
Japan IP High Court Decision of Samsung vs. Apple

-Enforceability of Standard Essential Patent after FRAND declaration-

On May 16, 2014, the Grand Panel of the Japan IP High Court delivered a judgement in *Samsung Electronics Co., Ltd. vs. Apple Japan LLC* concerning three consolidated appeal cases, *2013(Ra)10007*, *2013(Ra)10008* and *2013(Ne)10043*. One of the issues considered by the court was the enforceability of the Samsung's standard essential patent after FRAND (Fair, Reasonable and Non-Discriminatory) declaration.

1. Background

Samsung is a member of the 3rd Generation Partnership Project (3GPP) defining the standards of mobile telecommunications systems, and owns standard essential patent (JP 4642898). Apple was utilizing this patented technology of Samsung in some of its products. Samsung had agreed to permit its patent to be licensed in accordance with FRAND terms, however, the negotiation between Samsung and Apple over the technology failed, in light of the license fee demanded by Samsung. Samsung filed a motion for provisional disposition for an injunction to prevent Apple's importation and sales into Japan of its products using the patented technology before the Tokyo District Court on the issue of Apple's infringement of Samsung's patent. To counter Samsung's actions, Apple filed a lawsuit before the Tokyo District Court against Samsung seeking a declaratory judgement based on absence of obligation, since it had offered to obtain a license but was unsuccessful due to the unfair price demanded by Samsung under FRAND terms.

The Tokyo District Court held that Samsung's patent was valid and had been infringed, whereas, Samsung's enforcement of its patent constituted an abuse of rights in light of FRAND terms and the way it had attempted to negotiate the license agreement with Apple.

2. Grand Panel's judgement

a) Injunction

Samsung's enforcement of its patent constituted an abuse of rights, because Samsung offered its patent under FRAND terms, but did not negotiate appropriately regarding the licensing of its patent with Apple, who was recognized as a willing licensee. Therefore, the injunction was not granted.

b) Compensation for Damages

The Grand Panel of the IP High Court held that compensation for damages within the range of FRAND conditions should be admitted. On the other hand, when a patentee demands a royalty which is beyond the range of FRAND conditions, the part of the royalty determined to be excessive should not be compensated. Samsung

agreed to provide its patent under the terms of FRAND and Apple was a willing licensee. Therefore, Samsung's right to seek damages can be allowed only within the range of FRAND conditions. Samsung's license fee is calculated at 9,955,854 yen.

Specifically, the Grand Panel showed the following criteria for judgement about the right to compensation for damages based on a patent declared under FRAND terms.

(1) In the event the amount claimed as compensation for infringement exceeds amount of a license fee under FRAND conditions

(1a) If a licensee (negotiating partner) asserts and proves the fact that the licensor (patentee) made a FRAND declaration about licensing the patent, the licensee can refuse the patentee's demand in excess of the FRAND license fee.

(1b) If a patentee asserts and proves special circumstances, for example, the fact that the negotiating partner did not have a true intention to obtain a license from the patentee, the part of the license fee in excess of FRAND conditions will be approved.

(2) In the event the amount claimed as compensation for infringement is within the amount of a license fee under FRAND conditions

(2a) Even if a patent is a standard essential patent, right to damages based on the patent should not be restricted.

(2b) When the negotiating partner asserts and proves special circumstances, for example, the fact that it is extremely unfair to allow a claim for damages within the license fee, the claim for damages cannot be accepted.

The Grand Panel considered that the history of negotiations between Samsung and Apple corresponded to cases (1a) and (2a). Therefore, the Grand Panel concluded that Samsung can claim damages only within the limitation of FRAND conditions.

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