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| Patent Right | Date | February 19, 2019 | Court | Intellectual Property High Court, Fourth Division |
| | Case number | 2018 (Ne) 10048 | | |

A case in which the lawsuit by the appellant seeking for confirmation of non-existence of the right to demand compensation for damages with the infringement of the present patent right as the reason against the appellee was determined to lack benefit of action and to be unlawful since the fact that the appellee asserted that the product such as the smart phone and the like of the appellant infringes the present patent right during the license negotiation between the appellant and the appellee in relation with the standard essential declared patent portfolio of the portable communication system held by the appellee is not found.

Case type : Confirmation of the non-existence of right to demand compensation for damages based on patent right and the like

Result : Appeal dismissed

Number of related rights, etc. : Patent No. 4685302

Summary of the Judgment

1 This case is a case in which the appellant X1 and one other company which are American corporations asserted to the appellee Y1 and three other companies which are American corporations that acts of producing, transferring and the like the products (plaintiff's products) such as the smartphone and the like by the appellants are not applicable to infringement of the present patent right and the like and sought for confirmation that the appellees do not have the right to demand compensation for damages and the right to demand royalties with the present patent right infringement in relation with the aforementioned acts by the appellants as a reason.

The judgment in prior instance (Tokyo District Court, 2017 (Wa) 5274) dismissed each of the present actions by the appellants by stating that since the fact that the appellee Y1 asserted that the plaintiff's products of the appellant X1 infringe the present patent right during the license negotiation between the appellant X1 and the appellee Y1 in relation with the standard essential declared patent portfolio of the portable communication system held by the appellee Y1 is not found, and by comprehensively

considering the circumstances in which the appellee Y1 granted the license on the patent rights including the present patent right to the contracted manufacturer (CM) of the plaintiff's products and at the current point of time when all the plaintiff's products are supplied from CM to the appellant X1, the appellees clearly express that they do not have or not intend to exercise the right to demand compensation for damages based on the present patent right and the like from the appellants in the court of prior instance, it cannot be found that a risk or a concern actually exists about the right held by the appellant X1 or the legal position thereof and thus, the present action by the appellant X1 to the appellee Y1 lacks benefit of confirmation and is unlawful. The appellants appealed against the judgment in prior instance and instituted the present appeal.

2 This judgment approved the judgment in prior instance that the present action by the appellants lacks benefit of confirmation, rendered the judgment with the gist as follows on the assertion by the appellants in the appeal and dismissed the present appeal.

At the time of conclusion of the oral argument of the court of second instance, the present patent right was the license target in the license contract between the appellee Y1 and CM, and even if the circumstances such as the history of the license negotiation between the appellant X1 and the appellee Y1, the U.S. lawsuit between the both, the German lawsuit and the like are considered, the fact that the appellee Y1 asserted to the appellant X1 that the plaintiff's products infringe the present patent right is not found.

The appellants made a motion for change in the action additionally seeking for confirmation that the right to demand compensation for damages and the like is not held also for the acts of producing, transferring and the like the new products started to be sold after the present appeal was instituted, but this judgment was rendered that the change in the action is not allowed since to allow the change in the action is found to impair the benefit of instance in relation with the new actions by the appellees and to be likely to extremely delay the litigation proceedings.

Judgment rendered on February 19, 2019

2018(Ne)10048, Appeal case seeking for confirmation of the non-existence of right to demand compensation for damages based on patent right and the like

Court of Prior Instance: Tokyo District Court 2017 (Wa) 5274

Date of conclusion of oral argument: January 15, 2019

Judgment

Indication of parties concerned: As described in attached list of parties concerned

Main text

- 1 All the present appeals are dismissed.
- 2 The appellants shall bear the cost of the appeal.
- 3 The additional period for filing a final appeal and a petition for acceptance of final appeal against this judgment shall be 30 days for the appellant, Apple Incorporated.

Facts and reasons

No. 1 Gist of the appeal

1 The judgment in prior instance is reversed.

2 This case is remanded to the Tokyo District Court.

No. 2 Outline of the case (the abbreviations follow the judgment in prior instance unless otherwise prescribed)

1 Summary of the case

This case is a case in which the appellant, Apple Incorporated (hereinafter, referred to as the "appellant, Apple") and the appellant Apple Japan GK (hereinafter, referred to as the "appellant, Apple Japan") asserted to the appellee, Qualcomm Incorporated (hereinafter, referred to as the "appellee, Qualcomm"), the appellee, Qualcomm Japan GK (Trade name before reorganization: Qualcomm Japan; hereinafter referred to as the "appellee, Qualcomm Japan"), the appellee, Qualcomm Technologies Inc. (hereinafter, referred to as the "appellee, QTI"), and the appellee,

Qualcomm, CDMA Technologies Asia-Pacific PTE LTD (hereinafter, referred to as the "appellee, QCTAP") that the acts of producing, transferring, and the like each of the products (plaintiff's products) described in the attached list or articles in the judgment in prior instance by the appellants are not applicable to infringement of the patent right of Patent No. 4685302 of the invention owned by the appellee, Qualcomm and titled "method and device for determining reverse link transmission rate in wireless communication system" and the like and sought for confirmation that the appellees do not have the right to demand compensation for damages and the right to demand royalties on the basis of the infringement of the present patent right in relation with the aforementioned acts by the appellants.

