount is sufficient to meet a FRAND-licensing obligation and what role do the courts have in determining that amount.

We will continue to monitor this important area of law. Please feel free to contact us to learn more about this decision and its impact on U.S. patent law.

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