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Standard Essential Patents in Italy: a review of the existing case law (Part II)

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In April Enrico Bonadio, Luke McDonagh and Francesco Chierichetti [reported](#) in this blog four decisions in Italian SEP-related litigations. Since then, thanks to further research and inputs from friends and colleagues, we have come across some other unpublished decisions, which we want to highlight here.

Court of Turin, 4 April 2014 – *HTC Europe Co. Ltd., HTC Corporation et al. vs ICom GmbH & Co. KG*

ICom filed three criminal complaints against HTC in 2010, claiming that the latter had infringed six SEPs owned by or licensed to ICom. One of these complaints led to the seizure of several mobile devices in a department store in the Italian town of Macerata.

After the criminal complaints, HTC commenced an invalidity action before the Court of Turin. Specifically, it requested ICom's patent EP 1 841 268 ("EP268") to be cancelled, among other things on grounds of "added subject matter". HTC also asked the Court to declare that UMTS-compliant HTC mobile phones did not infringe the Italian portion of EP268 and that ICom's enforcement of EP268 in Italy, through several criminal complaints and seizures, was abusive.

Also, during the proceedings before the Court of Turin, the EPO partially revoked EP268. ICom, however, did not file the translation of the limited claims to the Italian Patent Office or to the Court. Therefore, the Court deemed that the case became largely moot. Yet, the Turin judges still discussed the full case to decide on the reimbursement of the legal fees.

The Court held that *(i)* the claims of EP268, as submitted in the case, would have been deemed

invalid on grounds of added subject matter; (ii) there was no evidence of the infringement, since ICom did not provide specimens or detailed technical documents on the accused HTC devices; and (iii) EP268 was actually not essential to the UMTS standard and therefore, assuming that HTC devices implemented the UMTS standard as provided by the ETSI Technical Specifications, they would not infringe the patent.

Finally, the Court rejected HTC's request to declare that the enforcement of EP268 through criminal complaints and seizures was abusive. The Court held that starting a criminal case instead of pursuing civil litigation was a legitimate choice of the patent holder. Moreover, at the time of filing, ICom's patents were valid and ICom had submitted foreign decisions which had found its SEP patents infringed.

Court of Milan, 21 September 2016 – *HTC Europe Co. Ltd., HTC Corporation vs ICom GmbH & Co. KG*

In parallel, HTC filed an invalidity action before the Court of Milan against the Italian portions of three patents covering various telecommunications technologies, i.e. EP 1 236 368 ("EP368"), EP 1 226 692 ("EP692") and EP 913 979 ("EP979"), owned by ICom. HTC also asked the Court to declare that its mobile phones that implement the UMTS and SAP standards do not infringe those patents. ICom counterclaimed for infringement, but only in relation to EP692, thus essentially waiving the infringement actions for EP368 and EP979.

Based on a lengthy technical report, the Court held that EP368 was partly invalid and not infringed. EP979 was found fully valid, but equally not infringed. EP692 was also found fully valid. The most debated issue thus concerned the potential infringement of the latter. ICom argued that since EP692 had been declared essential to the UMTS standard, any product that was compliant with that standard would "necessarily" infringe the patent. The Court of Milan, however, viewed things differently. It noted that declaring a patent as standard-essential to ETSI is a necessarily unilateral act of the SEP holder. ETSI itself specifies that it "cannot confirm, or deny, that the patents/patent applications are, in fact, essential, or potentially essential". Therefore, infringement must be ascertained on a factual and technical basis. In other words, there can be no "presumptive" infringement.

The Court further reviewed the UMTS technical specification at stake for EP692, noting that the technology covered by this patent was optional in standard-compliant products. Tests carried out on HTC phones confirmed that these devices were not capable of carrying out the steps of the patented invention and that, in any case, Italian telecommunication service providers did not require HTC devices to carry out the invention either. The Court thus concluded that EP692 was valid, but not infringed by HTC phones.

