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7 CONVERSANT WIRELESS LICENSING
8 S.A.R.L.,,
9 Plaintiff,
10 v.
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12 APPLE, INC.,
13 Defendant.
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16 Case No.15-cv-05008-NC
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19 **ORDER GRANTING**
20 **DEFENDANT'S MOTION FOR**
21 **A FINDING OF**
22 **UNENFORCEABILITY OF U.S.**
23 **PATENT NO. 6,477,151**

24 Re: Dkt. No. 547
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29 On remand from the Federal Circuit, defendant Apple, Inc. moves for a finding of
30 unenforceability of U.S. Patent No. 6,477,151 (“151 patent”) held by plaintiff Conversant
31 Wireless Licensing S.A.R.L. *See* Dkt. No. 547. The Court must address a single, narrow
32 issue: whether some inequitable consequence flowed from Nokia’s failure to disclose its
33 intellectual property rights before a standard setting organization. If so, the Court must
34 apply the doctrine of implied waiver and find the ‘151 patent unenforceable. For the
35 reasons stated below, the Court GRANTS Apple’s motion.

36 **I. Background**

37 **A. Procedural History**

38 In December 2016, the Court held an eight-day jury trial. *See* Dkt. Nos. 406, 465.
39 The jury returned a verdict for Conversant, finding that Apple infringed on both the ‘151
40 patent and the ‘536 patent. *See* Dkt. No. 466. The Court denied Apple’s post-trial motions

1 challenging the jury’s verdict, its award of damages, and motion for unenforceability. *See*
2 Dkt. No. 501.

3 Apple appealed. *See* Dkt. No. 506. On appeal, the Federal Circuit affirmed in part,
4 reversed in part, and vacated in part. *See* Dkt. No. 528; *see also Core Wireless Licensing*
5 *S.A.R.L. v. Apple, Inc.*, 899 F.3d 1356 (Fed. Cir. 2018).¹ Relevant here, the Federal Circuit
6 affirmed the jury’s verdict as to Apple’s infringement of the ‘151 patent, but remanded to
7 this Court on the single issue of “whether Nokia or [Conversant] inequitably benefited
8 from Nokia’s failure to disclose, or whether Nokia’s conduct was sufficiently egregious to
9 justify finding implied waiver without regard to any benefit that Nokia or [Conversant]
10 may have obtained as a result of that misconduct.” *Core Wireless*, 899 F.3d at 1368–69.

11 **B. Factual Background²**

12 U.S. Patent No. 6,477,151 (‘151 patent) describes a method in which mobile
13 devices communicate with base stations. *See id.* at 1358. Specifically, the ‘151 patent
14 describes a method of synchronizing base stations with mobile devices using “continuous”
15 transmissions from a base station to a mobile device. *See id.* at 1362. Jarkko Oksala, a
16 Nokia employee, is the named inventor of the ‘151 patent. *Id.* at 1365. In 2011, Nokia
17 assigned the ‘151 patent to Conversant. *See* Trial Tr. at 591:11–592:4.

18 In 1997 and 1998, the European Telecommunications Standards Institute (“ETSI”),
19 a standards-setting organization (“SSO”), was considering proposals to modify the General
20 Packet Radio Service (“GPRS”) standard used in telecommunications. *See id.* ETSI
21 required its members, which included Nokia, to “use its reasonable endeavours to timely
22 inform ETSI of essential IPRs [intellectual property rights] it becomes aware of.” *Id.* The
23 purpose of this disclosure requirement “was to permit the standards-setting decisionmakers
24 to make an informed choice about whether to adopt a particular proposal.” *Id.* at 1367.
25 ETSI members were required to disclose their patents and patent applications on particular

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27 ¹ While this appeal was pending, Core Wireless Licensing S.A.R.L. was renamed to
28 Conversant Wireless Licensing S.A.R.L. *See* Dkt. No. 592 at 1.

² This factual background is largely drawn from the Federal Circuit’s panel opinion.

