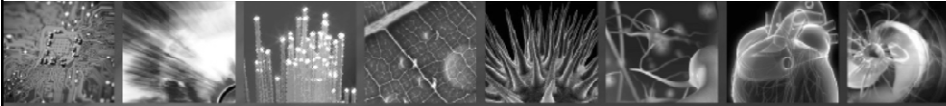


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**Updates in Determining RAND for  
Standards Essential Patents:**  
*Featuring The Honorable James L. Robart*

July 12, 2013  
Washington State Patent Law Association  
IP Committee of the Federal Bar Association for  
the Western District of Washington




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## Speaker and Panelists

- **Featured Speaker:**



**The Honorable James L. Robart**  
United States District Court Judge, Western District of  
Washington
- **Panelists:**
  - Kathleen T. Petrich  
Graham & Dunn
  - Joseph R. Re  
Knobbe Martens
- **Moderator:**
  - Mauricio A. Uribe  
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## *Microsoft Corp. v. Motorola Inc. et al.*

- **Motorola** is the owner of 40 standards essential patents (SEPs) relating to 802.11 (Wi-Fi) and H.264 (video)
- After Motorola offered to license the SEPs at a royalty rate of 2.25% of net sales, **Microsoft** sued, claiming Motorola had breached a contractual obligation to offer reasonable and non-discriminatory (RAND) licensing terms



motorola  
a Google company



## Decisions to Date and Pending Matters

- Decisions to Date
  - Partial Summary Judgment:
    - Motorola had binding contractual obligations to the respective standards setting organizations to license its declared SEPs on RAND terms
    - As a member of the respective standard setting organizations, Microsoft is a third party beneficiary of Motorola's contractual obligations
  - To decide whether Motorola breached its obligation to offer RAND terms, the court must first decide what the RAND royalty rates should be
    - The court held a bench trial to decide these rates
- Pending Matter
  - Whether Motorola breached its contractual obligations based on the determined RAND framework
    - Jury trial scheduled for August 26, 2013

## Summary of Court's Suggested RAND Analysis

1. Review of parties and relation to one another
2. Determine background of standards, SSOs and RAND commitments
3. Develop framework for assessing RAND terms
4. For each applicable standards, analyze the relative importance of each asserted patent with regard to the standards and the accused standards using products
5. Determine appropriate RAND royalty rate based on relative importance and available comparables

## Hypothetical Negotiation: Georgia Pacific Considerations

- Factor 1: Royalties received by the patentee for the licensing of the patent in suit, proving or tending to prove an established royalty (Modified)
- Factor 2: The rates paid by the licensee for the use of other patents comparable to the patents in suit
- Factor 3: The nature and scope of the license
- Factor 4 & 5: (Not applicable)
- Factor 6: The effect of selling the patented specialty in promoting sales of other products of the licensee; the existing value of the invention to the licensor as a generator of sales of his non-patented items; and the extent of such derivative or convoyed sale (Limited)
- Factor 7: The duration of the patent and the term of the license (Minimized)
- Factor 8: The established profitability of the product made under the patent, its commercial success; and its current popularity (Limited)

## Hypothetical Negotiation: Georgia Pacific Considerations

- Factor 9: The utility and advantages of the patent property over the old modes or devices, if any, that had been use for working similar results
- Factor 10: The nature of the patented invention; the character of the commercial embodiment of its as owned and produced by the licensor; and the benefits to those who have used the invention
- Factor 11: The extent to which the infringer has made use of the invention; and any evidence probative of the value of that use (Limited)
- Factor 12: The portion of the profit or of the selling price that may be customary in the particular business or in the comparable businesses to allow for the use of the invention or analogous inventions (Limited)
- Factor 13: The portion of the realized profit that should be credited to the invention as distinguished from the non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer (Limited)
- Factor 14: The opinion testimony of qualified experts
- Factor 15: The amount that a licensor and a licensee would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement

## Applying the RAND Framework

- Motorola's H.264 and 802.11 SEPs were found to be relatively unimportant to Microsoft's products
- As indicators of RAND rates, Microsoft's comparables (SEP pools) were found to be more persuasive than Motorola's comparables (license agreements executed under threat of litigation)
- The court-determined RAND royalty rates:
  - For Motorola's H.264 SEP portfolio
    - lower bound: 0.555 cents per unit
    - upper bound: 16.389 cents per unit
    - Microsoft's rate: 0.555 cents per unit
  - For Motorola's 802.11 SEP portfolio
    - lower bound: 0.8 cents per unit
    - upper bound: 19.5 cents per unit
    - Microsoft's rate: 3.471 cents per unit

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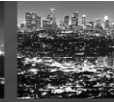
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