

# Recent Important Developments in Standard Essential Patent (SEP) Disputes

## 重要な標準必須特許紛争の動向とADR

Pre-litigation SEP conciliation at IACT



東京国際知的財産仲裁センター(IACT)

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# Topic of the 1<sup>st</sup> Presentation

(Secretary General Kumiko Kitaoka)

1. SEP and Standardization
2. Cases
  - a. Japan
  - b. Europe
  - c. US
  - d. UK
3. ADR at IACT?
4. IACT's pre-litigation conciliation of SEP disputes

# Standardization

1. Standards are created and endorsed by standard setting organization (SSOs), a private industry group. This is a global network.
  - ◆ E.g., ETSI, ITU, IEEE, JTC1, ISO/IEC are SSOs.
  - ◆ E.g., These SSOs decide on the standards for GSM, 3G, 4G, 5G, MPG, Blue-ray, etc.
2. Standard Essential Patents (SEP) are essential in manufacturing and using a product that implements the standard. There may be hundreds of thousands of patents (US, EU, Asia, UK, Canada, South America, and Africa).

# Standardization

1. SSOs typically require SEP owners to disclose their SEPs and commit to licensing SEPs on fair, reasonable, and non-discriminatory (FRAND) terms before standard finalization.
2. SEP owners usually commit to FRAND license.
3. However, SEPs have been hotly litigated.
4. Uncertainty about “FRAND” terms exists.

Previously, “many holders of SEPs will . . . resulting in excessive royalty payments” *Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024, 1031 (9th Cir. 2015).

# Standardization

5. Negotiations often fail when an implementer challenges the validity and the essentiality of SEPs.
  - How should a court treat a SEP owner's offer to license higher than a FRAND rate?
  - How should a court treat a SEP owner's refusal to license at or below a FRAND rate)?
  - How should a court treat an implementer's objection re: the essentiality?
  - How should a court treat an implementer's refusal to license at a FRAND rate?

# Japanese Cases

- **Samsung v. Apple Japan (IP High Court, 2014)**

- In 2011, Samsung sought a preliminary injunction. The patent is essential for UMTS/3G standard. Apple requested a license and information on its terms from Samsung. Samsung indicated it would grant “*a FRAND license*” but requested Apple’s proposal of license terms. Apple signed a NDA. Samsung offered a portfolio license. Apple requested information about other licenses.
- Apple sought a declaratory judgment of no damages liability. Apple then disclosed the license terms (March Offer). Apple argued that it should be given a license to patents that Samsung declared its commitment to FRAND license.

# Japanese Cases

- **Samsung v. Apple Japan (IP High Court, 2014)**

- The court held that a SEP owner has duty to negotiate with a prospective licensee *in good faith under Japanese law*.
- [契約交渉に入った者同士の間では、一定の場合には、必要な情報を相手方に提供し、誠実に交渉を行うべき信義則上の義務を負うものと解するのが相当である]
- The district court found Samsung in breach of good faith negotiation with Apple, who indicated its willingness to license by March Offer because Samsung failed to disclose other licenses upon which Apple can decide whether the offer was FRAND. Samsung *abused its patent right* by breaching good faith negotiation and maintaining a request for preliminary injunction. Apple should not be enjoined from making, selling, etc. the accused products.

# Japanese Cases

- **Samsung v. Apple Japan (IP High Court, 2014)**

- The IP High Court noted that French contract law should apply. → **License has not been given by FRAND declaration.**
- The IP High Court did not agree with the district court regarding the required disclosure of other licenses.
- The High Court held that the finding of a licensee's “unwillingness” should be made under a strict standard. → Apply is willing to take a license.
- Samsung cannot **abuse its patent right** when implementers expect a FRAND license. Apple, **a willing licensee**, should **pay only reasonable royalty rate** (約995万円).



