

APEX STANDARDS

TDoc Second-Order Effects for SEP and FRAND Analysis

R&D Intelligence R800208
Optis v Apple 2:19-cv-00066
Apple v Optis IPR2020-00466
Unclassified
20 August 2021

Apple Inc is ordered to pay \$300 million dollars in damages to Optis Wireless Technology following a retrial for infringing five patents related to 4G LTE technology on August 16, 2021. iPhones, iPads, and Watches are among the infringing high-profile products. These patents, which are now owned by Optis and were acquired between 2014-2017, are:

- 8,005,154 (originally Samsung)
- 8,019,332 (originally LG)
- 8,411,557 (originally Panasonic)
- 8,989,290 (originally Ericsson)
- 9,001,774 (originally Samsung)

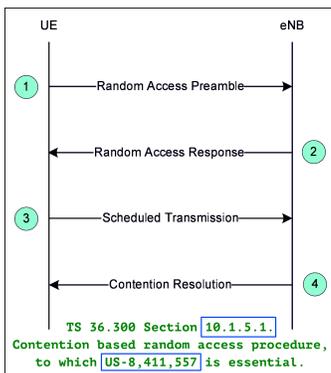
Back in August of 2020, a jury in the Eastern District of Texas determined that Apple had infringed on them and awarded \$506 million in damages. Following that, in April 2021, U.S. District Judge Rodney Gilstrap in Marshall, Texas, ruled that a new damages trial was required because the jury's royalty award in August 2020 may not have been in line with Optis' responsibility to license the patents on Fair, Reasonable, and Non-Discriminatory (FRAND) terms.

The patents in question are standard-essential, which means that an LTE device cannot be manufactured without using the patented technology. As the licenses are expected to be offered on FRAND terms, there is no legal definition for them, which leads to court battles when a patent owner believes their terms to be FRAND but a licensee disagrees. In a statement, Apple said: "Optis makes no products and its sole business is to sue companies using patents they accumulate. We will defend against their attempts to extract unreasonable payments for patents they acquire." For details, see U.S. District Court: Eastern District of Texas, No. 2:19-cv-00066.