Court of Turin, 18 January 2016 – *Sisvel International S.A. vs ZTE Italy S.r.l. and Europhoto Trading S.r.l.*; appeal: **Court of Turin, 4 March 2016** – *Sisvel International S.A. vs ZTE Italy S.r.l. and Europhoto Trading S.r.l.*

On 10 December 2015, Sisvel started preliminary injunction proceedings before the Court of Turin, enforcing its European patent EP 1 264 504 (“EP504”) which was declared essential to the UMTS standard. EP504 was part of the “*Sisvel Wireless Patents*” portfolio, allegedly covering technical features of the GSM, GPRS, UMTS and LTE standards. The defendants were ZTE Italy, the Italian branch of smartphone manufacturer ZTE Corporation, and Europhoto, a reseller of ZTE devices based in Turin.

In December 2012, Sisvel informed ZTE Corporation – the defendant’s parent company – about its SEPs portfolio, arguing that its patents were implemented in ZTE devices and asking ZTE Corporation to enter into a license on FRAND terms. The companies negotiated for almost three years, but did not reach an agreement. Early in the negotiations, in 2013, Sisvel and ZTE Corporation entered into a non-disclosure agreement (“Agreement”), wherein Sisvel also agreed not to enforce its patent rights against ZTE Corporation and its affiliates for three years.

That said, the Court of Turin rejected Sisvel’s preliminary injunction request. Referring to the principles established by the CJEU in *Huawei* (C-170/13, decision of 16 July 2015), the Court noted that Sisvel had negotiated the potential FRAND license only with ZTE Corporation, the parent company. However, Sisvel had not informed ZTE Italy, the subsidiary, of the alleged patent infringement, of its intention to bring preliminary injunction proceedings, nor of the technical features covered by the patent claims that were considered essential to the telecommunications standards. It followed that, according to the Court, Sisvel did not meet the *Huawei* obligations vis-à-vis ZTE Italy and therefore could not be granted an injunction.

The Court of Turin added that, in any case, the covenant-not-to-sue included in the Agreement specifically prevented Sisvel from filing an infringement action against ZTE Corporation and its affiliates, including ZTE Italy. Although Sisvel had sent a letter to ZTE Corporation to unilaterally terminate the Agreement before the beginning of the proceedings, this termination was ineffective under a reasonable interpretation of the Agreement. Hence, the Court held, Sisvel could not bring an action concerning the “*Sisvel Wireless Patents*” portfolio against any of the ZTE companies until 3 September 2016 (i.e. three years after the Agreement was signed).

Finally, the Court issued a preliminary injunction against the other defendant, Europhoto. While Europhoto argued that they had stopped selling ZTE phones, the Court stressed that this was not sufficient to exclude the risk of a future infringement.

In the appeal proceedings, the Court of Turin – sitting in a Panel of three Judges – confirmed the first instance decision. The Court found once again that Sisvel had not validly terminated the Agreement. Therefore it was prevented from filing an action against ZTE based on the “*Sisvel Wireless Patents*” portfolio. The Court also noted that this interpretation of the Agreement was valid under both US law (i.e. the governing law) and Italian law.

Finally, at the discussion hearing before the Panel in the appeal proceedings Sisvel argued that one could also consider that EP504 was not essential to the UMTS standard and, therefore, Sisvel would not be bound to the *Huawei* principles on prior notice nor to the agreements signed in relation to such notice, such as NDAs. The Court of Turin firmly dismissed this argument stressing that Sisvel itself had declared that EP504 was an essential patent, and that it was ready to grant a license on it at FRAND terms.

It is also worth recalling that the EP504 patent has been litigated by Sisvel also in Germany against Haier. The case went up to the German [Supreme Federal Court](#), which confirmed that EP504 was valid and infringed on 24 November 2020.

Court of Milan, 31 October 2017 – *Sisvel S.p.A., Braü Verwaltungsgesellschaft mbH vs. Toshiba Europe GmbH*; appeal: **Court of Appeal of Milan, 14 April 2020**, *Sisvel S.p.A., Braü Verwaltungsgesellschaft mbH vs. Toshiba Europe GmbH*

For four years Sisvel and Toshiba negotiated a potential licence agreement on the European patent EP 595 790 (“EP790”) owned by the German company Braü and licensed to Sisvel. These negotiations failed in 2010. That year, a container with 700 Toshiba devices was seized at the La Spezia port by the Italian customs authority. The seizure was later extended to other products stored in a Toshiba warehouse.