The judgment in prior instance rendered judgment whose gist is as follows and dismissed all the actions by the appellants.

The appellants appealed against this and instituted the present action.

(1) Action by appellant, Apple against the appellee, Qualcomm

(i) In the present license negotiation between the appellant, Apple and the appellee, Qualcomm, on the global declared essential patent portfolio in relation with the communication standard for portable communication system (present communication standard) held by the appellee, Qualcomm, the fact that the appellee, Qualcomm asserted to the appellant, Apple that the plaintiff's products infringe the present patent right is not found; (ii) by comprehensively considering the circumstances that the appellees granted a license related to the production, transfer, and the like of the plaintiff's products on the patent rights including the present patent right (CM license) to the four CM companies who are contracted manufacturers (CM) of the plaintiff's products, and at the current point of time when all the plaintiff's products are supplied from the four CM companies to the appellant, Apple, they clearly express that they do not have or do not intend to exercise the right to demand compensation for damages and the right to demand royalties based on the present patent right from the appellants, it cannot be found that a risk or a concern actually exists about the right held by the appellant, Apple or the legal position in the relationship with the appellee, Qualcomm and thus, the action by the appellant, Apple toward the appellee, Qualcomm lacks benefit of confirmation and is unlawful.

(2) Action by appellant, Apple against appellee, Qualcomm Japan,

appellee, QTI, and appellee, QCTAP and action by appellant, Apple against appellees

Even if those not having the present patent right perform businesses in relation with the licensed products, it cannot be considered that they hold or exercise the patent right itself or the right to demand royalties, and since there is not sufficient evidence to find the fact that the appellee, Qualcomm Japan, the appellee, QTI, and the appellee, QCTAP specifically exercised those rights, it cannot be found that there is specific concern that these appellees exercise the right to demand compensation for damages based on the present patent right infringement and the right to demand royalties based on the present patent right.

Therefore, the benefit of confirmation is not found in the action between the appellant, Apple and the appellee, Qualcomm Japan, the appellee, QTI, and the appellee, QCTAP and the action is unlawful.

Moreover, since there is no assertion of the fact to be the grounds for the specific concern of exercising the right to demand compensation for damages on the basis of the present patent right infringement and the right to demand royalties on the basis of the present patent right by the appellees toward the appellant, Apple, Japan, separately from the appellant, Apple, the benefit of confirmation is not found between the action between the appellant, Apple Japan and the appellees, either, and the action is unlawful.

(omitted)

No. 3 Judgment of this court

This court also judges that the present action by the appellants lacks the benefit of confirmation and is unlawful. The reasons are as follows.

1 Findings

In addition to the correction as follows, as described in No. 3, 1 in "Facts and reasons" of the judgment in prior instance, they are cited herein.

- (1) The phrase, "included, and the CM license contract still effectively exists at the current point of time" from page 12, lines 14 to 15 in the judgment in prior instance is revised to "included."
- (2) The phrase, "XXXXXX" is added after "XXXXXX" on page 12, line 26 in judgment in prior instance.
- (3) The phrase, "XXXXXX" on page 13, line 6 to "XXXXXX" on line 10 in

judgment in prior instance are revised as follows.

"XXXXXX"

(4) The phrase, "XXXXXX" on page 14, lines 21 to 23 in judgment in prior instance is revised to "XXXXXX".

(5) The phrase from the "on the other hand" on page 16, line 3 to the end of line 6 in judgment in prior instance is deleted.

(6) The phrase "in the present action" on page 16, line 7 in judgment in prior instance is revised to "on the date for first oral argument of court in prior instance."

(7) At the end of line 12 on page 16 in judgment in prior instance, a new line is started as follows.