# European Cases

- European Commission, Notice Pursuant to Art. 27(4) Council Regulation (EC) No. 1/2003, Case COMP/38.636, Rambus Inc., 2009 O.J. (C 133) 16.
  - Rambus breached the **duty to disclose SEPs in good faith**.
- **Huawei Techs. Co. Ltd. v. ZTE Corp. (CJEU 2015)**
  - The Court of Justice of the European Union's ('CJEU') landmark decision.
  - One of the most frequently cited and highly regarded opinions in SEP worldwide.
  - Main legal issue = **Competition Law**
    - ◆ Article 102 of the Treaty on the Functioning of the European Union (TFEU) prohibits the abuse of a dominant position that may affect trade within the EU and prevent or restrict competition.
    - ◆ “Dominance” is one entity’s power to control conditions of a market in a geographical area. If an entity has only a minor share of a market, it does not have dominance.

# European Cases

- **Huawei Techs. Co. Ltd. v. ZTE Corp. (CJEU 2015)**

➤ **Q1 Does every SEP necessarily confer “dominance” to its holder?**

**Answer: Not always.**

➤ **Q2 When and how can a SEP owner seek **an injunction**?**

A) If the SEP owner does not possess a dominant position → may seek an injunction.

B) If the SEP owner is in a dominant position → must take certain steps before obtaining an injunction.

**i. Provide a notice to an infringer**

**ii. Offer a license on FRAND terms in good faith**

**iii. If the infringer is unwilling**

# European Cases

- **Huawei Techs. Co. Ltd. v. ZTE Corp. (CJEU 2015)**

➤ **Q3 Is an infringement notice need to be detailed, accompanied with a claim chart?**

**Answer: No**

➤ **Q4 When can an infringer is an unwilling prospective licensee?**

1. If the SEP owner has made an offer on FRAND terms in good faith
  - When the infringer does not accept the offer or make a counter offer in good faith.
2. If the SEP owner has not made an offer on FRAND terms in good faith
  - No need to accept a non-FRAND offer, but may need to submit a counter offer.

**Answer: If a good faith FRAND offer is not accepted by an unwilling prospective licensee/infringer.**

# US Cases

- **Microsoft Corp. v. Motorola, Inc., 871 F. Supp. 2d 1089, 1095 (W.D. Wash. 2012)**

A FRAND-committed patent owner has a **contractual duty to SSOs** to make an initial FRAND offer **in good faith**.

→ anti-suit injunction against German action (injunction).

→ Affirmed. 696 F.3d 872 (9th Cir. 2012).

- **Microsoft Corp. v. Motorola, Inc., 795 F.3d 1024, 1030–31 (9th Cir. 2015)**

The SEP owner “breached its **contractual commitment** [s],” the duty of **good faith** and **fair dealing** owed to the **IEEE and ITU** in “seeking injunctive relief.

Judgment for Microsoft and denied JMOL. The Ninth Circuit Affirmed.

# UK cases

- **Unwired Planet Int'l Ltd. v. Huawei Techs. Co. [2020] UKSC 37**

- This opinion follows the holding of **Huawei Techs. Co. Ltd. v. ZTE Corp.** However, more impactful to defendants and made clarifications or limitations.

- Facts

- ◆ In 2014, Unwired sued Huawei etc. for infringement of SEPs and a non-SEP. Defendants countersued Unwired and Ericsson for antitrust violation.
- ◆ In technical trials, the court determined that some patents are valid and infringed as SEP.
- ◆ Huawei made a defense against an injunction, saying that Unwired Planet's offer was not FRAND, a violation of competition law.
- ◆ Both parties made a new offer of license in 2016. Huawei insisted that it would not take a global license.

## UK cases

- **Unwired Planet Int'l Ltd. v. Huawei Techs. Co., [2017] EWHC 711 (Pat).**
  - Concurrent evidence sessions of expert witnesses who had different views.
  - Standardization is international in scope. The ETSI FRAND undertaking has been considered in courts all over the world.
  - Found that “[a]ll the numerous comparable licences in evidence are global.”

