More discussion needed on ‘constructive refusals to negotiate,’ DOJ, Ericsson lawyers say

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IN BRIEF
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“It’s the elephant in the room. We see that every day,” Dina Kallay, a lawyer for Ericsson said of companies refusing to negotiate for licenses. “We see many more patent infringement cases against unwilling licensees engaging in hold out.”

Last year, the DOJ and US Patent and Trademark Office issued a policy statement saying that holders of standard-essential patents who have pledged to offer their property on fair, reasonable and non-discriminatory terms generally shouldn’t seek injunctions or exclusion orders except in limited circumstances. The statement said it may be appropriate to seek an injunction if the licensee refuses to negotiate or when an entity seeking a license couldn’t be sued for damages.

At a conference* in Washington, Kallay discussed a 2010 lawsuit Ericsson brought against Dell, Toshiba and others for patent infringement. The Swedish company had negotiated with the laptop manufacturers for six years before bringing suit. The judge in the case ruled that the defendants never meaningfully engaged in negotiations with Ericsson about taking a license, said Kallay, who was speaking in a personal capacity and not on behalf of the company.

“There was unwillingness to be bound by FRAND adjudication,” Kallay said, noting that even after the jury returned its verdict on the proper rate, the defendants insisted it should be lower. “That kind of behavior might be indicative of unwillingness or constructive refusal to negotiate.”

Frances Marshall, special counsel for intellectual property at the DOJ’s antitrust
division, said the agency is also aware that more guidance on the exceptions in the policy statement might be warranted.

“The policy statement covers a lot of important ground but there are some things that we weren’t able to discuss in full detail,” said Marshall, who said she wasn’t speaking on behalf of the DOJ. “The most important one that Deputy Assistant Attorney General [Renata] Hesse has identified is, perhaps, further discussion of what a constructive refusal to negotiate means as described in the policy statement.”

Jeff Totten, a patent litigator at Finnegan, Henderson, Farabow, Garrett & Dunner who has represented companies in patent cases in federal court and before the US International Trade Commission, noted that the ITC has also taken potential licensees to task for not meaningfully engaging in negotiations.

In a June opinion, ITC Administrative Law Judge Theodore R. Essex found that ZTE and Nokia did not infringe InterDigital-owned patents used in wireless devices with 3G and 4G capabilities. However, Essex criticized ZTE and Nokia for not coming to the table to negotiate with InterDigital nor availing itself of the procedure within the standards-organization to obtain the licenses.

“I think what it tells our clients is, in essence, don’t be jerks,” Totten said. “Future courts may look at the way of negotiating by potential licensees and criticize potential licensees for not negotiating in fair terms and later raising the specter of the standard-setting organizations to try to avoid an injunction.”


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