"(6)A. The appellee, Qualcomm, in the U.S. lawsuit, demanded in the first modified cross bull as of May 24, 2017 (Exhibit Ko 33) the judgment confirming from the appellant, Apple: (i) that the proposal for a license including two parties related to the portable communication SEP license condition in June, 2016 and in July of the same year (including the royalty condition) proposed by the appellee, Qualcomm to the appellant, Apple fulfills the FRAND conditions the appellee, Qualcomm committed to ETSI (European Telecommunications Standards Institute), and the appellant, Apple becomes a negotiator not intended to be a licensee by irrational and untruthful negotiation tactics and thus, the appellee, Qualcomm fulfills and performs the FRAND conditions they pledged to ETSI; and (ii) if the court judges that the pledge of the FRAND conditions which the appellee, Qualcomm should perform in relation with the appellant, Apple has not been fulfilled or performed yet and judges that the appellant, Apple still has the right to accept the proposal under the FRAND conditions from the appellee, Qualcomm, that the royalty under the FRAND conditions for the portfolio license of the portable communication SEP has already been proposed to the appellant, Apple.

After that, the appellee, Qualcomm dropped the action for confirmation of the royalty under the FRAND conditions on the patent included in the global portable communication SEP portfolio held by the company on April 10, 2018 in the U.S. lawsuit but claimed for the judgment similar to the aforementioned (i) in the second modified cross bull (Exhibit Ko 34) as of the 11th of the same month.

Moreover, the appellee, Qualcomm submitted an expert opinion by

professors of electronics and computer science that the appellant, Apple infringes the U.S. patent corresponding to the present patent on June 29 of the same year in the U.S. lawsuit (Exhibit Ko 38).

The appellee, Qualcomm made a petition seeking for partial dismissal of the first modified bill by the appellant, Apple on the grounds that they made the unconditional and irrevocable oath that they would not sue the appellant, Apple on the 9 target patents including the U.S. patent (U.S. Patent No. 6,556,549) corresponding to the present patent on September 14 of the same year in the U.S. lawsuit (Exhibits Otsu 7 and 8). The Southern California District Court of the United States accepted the aforementioned petition by the appellee, Qualcomm (Exhibit Otsu 8) on November 20 of the same year on the basis of the aforementioned oath made by the appellee, Qualcomm, to the appellant, Apple.

B. The Fair Trade Commission in Taiwan (TFTC) asserted on October 20, 2017 that the appellee, Qualcomm abused their dominant position in the baseband chip market conforming to the mobile communication standards of CDMA, WCDMA, and LTE, refused a license to competitive chip manufacturers, requested stipulation of new restrictive provisions, took measures that chips would not be provided without conclusion of a license contract, concluded a contract including a rebate provision related to exclusive deals with specific manufacturers and the like, which are acts of impairing competitions in the baseband processor market and of directly and indirectly preventing participation of the other manufacturers in the competition in an unfair way and violated Article 9, paragraph (1) of the Fair Trade Act which is a competition law in Taiwan and gave disposition as a corrective measure that the appellee, Qualcomm was imposed a civil penalty of 23.4 billion New Taiwan dollars, should notify the competitive chip manufacturers and portable phone manufacturers that revision of the license contract or a new license contract could be proposed, and should consult with them (Exhibits Ko 36, 37).

C. The appellee, Qualcomm submitted in the German lawsuit a "written response in legal dispute" (Exhibit Ko 35) as of March 14, 2018. This document has the description that "these license contracts have been constructed such that all the [Qualcomm's] patents during a specific period are licensed at all times in this regard. This specific limited period is also called 'capture period'. The conditions for these license contracts have

been re-negotiated every certain period, whereby the capture period of the license was extended, and a new technology has been taken in the license.", "Therefore, since the fourth quarter in 2016 until now, the CM (contracted manufacturer) paid the royalty agreed on manufacture and sale of the devices by those other than Apple but has not paid any royalty which should be paid as a consideration for use by Apple of Qualcomm's patents (regardless of whether it is standard essential patent or non-essential patent). With this background as a reason, future extension of the capture period or negotiation for taking in the patent which is the issue in the lawsuit in a license, for example, has not been made at all naturally. Actually, Apple has not tried to convince CM to participate in the negotiation".

(7)The appellees stated on the date of the first oral argument in this court on January 15, 2019 that the appellee, Qualcomm has granted a license to CM in relation with production, transfer, and the like of the plaintiff's products on the patents including the present patent and that the appellants have received supply of all the plaintiff's products from CM and thus, the appellees do not currently intend to exercise the right to demand compensation for damages and the right to demand royalties based on the present patent right from the appellants and do not consider that they can exercise them under the Japanese laws, and the present argument was finished on the same day."

2 Issue 2 (existence of benefit of confirmation)

In addition to the correction as follows, as described in No. 3, 2 in "Facts and reasons" of the judgment in prior instance, they are cited herein. (1) At the end of line 7 on page 20 in judgment in prior instance, a new line is added as follows.