Only a global rate was FRAND → Injunction may be issued against Huawei

# International Fight

- **Microsoft Corp. v. Motorola, Inc., 871 F. Supp. 2d 1089, 1095 (W.D. Wash. 2012)**

The court issued an **anti-suit injunction** (ASI) against Motorola from pursuing a German action.

- **InterDigital v Xiaomi, District Court (Landgericht) Munich I, judgment dated 25 February 2021, Case-No. 7 O 14276/20**

Wuhan Court issued ASI, ordering InterDigital to withdraw or suspend actions in foreign courts.

German court issued **anti-anti-suit injunction** (AASI), ordered Xiaomi to refrain from pursuing the Wuhan ASI or take further (court and/or administrative) measures against InterDigital. Because InterDigital had a claim for preliminary injunction.

# PROBLEM

**SEP disputes are global, burdensome, and very costly.**

**Courts have limited jurisdiction and governed by domestic law.**

**Decisions are not uniform or consistent.**

**Some venues are unfavorable to SEP holders. Others are favorable to SEP holders.**



# European Regulations

- **European Commission, Proposal for a regulation (April, 27, 2023)**

The regulation aims to increase transparency, reduce information asymmetries, and facilitate the agreement on a FRAND licenses because impact study revealed uncertainty and high transaction costs.

It proposes to set up a center at EUIPO tasked with administering SEP register and database (**mandatory registration** and information submission), carrying out **essentiality checks**, and setting FRAND criteria. Moreover, the outcome of essentiality checks and standard terms and conditions, and aggregate royalty will be published. Further, EU's **FRAND determination procedure** (by conciliators up to 9 months) would be generally **required before initiation of litigation in Europe**. SMEs are excused from essentiality checks.

Cf. Pre-litigation SEP conciliation at IACT

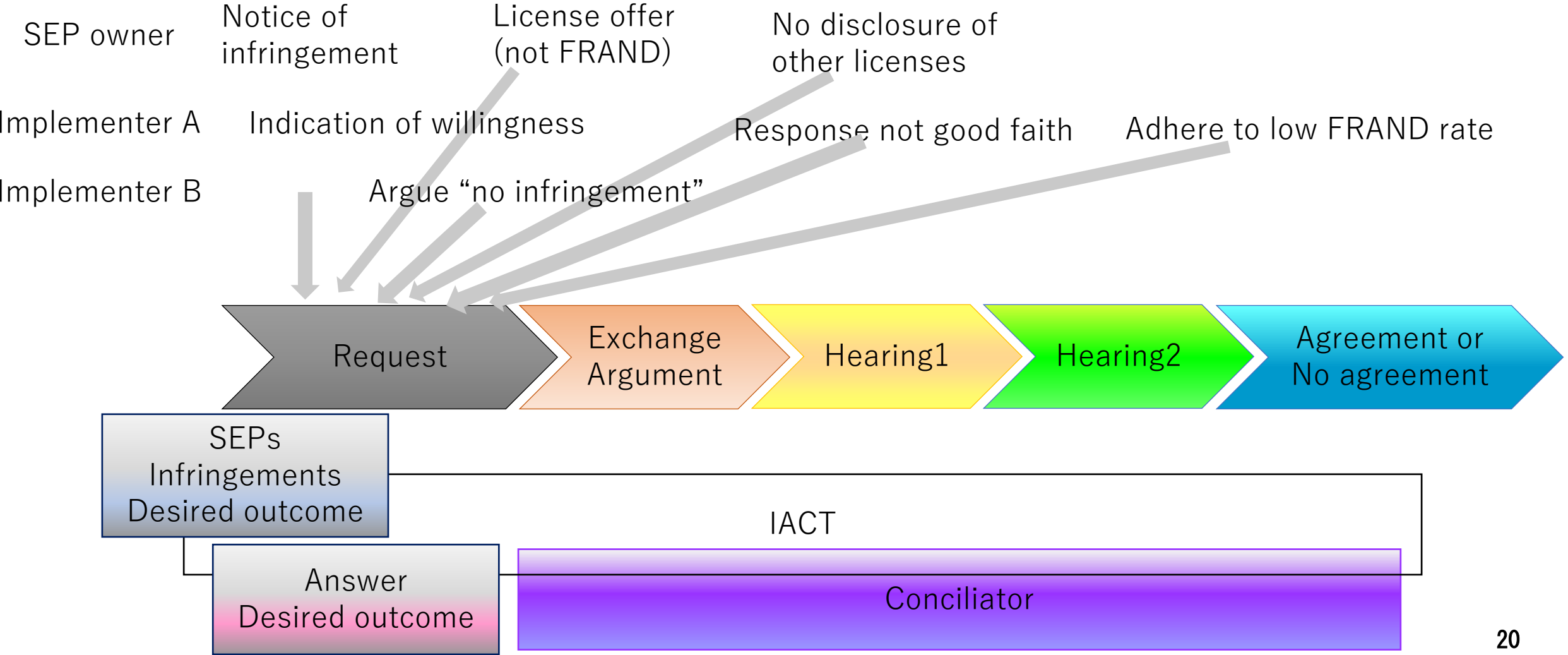
# Why **Alternative Dispute Resolution** in IACT