1 technology at the time they make a proposal, regardless whether that proposal is ultimately
2 adopted. *Id.*

3 On November 4, 1997, Oksala prepared an invention report for Nokia describing
4 the synchronization method that would ultimately become the ‘151 patent. *Id.* at 1365; *see*
5 *also* DX0115. Nokia submitted Oksala’s invention to ETSI for consideration in
6 connection with the GPRS standard. *Id.* At the same time, Nokia filed a Finnish patent
7 application based on that same invention. *Id.*

8 ETSI rejected Nokia’s proposal in January 1998. *Id.* Instead, ETSI adopted a
9 similar proposal by Ericsson, which described the same synchronization method except
10 that it made the method “optional.” *Id.* In July 2002, Nokia finally disclosed to ETSI the
11 Finnish patent application and its related U.S. patent application. *Id.*

12 **II. Legal Standard**

13 Even when a patent is otherwise valid, “[a] member of an open standard setting
14 organization may . . . have impliedly waived its right to assert infringement claims against
15 standard-compliant products.” *Hynix Semiconductor Inc. v. Rambus Inc.*, 645 F.3d 1336,
16 1347–48 (Fed. Cir. 2011) (quoting *Qualcomm Inc. v. Broadcom Corp.* (“*Qualcomm II*”),
17 548 F.3d 1004, 1019 (Fed. Cir. 2008)); *see also* *Core Wireless*, 899 F.3d at 1365.

18 To succeed on an implied waiver claim in the SSO context, the accused infringer
19 must first show by clear and convincing evidence that: “(1) the patentee had a duty of
20 disclosure to the standard setting organization, and (2) the patentee breached that duty.”
21 *Hynix*, 645 F.3d at 1348. Because implied waiver is an equitable defense, however, the
22 doctrine “may only be applied in instances where the patentee’s misconduct resulted in
23 [an] unfair benefit.” *Core Wireless*, 899 F.3d at 1368 (quoting *Therasense, Inc. v. Becton,*
24 *Dickinson & Co.*, 649 F.3d 1276, 1292 (Fed. Cir. 2011) (en banc)). Alternatively, implied
25 waiver may also be found in cases of “egregious misconduct sufficient to justify the
26 sanction of unenforceability of the patent at issue.” *Id.*

27 **III. Findings of Fact and Conclusions of Law**

28 On appeal, the Federal Circuit held that Nokia “had a duty to disclose its IPR no

1 later than June 1998 [and] its later disclosure was clearly untimely and not sufficient to
2 cure the earlier breach of its duty.” *Id.* Thus, the only question remaining is whether
3 “inequitable consequence flowed from Nokia’s failure to disclose its patent application”
4 such that the doctrine of implied waiver should prevent enforcement of the ‘151 patent. *Id.*
5 Specifically, this Court must decide “whether Nokia or [Conversant] inequitably benefited
6 from Nokia’s failure to disclose, or whether Nokia’s conduct was sufficiently egregious to
7 justify finding implied waiver without regard to any benefit that Nokia or [Conversant]
8 may have obtained as a result of that misconduct.” *Id.* at 1368–69.

9 **A. Egregious Misconduct**

10 Apple argues that Nokia’s failure to disclose its IPR to ETSI was sufficiently
11 egregious to justify implied waiver. Apple identifies three categories of evidence
12 supporting their conclusion: (1) Nokia’s motivation for patenting Oksala’s invention; (2)
13 the timing of Nokia’s patent filing and ETSI proposal; and (3) Nokia’s delay in finally
14 disclosing its IPR. *See* Dkt. No. 547-3.

15 Because “[i]mplied waiver is an equitable doctrine, [it] ‘hinges on basic fairness.’”
16 *Core Wireless*, 899 F.3d at 1368. As a result, “the remedy imposed by a court of equity
17 should be commensurate with the violation.” *Id.* (quoting *Columbus Bd. of Educ. v.*
18 *Penick*, 443 U.S. 449, 465 (1979)). Thus, it is not enough that Nokia committed
19 misconduct; that misconduct must be “sufficiently egregious.” *Id.* at 1369.

