

Nokia and Daimler Settle Standard-Essential Patent Licensing Dispute, Potentially Impacting Auto-Industry FRAND Licensing

June 7, 2021

Key Points

- This settlement resolves multiple German lawsuits Nokia filed against Daimler asserting SEPs and Daimler's complaint against Nokia before the European Commission.
- Daimler argued Nokia's licensing activity was not FRAND because Nokia did not offer a license to Daimler's suppliers, **as has been customary in the auto industry**.
- Some in the auto industry may view the settlement as indicating a shift away from licensing upstream suppliers and towards licensing downstream OEMs—however, due to the confidential terms of the agreement, such conclusions are only speculative at this time.
- Continental, an auto-industry supplier, is currently in litigation with Nokia over similar FRAND licensing issues in courts in the United States and before the European Commission.

Alert Overview

On June 1, 2021, Nokia and Daimler announced the settlement of their long-running and closely watched standard-essential patents (SEPs) licensing dispute. The confidential settlement resolves all litigation between the parties and provides Daimler with a license to Nokia's portfolio of mobile communications SEPs.

The dispute included multiple parallel German cases brought by Nokia. In addition, Daimler lodged a complaint against Nokia with the European Commission, raising various antitrust issues and requesting "clarification on how essential patents for telecommunications standards are to be licensed in the automotive industry." The dispute made headlines in the fall of 2020, when two German regional courts enjoined sales of certain Daimler vehicles in Germany, following separate findings of infringement of two Nokia SEPs. In particular, in August of 2020, a Mannheim Regional Court found that Daimler infringed a Nokia SEP and issued a Germany-wide ban on sales of Mercedes vehicles. Then, in October of 2020, a Munich Regional Court found Daimler infringed a different Nokia SEP, also issuing a Germany-wide

Contact Information

If you have questions about this alert, please contact:

Rubén H. Muñoz

Partner

rmunoz@akingump.com

Philadelphia

+1 215.965.1263

Kevin G. McBride

Partner

kmcbride@akingump.com

Irvine

+1 949.885.4200

Brock F. Wilson

Senior Counsel

bfwilson@akingump.com

Irvine

+1 949.885.4266

Clark Gordon

Associate

cgordon@akingump.com

Irvine

+1 949.885.4216

injunction on Mercedes sales. Neither injunction was enforced, however, because Nokia did not post the required bonds in excess of \$8 billion and \$2 billion, respectively.

After those decisions, in November of 2020, a Dusseldorf Regional Court stayed its case and referred a series of questions related to fair, reasonable and non-discriminatory (FRAND) and SEP licensing to the Court of Justice of the European Union (CJEU), including the question of whether European SEP owners are obligated to license suppliers before original equipment manufacturers (OEMs). The settlement, however, has mooted these questions.

Meanwhile, a dispute between Continental and Nokia remains unresolved. That dispute involves mobile communications SEP licensing issues that are similar to those just settled by Daimler and Nokia. The U.S. litigation includes a case before the Delaware Chancery Court and an appeal before the Court of Appeals for the Fifth Circuit. Continental also filed a complaint against Nokia that is pending before the European Commission. In an official statement, Continental said that “[t]echnology companies like Continental and all other [Internet of Things] companies that want to use standardized technologies are once again faced with economic and legal uncertainty and thus have no reliable basis for driving forward the digitization of Europe.”

Open Issues and Potential Impact on FRAND Licensing in Auto Industry

- FRAND law regarding licensing obligations as between OEMs and suppliers remains unsettled.
- Relatively few mobile-technology SEP licenses have occurred in the auto industry; thus, early licenses and litigation outcomes have the potential to significantly shape FRAND licensing frameworks and rates for connected-car technology.
- Some may interpret the Nokia-Daimler settlement as forecasting a shift towards direct licensing by OEMs, which could result in licenses that use the price of an entire vehicle—rather than the smallest saleable patent practicing unit—as the basis for royalty calculations.
- As FRAND law continues to evolve, the auto industry, and others, may seek to lobby lawmakers for greater uniformity and certainty in the FRAND licensing process.

akingump.com