

PanOptis' Recent Victory against Huawei Demonstrates Why an International Enforcement Approach Is Advisable for Standard-Essential Patents

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PanOptis Patent Management, LLC ("PanOptis") was recently awarded enhanced damages and ongoing royalties as a result of Huawei Technology Co. Ltd. ("Huawei") infringing five of its patents, four of which were alleged to be essential to the 4G LTE technology standard. Despite the successful legal outcome, the size of PanOptis' cumulative damages award for its standard-essential patents was less than some observers anticipated. This result emphasizes the importance of taking a global enforcement approach—leveraging international fora—to recoup meaningful compensation for standard-essential patents.

PanOptis filed a complaint in September 2017 alleging that Huawei infringed four of its patents essential to the 4G LTE technology standard and one (non-essential) patent related to decoding video and audio data. Because PanOptis asserted standard-essential patents, it also sought a declaration that it had satisfied its obligation to offer a license in compliance with FRAND terms.

A jury found that Huawei infringed PanOptis' five patents, and **awarded damages** to PanOptis on a per-patent basis. The jury awarded the most damages, \$7.7 million, for the (non-essential) video coding patent, and only awarded a range from \$102,742 to \$1.73 million for each standard-essential patent. The jury awards have been ratified in a **final judgment**. The enhanced damages tacked on by presiding Judge Gilstrap did not meaningfully inflate PanOptis' compensation; adding \$2.6 million to the \$10.6 million already awarded. Subsequent to the jury trial, Judge Gilstrap held a bench trial to see if PanOptis met its FRAND obligations. In a **written decision**, Judge Gilstrap concluded that the evidence presented was too broad to make a decision. Specifically, he articulated that the case was limited to U.S. patents, but all the evidence presented as to whether PanOptis discharged its FRAND licensing obligation related to a blended licensing offer based on U.S. and foreign patents. Put another way, he could not deduce whether PanOptis had discharged its FRAND obligation related to its asserted U.S. patents because he only had information related to PanOptis' global licensing offer.

This case presents odd outcomes for owners of standard-essential patents. First, based on the damages awarded per standard-essential patent, PanOptis would have to successfully assert many of its standard-essential patents, one-by-one, before compensation approaches its FRAND rate. Such an endeavor is excessively time-consuming and cost prohibitive. Second, tension exists between the jury's award of damages and the Judge's decision regarding PanOptis' FRAND obligation. In particular, the jury assigned damages that did not "exceed the amount permitted under PanOptis' FRAND obligations," however, the Judge separately concluded that there was not enough evidence to determine whether PanOptis' licensing offer discharged its FRAND obligations.

The outcome reiterates an overarching theme: adjudicating standard-essential patents is an evolving, and often unpredictable, field of law in U.S. district courts as different outcomes have been produced in different courts. For example, in contrast to Judge Gilstrap's decision in the present case, other district court judges have affirmatively determined FRAND rates. Those that determined FRAND rates have done so based on evidence and methodologies neither presented by either party involved in the case nor endorsed by other district court judges.

Implementing a multi-forum enforcement strategy including, at least, European jurisdictions presents the best chances of obtaining a desirable FRAND rate or damages calculation. Such an approach eliminates the complexity presented by PanOptis' case: namely, that the only available evidence and methods to

determine a FRAND rate were tethered to a global offer, but only U.S. patents were at issue. Further, European jurisdictions have demonstrated the willingness to ascertain and enforce world-wide licensing rates for standard-essential patent portfolios. For example, the United Kingdom has found that (1) there is but a single FRAND royalty rate applicable to any of standard-essential patents and circumstances and (2) FRAND licenses for global market players are necessarily global licenses and should not be limited to a single jurisdiction. Separately, Germany has clarified that it is FRAND if an individual member to a standard-essential patent pool requests an alleged infringer to take a license to the entire pool instead of only to the patents of the individual pool member. Both of these guidelines provide patent owners with a mechanism to more effectively ascertain and enforce a global licensing rate for its standard-essential patents, and underscores the importance of utilizing a global approach when attempting to do so.

Ultimately, how U.S. courts handle FRAND issues will continue to evolve. As it does, standard-essential patent owners should monitor the legal landscape to guide their international licensing and enforcement strategy. Despite the shifting landscape, one thing remains constant: leveraging multiple, international jurisdictions in order to obtain a favorable FRAND rate is likely more advisable than following a single-jurisdiction strategy.

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