20 There is no bright-line rule for what constitutes “sufficiently egregious”
21 misconduct. *Cf. Therasense*, 649 F.3d at 1293 (“equitable doctrines require some measure
22 of flexibility”). *Therasense* provides a useful starting point. *Cf. Core Wireless*, 899 F.3d
23 at 1368 (citing *Therasense*). There, the Federal Circuit “recognize[d] an exception” to the
24 general rule that the defense of inequitable conduct required but-for proof of materiality
25 “in cases of affirmative egregious misconduct.” *Therasense*, 649 F.3d at 1292. The court
26 derived that exception from early Supreme Court cases dealing with the doctrine of
27 unclean hands involving perjury, bribery, and manufacture and suppression of evidence.
28 *Id.* at 1292–93 (citing *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S.

1 806, 816 – 20 (1945); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 240
2 (1944); *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 243 (1933)); *see also*
3 *Apotex Inc. v. UCB, Inc.*, 763 F.3d 1354, 1362 (Fed. Circ. 2014) (finding “particularly
4 significant and inexcusable the fact that [the inventor] arranged for the preparation and
5 submission of an expert declaration containing false statements instrumental to issuance of
6 the patent.”). This exception was necessary to give courts sitting in equity “sufficient
7 flexibility to capture extraordinary circumstances.” *Id.* at 1293.

8 As explained above, the Federal Circuit found that Nokia “had a duty to disclose its
9 IPR no later than June 1998 [and] its later disclosure was clearly untimely and not
10 sufficient to cure the earlier breach of its duty.” *Core Wireless*, 899 F.3d at 1368. Thus,
11 Nokia’s failure to disclose its IPR was misconduct. The Court FINDS, however, that
12 Nokia’s misconduct was not egregious or extraordinary.

13 As *Therasense* and its progeny make clear, egregious misconduct is a high bar.
14 Misconduct is “egregious” in cases where the patent holder or applicant makes affirmative
15 false statements or otherwise attempts to actively mislead relevant decision-makers. *See,*
16 *e.g.*, *Apotex*, 763 F.3d at 1362; *Intellect Wireless, Inc. v. HTC Corp.*, 732 F.3d 1339, 1343–
17 44 (Fed. Cir. 2013) (“[F]iling a false affidavit is exactly the sort of ‘affirmative act[] of
18 egregious misconduct’ that renders the misconduct ‘material.’”). Here, by contrast, Nokia
19 made no similarly false statements, but simply failed to disclose its IPR. *Cf. Skedco, Inc.*
20 *v. Strategic Operations, Inc.*, 287 F. Supp. 3d 1100, 1144 n.15 (D. Or. 2018) (questioning
21 application of “egregious misconduct” exception to cases of omission).

22 Apple points to Oksala’s invention report as evidence of egregiousness. That report
23 shows that Oksala’s manager did not initially view Oksala’s invention as high-value and
24 did not recommend Nokia pursue a patent. *See* DX0115 at 4. However, Nokia
25 nonetheless applied to patent Oksala’s invention and that method was ultimately adopted
26 by ETSI, not through Nokia’s efforts, but through *Ericsson*’s proposal. It may well be that
27 Nokia simply disagreed with Oksala’s manager’s initial assessment. After all, Ericsson
28 seemingly arrived at a similar method and deemed it sufficiently worthy of consideration

1 to include in their own ETSI proposal. Put simply, Apple has not shown by clear and
2 convincing evidence that Nokia had an improper motive when it applied to patent and
3 propose to ETSI Oksala's invention despite the initially lukewarm assessment of the
4 invention.

