

Three Takeaways from the Initial Determination at the ITC Regarding Standard Essential Patents in the 1380 Investigation

A photograph of a modern building's curved glass facade, showing multiple stories and windows, set against a light blue sky.

3 MIN READ

January 10, 2025, 9:19 AM

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On January 8, 2025, Administrative Law Judge (ALJ) Cameron Elliot issued a public version of the Initial Determination (ID) in *Certain Video Capable Electronic Devices*, Inv. No. 337-TA-1380 brought by Complainant Nokia. While this ID is still subject to Commission review, below are three key takeaways from the opinion as it relates to standard essential patents and defenses based on fair, reasonable, and non-discriminatory (FRAND, RAND, F/RAND) licensing practices.

1. A Respondent may be able to demonstrate a “discriminatory” license if the licensees are similarly situated

The ID found that whether a license is “non-discriminatory” is a stand-alone “prong” to a F/RAND defense; however, to demonstrate discrimination, a Respondent needs to show that the recipient of a so-called discriminatory license is similarly situated for F/RAND purposes. ID at 143-44. Per the ID, Respondents bear the burden of proof on this issue, even where the conclusion may be self-evident. For instance, here, the ID stated that it would not be “surprising” if the licensees were all similarly situated, but declined to reach that conclusion because no such argument was presented.

The ID also denied Respondent’s arguments of discrimination for two additional reasons that appear to be fact-specific, based on the heavily redacted opinion. First, the ID indicated that Nokia’s offer to Respondent was “incomplete” and seemingly allowed Respondent

some ability to negotiate to obviate the discriminatory terms. Second, the ID took issue with expert testimony supporting the “effective royalty rate” made by Respondent’s expert. This is a very common expert battleground, particularly where, as here, an expert is being asked to unpack a lump sum license and convert it into a running royalty rate. In this case, the ID found the results of the unpacking exercise to be “not well-supported,” for reasons redacted in the ID.

2. A Complainant’s comparable licenses are crucial to overcome certain F/RAND defenses

The ID frequently cited other comparable licenses when rejecting Respondent’s arguments regarding the “reasonableness” of Complainant’s proposed license. For example, the Respondent argued that Complainant created the illusion of market acceptance by obtaining licenses from smaller companies, then later using those “comparables” to go after larger targets. ID at 144-45. The ID acknowledged some record support for this argument occurring between 2014 and 2016, but ultimately rejected it because “large and sophisticated” companies later signed a license with Complainant after 2016.

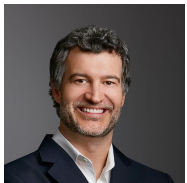
Similarly, the ID rejected the argument that Complainant engaged in hold-up by waiting to secure licenses with implementers only after they were “lock[ed]-in” and didn’t “have a choice to turn to alternatives.” In doing so, the ID cited several “sophisticated companies” that agreed to license at an established rate, even resulting in an increase in overall adoption of the underlying standard.

3. A Respondent may require an assessment of quality to compare license rates to those of patent pools

The ID found that it is unreasonable to assume that a Complainant’s patents are of average value when compared to a patent pool. ID at 143-146. Comparison to patent pools is a common way to demonstrate that an offer is or is not compliant with F/RAND. As the court noted in *Microsoft Corp. v. Motorola, Inc.*, pools may be “a strong indicator of a RAND royalty rate.” No. C10-1823JLR, 2013 WL 2111217, at *83 (W.D. Wash. Apr. 25, 2013). However, according to *In re Innovatio IP Ventures*, pools “tend to produce lower rates than those that could be achieved through bilateral negotiations.” Case No. 11 C 9308, 2013 WL 5596309, at *36 (N.D. Ill. Oct. 3, 2013). In this case, the ID found that it was Respondent’s burden to demonstrate that a patent pool rate is “comparable” to a Complainant’s rate, which was not done.



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