In 2012 Sisvel introduced proceedings on the merits against Toshiba before the Court of Milan, asking the Court to declare that the defendant infringed the Italian portion of EP790. According to Sisvel, the devices manufactured and imported by Toshiba (TVs and video recorders) infringed the claims of EP790, which covered features regulated by the ETSI standard EN 300 294 entitled “Television systems; 625-line Television Wide Screen Signalling”.

The court-appointed expert however concluded that EP790’s priority was not correctly claimed and, therefore, the patent as filed was not novel. Sisvel and Braü filed a reformulated version of the claims, but the court-appointed expert held that, in the new wording, EP790 did not coincide with

the ETSI standard. In any case, Sisvel could not bring enough evidence to prove that Toshiba's TVs infringed the patent. The Court of Milan sided with the experts and rejected Sisvel's action. In April 2020 the Court of Appeal of Milan confirmed the first instance decision.

Court of Milan, 16 April 2020 – *Koninklijke Philips N.V. vs. ADB – Advanced Digital Broadcast S.A., ADB Italia S.r.l., ZAP S.p.a.*

In 2015 Philips sued ADB and ZAP before the Court of Milan claiming that the latter companies had infringed the Italian portions of EP 745 307 (“EP307”) and EP 754 393 (“EP393”) by producing and distributing the TV decoder “Set Top Box”. The defendants counterclaimed for invalidity and argued that EP307 and EP393 could not be considered SEPs.

Philips had formally declared to ETSI that EP307 and EP393 were essential patents to the DVB subtitling standard (EN 300 743). Philips also held an intense FRAND licensing campaign through VIS Licensing Corporation, but contacts with ADB never led to an agreement.

The Court declared both patents valid and infringed. As to the essentiality of EP307 and EP393, the Court found it did not have sufficient information to decide and sent back the case to the court-appointed expert, stressing that the overall compensation of damages would be affected by the qualification of the patents at stake as SEPs or not. There is currently no published decision on the essentiality prong of this case.

Conclusions

What these cases confirm is that in Italy implementers tend to be successful on the merits, when the validity, essentiality and infringement of the SEPs are at stake. Moreover, we can identify the following trends:

- The *Sisvel v. ZTE* decisions issued by the Court of Turin held that to satisfy the *Huawei* requirements set by the CJEU, SEP owners need to inform the defendant about the alleged infringement, providing the necessary technical information. If only the parent company is informed, it cannot be assumed that the affiliates also received such information.
- In all these cases, courts have asked court-appointed experts to review the infringement on the merits. In particular, the Court of Milan noted that SEPs may be essential, but in relation to portions of the standard that are only optionally implemented. The Court therefore took into account important features of standard-setting dynamics, wherein the “over-disclosure”

phenomenon – i.e. claiming essentiality for non-essential patents – is considered widespread.

- Customs and criminal seizures have been increasingly and successfully used by SEP patent holders and non-practicing entities in Italy. This is a legal weapon to attack implementers. Yet, it remains doubtful whether resorting to criminal law to scare implementers can be accepted as a fair competition tool.

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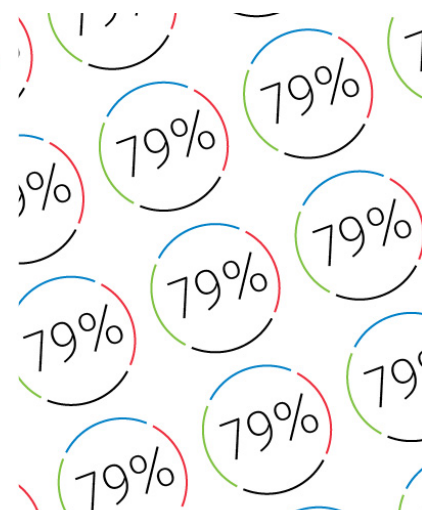
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