5 Likewise, Apple has not shown by clear and convincing evidence that Nokia's
6 simultaneous patent application and ETSI proposal was nefarious and not merely
7 convenient. Oksala's invention report was created on November 4, 1997. *See* Trial Tr. at
8 232:14–19. Nokia applied to patent that invention a week later on November 11, 1997
9 (*see* DX0076 at 2), and submitted its ETSI proposal that same week (*see* Trial Tr. at
10 1426:23–1427:3). It is unclear, however, why this timing is suspicious and Apple offers
11 no evidence to explain.

12 Closer to the mark is Nokia's four-year delay in disclosing its IPR. But Apple has
13 not shown by clear and convincing evidence that this delay was egregious. *Qualcomm*
14 provides a useful comparison. *See Qualcomm, Inc. v. Broadcom Corp.* ("*Qualcomm I*"),
15 539 F. Supp. 2d 1214 (S.D. Cal. 2007) *aff'd in part & rev'd in part by Qualcomm II*, 548
16 F.3d at 1022, 1026 (affirming district court's finding of implied waiver, but vacating the
17 scope of the district court's unenforceability remedy).

18 There, the district court applied the implied waiver doctrine to render Qualcomm's
19 video compression patents unenforceable. *Qualcomm II*, 548 F. 3d at 1008. The court
20 found "that Qualcomm and its employees orchestrated a plan to ignore Qualcomm's duty
21 to disclose [its] patents to the JVT[,]” the SSO responsible for the standard in question.
22 *Qualcomm I*, 539 F. Supp. 2d at 1228. In particular, the court documented extensive
23 communications between various Qualcomm employees conspiring to "extend"
24 Qualcomm's patents to cover the standard at issue when the patents "almost exclusively"
25 referred to different material. The court also noted communication by Qualcomm
26 employees recommending that Qualcomm "lobby[] [its] technology in the appropriate
27 forums." *Id.* at 1228–29. Moreover, Qualcomm failed to disclose its patents to the SSO
28 until after it initiated its lawsuit against Broadcom. *Id.* at 1228.

1 By contrast, there was no similar evidence here. While Qualcomm conspired to
2 “extend” its pre-existing patents, which, in the words of its own employees, covered
3 “almost exclusively” different material, Nokia sought to patent a wholly new invention.
4 Qualcomm’s manipulation of its intellectual property made its nondisclosure particularly
5 exceptional and therefore egregious. But here, Apple’s characterization of Nokia’s
6 motivation to patent Oksala’s invention as nefarious is not persuasive. There simply is not
7 clear and convincing evidence of egregiousness.

8 Apple also cites *Momenta Pharmaceuticals, Inc. v. Amphastar Pharmaceuticals, Inc.*, 298 F. Supp. 3d 258 (D. Mass. 2018) in support of its position. *Momenta* is likewise
9 distinguishable. First, the Court notes that *Momenta* did not specifically address the
10 implied waiver doctrine’s equitable considerations. *See id.* at 264 (describing two-pronged
11 test for implied waiver requiring duty and breach). It is not clear whether the district court
12 applied implied waiver because *Momenta* engaged in egregious misconduct or because it
13 obtained an unjust benefit. In any case, *Momenta* engaged with more egregious facts.
14

15 *Momenta* held a patent in “a set of manufacturing quality control processes that
16 ensure that each batch of generic enoxaparin[,]” drug used to prevent blood clots, includes
17 specific sugar chains. *Id.* at 262. When the United States Pharmacopeia (“USP”) sought
18 to incorporate *Momenta*’s patented method into the standard for formulating enoxaparin,
19 *Momenta* not only failed to disclose its ownership of the patent, but also “asked the USP to
20 request that [a different pharmaceutical company] affirmatively abandon its patent that
21 might cover [the standard] instead of simply allowing it to lapse.” *Id.* at 267. Similar
22 evidence is not present here.

23 In short, Nokia’s failure to disclose its IPR to ETSI was undoubtedly misconduct.
24 But that misconduct does not clearly and convincingly rise to the level of “affirmative
25 egregious misconduct” required. *Therasense*, 649 F.3d at 1292.

