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## Standard Essential Patents in Italy: a review of the existing case law

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SEP-related case law in Europe is regularly reported in this blog, and other European platforms. Decisions of courts in UK, Germany, France and the Netherlands on FRAND royalties, anti-suit injunctions, anti-anti-suit injunctions, declarations of essentiality and other SEP issues are often thoroughly commented upon. This is not the case of Italian SEP case law. While being the third-largest economy in the European Union, Italy does not receive the same attention as other countries when it comes to analysing SEPs and their implications on competitive markets. This is also probably due to the fact that the number of SEP cases is lower than in other jurisdictions, with the latest reported decision being released in July 2015.

This blogpost wants to fill that gap. It briefly summarises the four SEP cases which three Italian courts (in Genova, Trieste and Milan), adjudicated in the latest decade and beyond.

**Court of Genoa, May 2004 - *Koninklijke Philips Electronics N.V. vs Computer Support Italcad Srl, Princo Corporation Ltd and Gigastorage Corp.***

This was a summary proceedings started by Philips, owner of standard essential patents EP 89201206 and EP 89200094, covering technology for writing and overwriting on CD-Rs (Compact Disc Recordable, i.e. discs that can be written only once) and CD-RWs (Compact Disc Re-writable, i.e. discs that can be written multiple times). The Dutch multinational asked for an injunction against Computer Support Italcad Srl, Princo Corporation Ltd and Gigastorage Corp, which manufactured and marketed CDs. Philips argued that such CDs fell within the scope of the claims.

While the court acknowledged that a SEP owner is generally able to use and enforce its patents to extract economic profits, it also noted that refusing to license SEPs on FRAND terms may amount to abuse of a dominant position. Yet, this was not the case in those specific circumstances, with the court therefore granting the injunction. Indeed, the defendants could not be considered willing licensees. Quite the contrary: they had not even asked for a licence. As the court noted,

- “even if there is an obligation to contract, it cannot - of course - be assumed that

*there has been a breach of that obligation in the absence of an application by the party concerned”.*

**Court of Trieste, August 2011** - *Telefonaktiebolaget L.M. Ericsson vs Onda Communication Spa*

This summary proceeding was started by Ericson, the owner of the Italian portion of standard essential patents EP 1008141, EP 1114415, EP 0578810 and EP 1153494, covering technologies related to the use of GPS and UMTS systems for mobile phones. Ericson asked for an injunction and seizure orders against Onda Communication, an Italian cellular phone manufacturer, which - Ericsson claimed - infringed its patents. After the first hearing the defendant offered to pay a licence fee of around € 57,000. Ericsson refused the offer arguing that the proposal was not FRAND.

The court considered that in general SEP owners may abuse their dominant position if they refuse to grant implementers a FRAND licence. Specifically, the court acknowledged that negotiations had been intense and that the defendant had offered to pay a significant amount as royalty (the court did not enter into the details of determining a FRAND royalty, which would have been dealt with in the proceedings on the merits). Also taking into account that the defendant's offer was serious, the judge found injunction and seizure orders to be disproportionate, and refused to grant them.

**Court of Milan, January 2012** - *Samsung Electronic Co. Ltd and Samsung Electronic Italia Spa vs Apple Inc., Apple Italia Srl, Apple Retail Italia Srl and Apple Sales International*

This case was about a SEP invention covering technology related to the telecommunications system 3G/UMTS (it was the Italian portion of EP 1188269). The SEP owner Samsung claimed that Apple produced smartphones (the iPhone 4s), which incorporated technology allegedly falling within the patent's claims, and asked for an injunction. Before the proceedings, the parties had unsuccessfully conducted negotiations with a view to entering into a licence agreement.

First, the Court of Milan generally highlighted the importance of enforcing SEPs in a way which does not unfairly affect competitors, because general interests, such as guaranteeing a competitive market and the incentive to cultural and scientific progress, would be jeopardised. Exploiting SEPs in such a way, and in particular imposing on implementers extremely onerous terms and conditions - the court noted - would amount to an "abuse of rights".

The court then took in due account the fact that Apple had put efforts in the negotiations and tried to obtain a licence from Samsung. As found by the Court of Trieste in *Ericsson v Onda*, the Milan Court held that the implementer (here Apple) was a willing licensee, and thus refused to issue the injunction. Specifically, it pointed out that *"an injunction sought on the ground of a Standard Essential Patent cannot be granted if the party against whom it is requested has shown through serious negotiations the intention to obtain a license on that patent"*.

**Court of Milan, July 2015** - *Ical Spa, Italvideo International Srl and Cardmania*

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*Multimedia Srl vs Rovi Guides Inc., United Video Properties Inc.*

Ical, Italtel International and Cardmania were involved in the production and commercialisation of electronic products, among which decoders. They brought proceedings against the US companies Rovi Guides, which offered a digital entertainment advertising platform for advertisers, and United Video Properties. They asked the court to invalidate the Italian portion of the defendants' EP 0755417 covering the so-called "Electronic Programming Guides System", a standard technology aimed at providing television users with continuously updated menus that display scheduling information for current and upcoming broadcast programming. The patent was owned by United Video and licensed to Rovi Guides.

In the alternative, Ical, Italtel and Cardmania asked the judge to determine the FRAND royalty. They also demanded the defendants to be condemned for abuse of a dominant position due to their refusal to grant a licence in FRAND terms. The above implementers indeed claimed that the royalties required by the defendants were significantly higher than the average royalties in the specific market.

Subsequently, Ical, Cardmania and Italtel asked the court by way of summary proceedings for a declaration of non-infringement of the Italian portion of EP 0755417. In a second parallel urgent proceedings, started by Rovi and United Video Properties, the latter demanded the court to grant injunction and seizure orders against Ical, Cardmania and Italtel. The Court of Milan granted the orders because the latter companies had started exploiting the patented technology without asking for a license, nor trying to start serious negotiations with Rovi and United Video Properties. The court also pointed out that SEP offers should be proposed by implementers before starting a legal action.

However, at the end of the proceedings on the merits (in the meantime Ical had abandoned the case), the Court of Milan declared the Italian portion of the patent void. It also found that the patent was not standard essential, as the requirements necessary to classify the patent as standard essential were not met. More specifically, the court noted that, as the technology covered by the patent was described as merely "recommendable", "it could be assumed that such functionality was not necessary, but only optional, even where it brings an undoubted advantage to the user". In light of this finding, as the patent in question was not essential, the court obviously also rejected the implementers' claims of abuse of dominant position.

## **Conclusion**

What does Italian SEP case law teach us? While in one case the SEP owner (Philips) prevailed as the implementers could not be considered willing licensees, in the other three decisions implementers won.

Particularly relevant - we believe - are the decisions of the Court of Milan in 2012 in *Samsung v Apple* and in 2015 in *Ical et al. v Rovi Guides et al.* In the former it was noted that it is crucial to enforce SEPs in a way which is not abusive and does not jeopardise competition, taking into account the need to encourage cultural and scientific progress. The latter clearly highlighted the importance of relying on correct

declarations of essentiality. Indeed, accessing accurate information on the scale of exposure to SEPs is extremely important to users of standards, especially small and medium-sized enterprises that have little experience of licensing practices and enter the relevant markets looking for connectivity. This lack of transparency has negative consequences. As noted in the **European Commission's Communication of 29 November 2017**, several studies on important technologies demonstrate that, when strictly assessed, only between 10% and 50% of declared patents are really essential.

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