

ERICSSON, INC. v. D-LINK SYSTEMS, INC., Appeal Nos. 2013-1625, -1631, -1632, -1633. (Fed. Cir. December 4, 2014). Before O'Malley, Taranto and Hughes. Appealed from E.D. Tex. (Judge Davis).

Background:

Ericsson sued D-Link, alleging infringement of three patents related to Wi-Fi technology employed by electronic devices to wirelessly access the Internet. Ericsson alleged that all of the patents at issue were essential to the Wi-Fi standard.

The jury found that D-Link infringed the patents, that none of the infringed claims were invalid, and awarded Ericsson about \$10 million in damages, roughly 15 cents per device. After post-trial motions, the district court upheld the infringement and validity findings and refused to grant a new trial based on allegedly deficient jury instructions regarding Ericsson's "reasonable and non-discriminatory" (RAND) licensing obligations. D-Link appealed.

Issues/Holdings:

1) Did the district court err in instructing the jury regarding Ericsson's RAND obligations? 2) Did the district court err in failing to properly instruct the jury that the value of the royalty must be distinguished from the value of the standard as a whole, and from any value added by standardization of the invention? Yes on both issues, remanded, with damages award vacated.

Discussion:

The district court included all 15 of the *Georgia-Pacific* damages factors in its damages instruction to the jury, over objection, without considering their relevance to the record created at trial. In a case involving RAND-encumbered patents, many of the *Georgia-Pacific* factors are not relevant or even contrary to RAND principles. The Federal Circuit found that the district court erred by instructing the jury on multiple *Georgia-Pacific* factors not relevant or misleading on the record before it.

The district court instructed the jury to consider "Ericsson's obligation to license its technology on RAND terms." The Federal Circuit also found that the district court erred in this instruction by not instructing the jury about Ericsson's actual RAND commitment, because RAND terms vary from case to case. A RAND commitment limits the market value to the patented technology, so the court must inform the jury as to what commitments have been made, and of the obligation (not just option) to take those commitments into account when determining a royalty award.

As with all patents, the royalty rate for standard essential patents must be apportioned to the value of the patented invention. The Federal Circuit found that the district court erred in not instructing the jury to apportion the patented technology from the value of the standard as a whole. Additionally, the Federal Circuit found that the district court erred by not instructing the jury that the royalty must be based on the value of the patented feature, not on any value added by adoption of the patented technology as part of a standard.