

Gilstrap Adds \$2.6M To Huawei's \$10.6M Patent Verdict

By **Dani Kass**

Law360 (March 19, 2019, 5:02 PM EDT) -- Huawei Technologies Co. Ltd. is now on the hook for more than \$13 million for willfully infringing five wireless and video patents after U.S. District Judge Rodney Gilstrap tacked \$2.6 million in enhanced damages on top of a jury's \$10.6 million verdict.

Judge Gilstrap released his final judgment Monday, granting the damages to patent licensing company PanOptis Patent Management LLC, along with ongoing royalties. He also shot down PanOptis' request for declaratory judgment that its offer to Huawei to license the patents was fair, reasonable and nondiscriminatory, or FRAND.

Companies have to meet that FRAND standard when licensing so-called standard essential patents, or SEPs, which are patents so integral to a practice that industry standards can't be met without using or infringing them, Judge Gilstrap said.

After the jury came back with **its infringement decision in August**, Judge Gilstrap held a bench trial to see if PanOptis met its FRAND obligations, but he said Monday the evidence presented was too broad to make a decision. Namely, the case was limited to U.S. patents, but all the evidence presented was a mix of U.S. patents and foreign patents.

"The September 2017 offer is an offer for a worldwide license to PanOptis' SEPs and those SEPs include both U.S. and non-U.S. patents," Judge Gilstrap said. "Based on the evidence adduced at trial, this offer cannot be segregated or analyzed by product, region or patent; nor has either party attempted to analyze the offer only as to U.S. patents."

PanOptis and Optis Wireless Technology LLC filed the suit in February 2017, alleging that numerous Huawei products, including the Honor smartphone line and the MediaPad tablet line, infringed several patents that the plaintiffs acquired from three different tech giants. Those patents — four of which cover wireless technology and one for video coding technology — were originally assigned to Ericsson and Panasonic Corp.

PanOptis alleged that the accused products infringed because they have fourth-generation LTE capability and the ability to decode video and audio data.

The jury was instructed that the original owners of the patents had declared the wireless patents essential to the LTE standard and therefore pledged to license them on terms that are FRAND. Because the previous owners made that commitment, PanOptis is bound to license the patents on FRAND terms, the judge instructed the jury.

The complaint alleged that PanOptis offered to license the patents to Huawei on FRAND terms, and that the suit was filed because "Huawei has not reciprocated PanOptis's good

faith efforts" and "has resisted taking a license to PanOptis's valuable intellectual property."

Judge Gilstrap instructed jurors that they "must make sure that any reasonable royalty determination takes into account PanOptis' FRAND obligations" and that the damages award "cannot exceed the amount permitted under PanOptis' FRAND obligations."

The jury broke down its award by patent and awarded by far the most damages, \$7.7 million, on the video coding patent, the only one that was not declared essential to any industry standards. The amount the jury awarded for the four standard-essential patents ranged from \$102,742 to \$1.73 million.

Judge Gilstrap also broke down the ongoing royalty rate by patent and ordered Huawei to provide PanOptis with information of its sales of the infringing products within 75 days of the end of each quarter, until the patents expire.

A representative for Huawei declined to comment Tuesday. Representatives for PanOptis didn't immediately respond to requests for comment.

The patents-in-suit are U.S. Patent Nos. 7,769,238; 6,604,216; 8,437,293; 8,385,284; and 8,208,569.

PanOptis is represented by Ted Stevenson, Kevin Burgess, Steve Pollinger, Scott Cole, Kevin Hess, Christine Woodin, Lindsay Martin Leavitt, Samuel Baxter, Jennifer Truelove and Marcus Rabinowitz of McKool Smith PC, and Eric Tautfest, Jared Hoggan, David DeZern, Jill Bindler and David Lisch of Gray Reed & McGraw LLP.

Huawei is represented by Robert Haslam, Stanley Young, Anupam Sharma, Thomas Garten, James Hovard, Gregory Nieberg, Heng Gong, Paul Wilson, Ali Mojibi and Christopher Higby of Covington & Burling LLP, and Michael Smith of Siebman Burg Phillips & Smith LLP.

The case is Optis Wireless Technology LLC et al. v. Huawei Technologies Co. Ltd. et al., case number 2:17-cv-00123, in the U.S. District Court for the Eastern District of Texas.

--Additional reporting by Ryan Davis. Editing by Stephen Berg.