

## “No injunction when a willing licensee infringes a FRAND patent”

—Japan Fair Trade Commission, July 8, 2015



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## Japan Fair Trade Commission (JFTC):

- upholds and enforces Japan’s **Antimonopoly Act** to maintain fair and free competition,
- can levy **surcharge** payments against price cartels, bid-riggings, and monopolistic behavior, and
- can also lodge **injunctions** with the court, if consumers or entrepreneurs have incurred or are likely to incur remarkable damage

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## JFTC published a draft amendment to its guidelines regarding FRAND patents

July 8, 2015

- JFTC specifies how the Antimonopoly Act is applied in “**Guidelines** for the Use of IP under the Antimonopoly Act.”
- A **draft amendment** to the guidelines has been published for public comment.
- The draft amendment will **likely be adopted** without substantial changes.

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## “An injunction claim against a party who is willing to take a license to a FRAND patent is considered to be Unfair Trade Practices.”

- “Even if the parties do **not reach an agreement**, a party that demonstrates, in court or arbitration proceedings, its intention to determine license conditions is deemed to be a “willing licensee.”
- “Even if a party **challenges validity** or **asserts non-infringement** of the patent, those facts should not be considered grounds to deny the “willingness.”

-- from the draft amendment

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## The draft amendment is in line with *Apple v. Samsung* (IP High Court, May 2014)

“A FRAND patent owner is not entitled to seek an injunction against a party who is willing to take a license under the FRAND conditions.” *Apple v. Samsung*

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JFTC’s draft amendment is silent on damages.  
What damages can we pursue?

See *Apple v. Samsung*

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## Damages were kept within reasonable royalty rate that was calculated considering contribution by the patent

- “Seeking damages that exceed a reasonable royalty under FRAND terms is an **abuse of right**.”
- “(The patentee) can pursue damages within the range of unpaid royalty that could be granted on FRAND terms.”
- The court calculated the royalty using the following percentages and determined the damages to be only about **US\$ 82,000**:
  - contribution of standard / total sales of product
  - contribution of patent / contribution of standard

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## “In **special circumstances**, damage award may exceed reasonable royalty rate”

“e.g. the infringer had **no intention** to obtain a license from the patent holder”

“e.g. it would be **extremely unfair** to limit the damage award to a reasonable royalty rate”

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## Court cited below negotiation process for determining no “special circumstances”

- Apple asked how the plaintiff calculated its royalty rate  
⇒ not explained
- Apple repeatedly asked royalty rates paid by others, which was essential to determine the rate  
⇒ not explained
- Apple countered with its own proposed royalty rate and explained its calculation  
⇒ denied with no counter
- Law suit for preliminary injunction was filed and maintained despite Apple’s desire for an agreement under FRAND terms

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What should you do?

## Standard Essential Patents will still be important for making the standard closer to your technologies and increasing sales

Continue to obtain Standard Essential Patents

Obtain relevant, but not essential patents

Utilize relevant patents that are not bound by a FRAND declaration

Disclaimer: These suggestions are general and should not be construed as advice to deal with specific cases

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