26 **B. Inequitable Benefit**

27 Apple next argues that Conversant obtained unjust benefits from Nokia’s
28 misconduct, justifying unenforceability under the implied waiver doctrine. In particular,

1 Apple contends that Conversant obtained benefits in the form of licensing fees and by
2 increasing its leverage over industry participants who must produce standards-compliant
3 products. *See* Dkt. No. 547-3.

4 “[I]n some circumstances courts have held that an equitable defense will not be
5 recognized if the offending party did not gain a benefit from its wrongdoing.” *Core*
6 *Wireless*, 899 F.3d at 1368 (citing *Therasense*, 649 F.3d at 1292). Because the implied
7 waiver doctrine can render a patent unenforceable, the doctrine “should only be applied in
8 instances where the patentee’s misconduct resulted in [an] unfair benefit.” *Id.* (quoting
9 *Therasense*, 649 F.3d at 1292) (alterations in original). If the patentee obtained “an unjust
10 advantage” or “an undeserved competitive advantage,” the implied waiver doctrine may
11 justify a sanction of unenforceability of the patent at issue. *Id.*

12 Here, Nokia and Conversant have obtained such an unfair competitive advantage.
13 The ‘151 patent became standards-essential when ETSI incorporated the method into the
14 GPRS standard, allowing Conversant to extract licenses from industry participants. At
15 trial, John Lindgren, Conversant’s CEO, testified that Conversant licensed the ‘151 patent
16 as part of its patent portfolio to numerous third parties, including Microsoft, Sony, and
17 Ericsson. *See* Trial Tr. at 606:18–23. And Nokia’s patent licensing offer to Apple states
18 that its essential patent families, which includes the ‘151 patent, commands substantial
19 royalties. *See* PX0560 at 1–3. This undeserved competitive advantage is further bolstered
20 by the fact that the ‘151 patent is essential. *Cf. Core Wireless*, 899 F.3d at 1367 (“[T]here
21 is no ground for dispute that Nokia’s proposal, if adopted, would have made [the ‘151]
22 patent standards-essential.”). As Lindgren recognized, “[s]tandards-essential patents
23 cannot be ‘designed around’ and must be licensed by anyone using the standard.” *See*
24 PX0561 at 21.

25 Conversant raises several arguments against a finding of an inequitable benefit.
26 First, Conversant argues that its ‘151 patent is not essential because ETSI did not accept
27 Nokia’s proposal and incorporated Ericsson’s proposal instead. The Federal Circuit,
28 however, all but held that the ‘151 patent was essential to the GPRS standard. “Oksala . . .

1 explained the difference between [Nokia's] proposal and Ericsson's by pointing out that
2 Ericsson's proposal is different only because it made his idea 'optional.'" *Core Wireless*,
3 899 F.3d at 1367. The patented method, however, was only optional for base stations;
4 mobile devices were required to have the capability to operate in accordance with the
5 patented method. Indeed, the jury found, and the Federal Circuit affirmed, that Apple's
6 devices infringed the '151 patent because they were configured to operate in accordance
7 with the patented method. As the Federal Circuit explained:

8 "[I]nfringement is not avoided merely because a non-infringing mode of
9 operation is possible." *z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340,
10 1350 (Fed. Cir. 2007); *see also VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d
11 1308, 1322 (Fed. Cir. 2014). To take a simple example, a patent that claims
12 an automobile configured to operate in third gear would be infringed by an
13 automobile that is configured to operate in first, second, and third gears. The
14 automobile is at all times configured to operate in any one of its possible
15 gears, including the infringing one, even if the automobile is never driven in
16 the infringing gear. Similarly, claim 14 [of the '151 patent] is satisfied as
17 long as Apple's devices are configured to operate in a mode that receives a
18 TAV only once per multi-frame structure and uses it for all channels.