1. **Global coverage** Arbitrators and mediators are selected from major jurisdictions around the globe.
2. **Neutral** Arbitrators and mediators are impartial, not prejudiced.
3. **Efficiency/speed** Each case will proceed efficiently.
4. **Flexibility** Procedures are varied. IACT introduced abbreviated arbitration procedure.
5. **Reputation** Highly regarded venue for cases related to intellectual property/technical disputes.
6. **Enforceable** decision in many countries.

## Pre-litigation SEP conciliation at IACT

1. A SEP owner and an implementer can take advantage of SEP conciliation at IACT as equivalent to the required conciliation at European Commission.
2. A true and trusted venue for **multinational SEP licensing**.
3. The dispute is handled to **the extent necessary**. *Cf. EU regulation.*
4. It is **not published**. The record is not retained within IACT. *Cf. EU regulation.*
5. The party has the **confidentiality** obligation.
6. Conciliators with unique skill sets are selected from major jurisdictions around the globe.

# Pre-litigation SEP negotiation at IACT



# THE DOWNSIDE OF US PATENT LITIGATION AND INTERNATIONAL ARBITRATION



From the former Chief Judge of  
the U.S. Court of Appeals for the Federal Circuit

Randall Rader, Rader PLLC,

# Topics

## 1 **Litigation in the United States**

1. Why do patent owners have difficulty obtaining an injunction at US courts while German courts and Japanese courts issue injunctions often?
2. Is the United States a good venue because of the amount of damages?
3. What is ongoing royalty?
4. Is it difficult to enforce patents because of the easiness to invalidate a patent at the USPTO?
5. How long does it take until the final resolution is made?

## 2 **Arbitration**

Can arbitrators issue injunctive relief?

Can arbitrators decide on the validity of a patent?

Can arbitral awards be as large as a US verdict/judgment?

Can arbitrators recommend settlement (or mediate)?

How long does an arbitration last?

Can a Japanese arbitral award be enforceable in China?

# Litigation in the United States

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# Litigation in the United States

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# Litigation in the United States

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# Litigation in the United States

1. How long does it take until a final resolution is obtained?

# Arbitration

Can arbitrators issue injunctive relief?

# Arbitration

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Can arbitrators decide on the validity of a patent?

- ▶ As a precondition

# Arbitration

Can arbitral awards be as large as a US verdict/judgment?

Possible (not always).

# Arbitration

Can arbitrators recommend settlement (or mediate)?

In the United States, a mediator may mediate a case (before or during arbitration).

# Arbitration

How long does an arbitration last?

At IACT, a matter is generally resolved within the 1-year time limit.

# Arbitration

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Can a Japanese arbitral award be enforceable in China?

Convention on the Recognition and Enforcement of Foreign Arbitral Awards

NY Convention

The objective of the New York Convention is to facilitate the recognition and enforcement of arbitral awards to the greatest extent possible