

CLIENT ALERT

ITC Rules for Samsung; Bans Imports and Sales of Older Models of Apple's iPhone and iPad

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The U.S. International Trade Commission issued an unexpected victory for Samsung in its longstanding patent battle with Apple when it granted Samsung's request for an import ban on older Apple iPhone and iPad devices found to infringe one of Samsung's standard-essential patents (SEP). The Commission's ruling on June 4th vacated an Initial Determination by Administrative Law Judge Gildea, which found no infringement by Apple.

The ITC ruling bans imports and sales of Apple's iPhone 4, iPhone 3GS, iPhone3, iPad 2 3G, and iPad 3G models configured for the AT&T network within the United States. The exclusion and cease and desist orders will go into effect unless they are vetoed by the White House during the 60-day Presidential Review period or are stayed pending appeal to the U.S. Court of Appeals for the Federal Circuit. Apple immediately issued a statement about its plan to appeal the ruling.

The ruling in this investigation was highly anticipated by the wireless and tech industries because Samsung was asserting SEP patents which it was obligated to license under fair, reasonable and non-discriminatory terms (FRAND). The patented technology was essential to implementing the UMTS telecommunications standard adopted by the European Telecommunications Standards Institute (ETSI). This was the third investigation that the ITC had requested written submissions from the parties and the public on the following issue: "[d]oes the mere existence of a FRAND undertaking with respect to a particular patent preclude issuance of an exclusion order based on infringement of that patent?" Public comments were submitted in the three investigation by a number of organizations, including Federal Trade Commission, Cisco Systems, Hewlett Packard, Motorola Mobility, Sprint Spectrum, Qualcomm, and RIM, to name a few.

In an earlier investigation between Motorola Mobility and Microsoft, the FTC submitted the following comments on this very same issue to the Commission: "ITC issuance of an exclusion order or cease and desist order in matters involving RAND-encumbered SEPs, where infringement is based on implementation of standardized technology, has the potential to cause substantial harm to U.S. competition, consumers and innovation." The FTC's concern is that the threat of an exclusion order could allow a patentee to obtain unreasonable licensing terms despite its FRAND commitment. It urged the ITC to consider the impact on the "competitive conditions and United States consumers" in cases involving FRAND-encumbered SEPs. In that case, Motorola Mobility moved to terminate the investigation as to the FRAND-encumbered patents.

Despite the strong public opposition, the ITC held that neither Samsung's FRAND declarations to the standards body, nor the public interest factors enumerated in Section 337 (d)(1) and (f)(1), preclude the issuance of the limited exclusion order and cease and desist order in this investigation. The commission determined that Apple failed to prove an affirmative defense based on Samsung's FRAND declarations. However, it found there was no infringement of Samsung's three other patents in the dispute.

Although the yet unreleased public version of the Commission's opinion will shed more light on the rationale behind its decision to issue the exclusion order despite Samsung's FRAND licensing obligations, it appears for now that the Commission's view of its authority to issue injunctive relief remains largely unchanged. If a respondent wants to continue importing its products, it will

have to demonstrate that the exclusion of the products would have a negative impact on U.S. consumers or on competitive conditions within the U.S.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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