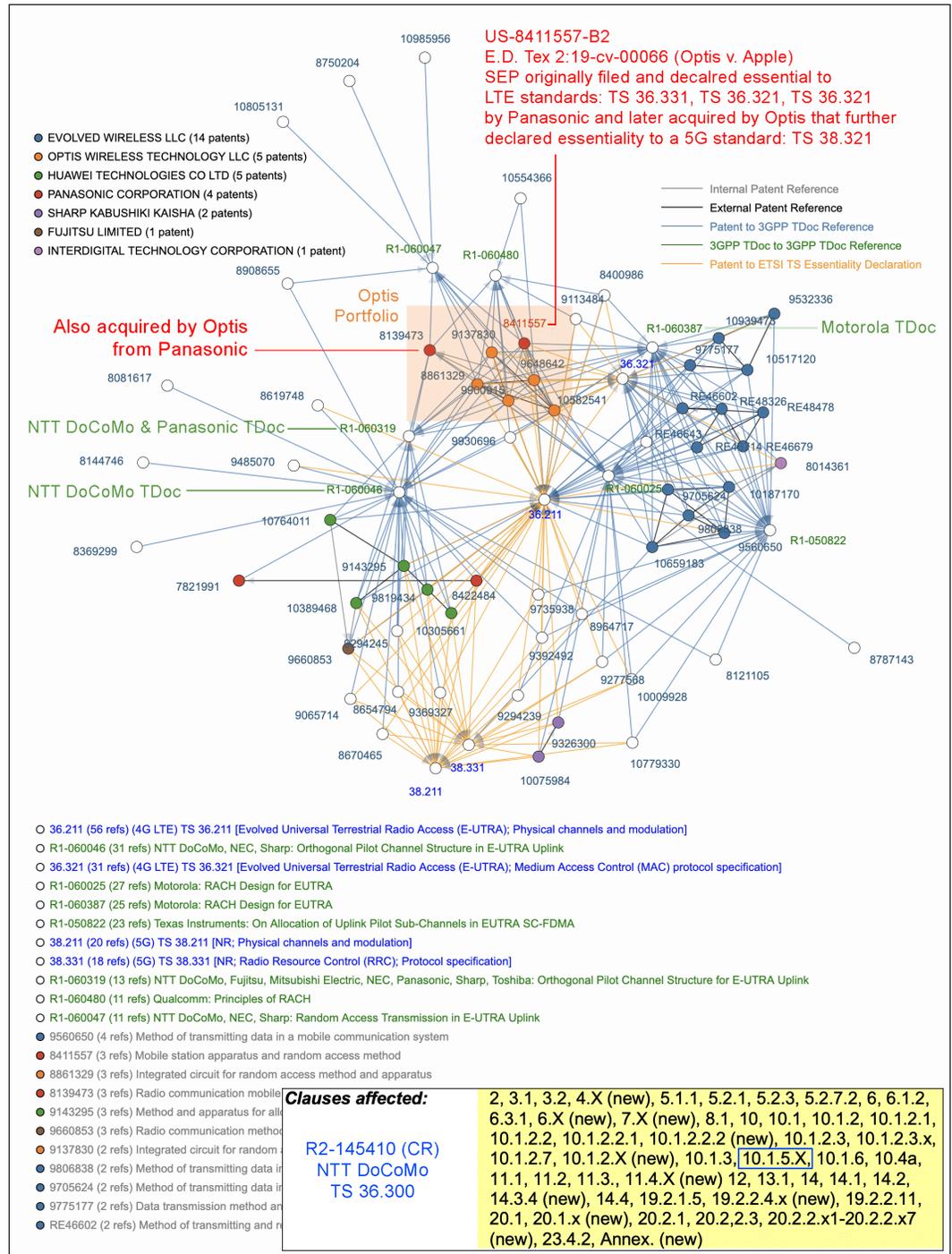
A Fair Share?

A formula is commonly used for royalty rate calculations: A royalty rate may be based on a mathematical proportion of all patents required for a standard practice (SEP).

This appears to be fair, but it has implications, particularly since the majority of these SEP holders are also members of a



standard-setting organization, in this case, ETSI. The LTE standards were published by ETSI and include a lengthy chain of Change Requests (CR) submitted in the form of a TDoc. TDocs are submitted to the 3GPP by member companies in order for their technology to be included in a standard.



Validity Sustained

On Feb 28, 2020, during the infringement trial, Apple filed an Inter Partes Review (IPR) before the PTAB, IPR2020-00466, to challenge the validity of Patent No. 8,411,557. It seeks admission of prior art, citing TDoc R1-060046 in evidence as EX-1032 and R1-060387 as EX-1012. On Sep 15, 2020, the institution petition was denied, affirming the validity of 8,411,557.

Essentiality Precursor or Prior Art

As R1-060046 (Jan 19, 2006) and R1-060387 (Feb 9, 2006) predate 8,411,557 (priority

date: Mar 20, 2006), Panasonic may have identified patentable subject matters from the TDocs at the time of filing of 8,411,557.

Aligned Interests

3GPP makes technical decisions, which are documented in TDocs. The manner in which these decisions are made has an impact on the essentiality (and value) of the related patents. A CR #, Revision #, Version # (X.Y.Z), Contributors, and critical entries are documented along each TS's CR, illustrating the TS's evolution. Among them, "Clauses affected" highlights the changes made to the TS' Section, where companies exercise

influence, ensuring discussions are carefully navigated and decisions are aligned with the companies' IPR strategies.

How Decisions Were Made? Second-Order Thinking

"F"RAND-wise, pivotal decisions made in 3GPP, as well as, the SEPs related to those decisions may be investigated to render true "fairness". Contributing towards a healthier ecosystem, Apex Standards researchers have assisted clients in reconstructing new insights. For more info: support@apexstandards.com