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The IP High Court denies Samsung's motion for injunctive relief but allows Samsung's claim for damages against Apple for its UMTS standards-essential patent infringement for an amount equivalent to the royalty

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I . Summary

On May 16, 2014, the IP High Court denied a motion brought by Samsung Electronics Co., Ltd. ("Samsung") for injunctive relief, but ordered Apple, Inc. ("Apple") to pay an amount equivalent to a royalty paid under fair and reasonable terms and conditions and on a non discriminatory basis, in accordance with the FRAND Declaration, being approximately 9,950,000 Japanese Yen, for patent infringements by Apple's popular products, iPhone 4 and iPad 2 (the "Products").

The patent in issue, Japanese patent no. 4,642,898 (the "898 Patent"), is one of the patents which Samsung reported to the European Telecommunications Standards Institute ("ETSI") as being a standards-essential patent for the Universal Mobile Telecommunications System ("UMTS"). Under ETSI's policy, Samsung declared its willingness to grant licenses on fair reasonable terms and conditions and on a non discriminatory basis by issuing a FRAND Declaration.

The IP High Court found that the 898 Patent was valid and that the Products were within the scope of 898 Patent, and therefore, Apple may have infringed the 898 Patent. The IP High Court declared, however, that Samsung was barred from seeking injunctive relief against Apple under the abuse of rights principle

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because, as Samsung had issued a FRAND Declaration, a party planning to produce and sell products under the UMTS standard (like Apple) would have a certain expectation that a license would be granted to them in accordance with Samsung's FRAND Declaration and this expectation should be protected.

As for the claim of damages, the IP High Court stated that the FRAND Declaration by Samsung should not be considered as an offer to grant a license of the 898 Patent and therefore, Samsung may still seek compensation for damages of an amount equivalent to a royalty under the FRAND Declaration, but may not seek compensation for the portion of damages that are in excess of such royalty. The IP High Court calculated the amount of compensation to be paid to Samsung by reference to the sales amount of the Products, the percentage contribution of the UMTS standard to the Products and the number of the standards-essential patents necessary to the UMTS standard.

II. History

This litigation is one of the worldwide patent disputes between the two telecommunications companies. On April 21, 2011, Samsung filed two actions in the Tokyo District Court for a preliminary injunction based on the 898 Patent against Apple to stop the sale of the Products. As a counter action, Apple, filed a suit on merit seeking a declaratory judgment that Samsung did not have a right to claim damages. On February 28, 2012, the Tokyo District Court issued judgments declaring that Samsung did not have a right to claim injunctive relief and damages against Apple because, as Samsung had issued a FRAND Declaration, it had breached the duty of sincere negotiation in the course of negotiations for the license of the 898 Patent with Apple. However, the IP High Court modified part of the judgments of the Tokyo District Court and ordered Apple to pay compensation of approximately 9,950,000 Japanese Yen.

III. Limitation on enforcement of a standards-essential patent after a FRAND Declaration

The IP High Court ruled under the abuse of rights principle that a party which has made a FRAND Declaration may not exercise the rights of a standards-essential patent to seek injunctive relief against a party which has an intention to be licensed the standards-essential patent pursuant to a FRAND Declaration. In denying Samsung's claim to seek injunctive relief, the IP High

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Court pointed out that a party which issues a FRAND Declaration in respect of its patent cannot expect to maintain its monopoly by exercising a right to claim an injunction as long as it could have a royalty based on such FRAND Declaration. In addition, the IP High Court indicated that if a party such as Apple, planning to produce and sell products under the UMTS standard could be subject to such injunctive relief without any limitation, such party practically would be unable to adopt the UMTS standard to its products.

As for the claim for compensation, the IP High Court further mentioned in its reasoning that a party which has issued a FRAND Declaration cannot expect to receive the portion of a royalty that is in excess of an amount equivalent to a royalty under a FRAND declaration, and thus ruled that such party may not claim damages for the portion that is in excess of the amount equivalent to a royalty under the FRAND Declaration. Furthermore, the IP High Court mentioned the possibility for Apple to deny the claim for damages, including that which is not more than the amount equivalent to a royalty under a FRAND declaration, in a case where such claim is recognized as extremely unjust. However, the IP High Court did not accept this defense from Apple under the current circumstances.

On the other hand, the IP High Court also stated that these limitations on the enforcement of a standards-essential patent do not apply in the case where the counter party does not have an intention to be licensed the standards-essential patent under a FRAND declaration. The IP High Court found that Apple had such an intention and thus rejected the claim by Samsung to seek injunctive relief and full compensation for damages.

IV. Implications

Although the Tokyo District Court denied Samsung's claims for both injunctive relief and damages, the IP High Court admitted only part of the claim for damages and denied the injunctive relief. This IP High Court decision can be considered to balance the interests of a patentee and an infringer.

In general terms, the IP High Court implied that in certain circumstances (1) injunctive relief and full compensation for damages are both allowed even after a FRAND Declaration is issued, and (2) compensation for damage that is not more than an amount equivalent to a royalty under a FRAND Declaration may

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be denied; however, the IP High Court did not mention specifically what circumstances would fall under these categories above. We hope that future discussions and court decisions will clarify this point.

The IP High Court calculated the amount of damage in accordance with the following formula:

$$\frac{\text{Sales amount x Contribution percentage of the UMTS standard to the Products}}{\text{The number of the standards-essential patents necessary to the UMTS standard}}$$

This decision is the first IP High Court decision regarding a standard-essential patent and it is worth following as to whether other courts will follow this damage calculation formula or not.

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