19 *Id.* at 1363. In short, the '151 patent was essential because industry participants must
20 design their devices to be compatible with the patented method. *Cf. Momenta*, 298 F.
21 Supp. 3d at 268 ("[T]he fact that the jury found that the [defendant] . . . infringe[d] the . . .
22 patent supports an inference that use of the invention disclosed by the . . . patent
23 'reasonably might be necessary to comply with [the standard].'").

24 Next, Conversant argues that its commitment to fair, reasonable, and non-
25 discriminatory ("FRAND") licensing of its patents means that it could not have obtained
26 an inequitable benefit. The Court disagrees; whether Conversant offered FRAND terms is
27 beside the point. The issue is whether Conversant should have been able to request a
28 license at all. A FRAND license may be inequitable if the licensing party was forced to

1 obtain the license. *Cf. Qualcomm II*, 548 F.3d at 1021 (“Forcing a party to accept a license
2 and pay whatever fee the licensor demands . . . are significant burdens.”). If the ‘151
3 patent was not essential, third parties may not have been required to obtain a license,
4 regardless whether the license was on FRAND terms.

5 Third, Conversant argues that Apple failed to specifically trace any licensing
6 revenue to the ‘151 patent. This argument is unpersuasive. Lindgren testified at trial that
7 “it is rare for companies to take licenses to individual enumerated patents.” Trial Tr. at
8 607:1–2. Requiring proof that a particular patent conferred specific monetary benefits
9 would ignore that common practice. Rather, the Court infers from the fact that Conversant
10 specifically identified the ‘151 patent for enforcement that the ‘151 patent has significant
11 worth. Furthermore, the benefit conferred by the ‘151 patent was not limited to licensing
12 revenue. As Nokia recognized, the value of each standards-essential patent lay not only in
13 revenue attributable to it, but also in increasing Nokia’s leverage by bolstering its patent
14 portfolio. *See* PX0603 at 7.

15 Finally, Conversant asserts that Apple has not met their burden because they failed
16 to connect their nondisclosure with the inequitable benefit. Such but-for proof, however, is
17 not required. Nokia’s failure to disclose its IPR deprived ETSI members the opportunity
18 to make a fully informed decision as to the technical solution for the GPRS standard. *See*
19 *Core Wireless*, 899 F.3d at 1366. Nokia and Conversant cannot now “rely on the effects of
20 its misconduct to shield it from the application of the equitable defense of implied waiver.”
21 *Qualcomm II*, 548 F.3d at 1021. In any case, Dr. Michael Walker, former Chairman of the
22 Board of ETSI, testified that ETSI members are incentivized to choose technical solutions
23 that are free of licensing costs. *See* Trial Tr. at 1420:2–14. Dr. Walker’s testimony
24 suggests that, had Nokia disclosed its IPR, there was a reasonable possibility that the ‘151
25 patent would not have been incorporated into the GPRS standard.

26 In sum, although Nokia’s conduct before ETSI was not egregious, Nokia’s failure to
27 disclose its IPR allowed Nokia and Conversant to inequitably benefit from that
28 misconduct.

1 **C. Scope of Remedy**

2 Unenforceability remedies must be “properly limited in relation to the underlying
3 breach.” *Qualcomm II*, 548 F.3d at 1026. In the SSO context, unenforceability remedies
4 must be limited to the relevant standards. *See id.* at 1026.

5 The ‘151 patent was incorporated into the GPRS standard as a result of Nokia’s
6 nondisclosure. Accordingly, the Court FINDS that Conversant has implicitly waived its
7 rights to enforce the ‘151 patent against products practicing the GPRS standard.

8 **IV. Conclusion**

9 The Court GRANTS Apple’s motion for unenforceability. The Court FINDS that
10 Conversant has implicitly waived its rights to enforce the ‘151 patent and its continuations,
11 continuations-in-part, divisions, reissues, or any other derivatives of the ‘151 patent against
12 products practicing the GPRS standard, including the accused Apple products.

13 **IT IS SO ORDERED.**

14
15 Dated: May 10, 2019



16 NATHANAEL M. COUSINS
17 United States Magistrate Judge