"F. In response to that, the appellants asserted that (i) the evidence supporting that the present patent right is a target patent of the CM license contract has not been submitted from the appellees; (ii) the appellee, Qualcomm admits in the German lawsuit between the appellant, Apple and the appellee, Qualcomm that negotiation for taking in new patents or the target patents of the lawsuit has not been made at all with CM in the fourth quarter in 2016 and after, and there is a doubt about effectiveness of the CM license contract and the range of the licensed patents; (iii) the appellee, Qualcomm received the correction order by the Fair Trade Commission in

Taiwan (TFTC) on October 20, 2017 that the license conditions should be re-negotiated on the license contract concluded with the manufacturers/sellers of the portable communication terminal including CM, and the re-negotiation of the CM license contract has started between the appellee, Qualcomm and CM, and the conditions of the CM license contract are likely to be changed in the future; (iv) the appellee, Qualcomm presented to the appellant, Apple the list of patents substantially completely covering the essential declared patents held by them (including the present patent) (Exhibit Ko 7) and the claim chart of the essential declared patents held by them (Exhibit Ko 14), sent the letter including wording "XXXXX" (Exhibit Ko 6), and suggested the recognition that the essential declared patents (including the present patent) of the appellee, Qualcomm are infringed by the appellant, Apple "without a direct license (absent a direct license)"; and (v) in view of the fact that the list provided by the appellee, Qualcomm in response to the request by the appellant, Apple includes the present patent, the present patent right cannot be considered to be the target patent of the CM license contract and it is obvious that the appellee, Qualcomm asserted to the appellant, Apple that the plaintiff's products infringe many patent rights held by the appellee, Qualcomm including the present patent right in the license negotiation between the appellant, Apple and the appellee, Qualcomm.

(A) However, as found in the aforementioned 1(7), the appellees expressed on the date of the first oral argument in this court when the present argument is finished that since the appellee, Qualcomm granted the license in relation with production, transfer, and the like of the plaintiff's products on the patents including the present patent to the CM, and the appellants received the supply of all the plaintiff's products from CM, the appellees do not currently intend to exercise the right to demand compensation for damages and the right to demand royalties based on the present patent right from the appellants and do not consider that they can exercise them under the Japanese laws and thus, it is found that the present patent is made the license target in the CM license contract between the appellee, Qualcomm and CM at the point of time of conclusion of the present oral argument.

Subsequently, even if the negotiation for taking in the new patents or the target patents of the lawsuit has not been made between the appellee, Qualcomm and CM in the fourth quarter in 2016 and after as stated by the

appellants, that does not directly mean that the contents of the CM license contract were changed or that the effect of the contract itself was lost. Moreover, there is not sufficient evidence to find that the appellee, Qualcomm has started the re-negotiation of the CM license contract with CM upon receipt of the correction order (disposition) by TFTC.

Therefore, the points (i) to (iii) cited by the appellants are not applicable to the circumstances in which the appellee, Qualcomm asserted to the appellant, Apple that the plaintiff's products infringe the present patent right in the present license negotiation between the appellant, Apple and the appellee, Qualcomm.

(B) As found in the aforementioned 1(2), in view that the present license negotiation between the appellant, Apple and the appellee, Qualcomm intended to directly provide the license to the appellant, Apple instead of reliance on the existing license to CM, the wording "XXXXX" in the sentences "XXXXX" described in the letter in Exhibit Ko 9 sent by the appellant, Apple means "without a license" and is found to assume the case where there is not any license including the license to CM.

According to the findings in the aforementioned 1(2), upon receipt of the request for specification of the patent right the appellee, Qualcomm considers infringement of the plaintiff's products without a license from the appellant, Apple to the appellee, Qualcomm, the appellee, Qualcomm is found to provide the appellant, Apple with the list of patents (Exhibit Ko 7) disclosed by the appellee, Qualcomm to ETSI (European Telecommunications Standards Institute) and the sample claim chart (Exhibit Ko 14) for the part of the patent right held by the appellee, Qualcomm, and that the present patent or the corresponding U.S. patent or the corresponding Chinese patent is not described in the sample claim chart and thus, it cannot be found that the appellee, Qualcomm asserted to the appellant, Apple that the plaintiff's products infringe the present patent right in the present license negotiation between the appellant, Apple and the appellee, Qualcomm even though the present patent is included in the aforementioned list.

Therefore, points (iv) and (v) cited by the appellants have errors in the premises thereof.

(C) According to the above, the assertion by the appellants is not grounded. G. The appellants assert that the appellee, Qualcomm does not have or

cannot exercise the right to demand compensation for damages and the right to demand royalties based on the present patent with the existence of the CM license contract as a reason in the present action, but in the U.S. lawsuit, they made assertions on the premise of the infringement by the appellant, Apple of the patent right held by the appellee, Qualcomm such as their petition seeking for confirmation of compatibility with the FRAND conditions and the royalty under the FRAND conditions with regard to the patent included in the portable communication SEP portfolio regardless of the presence of the CM license contract, and it is obvious that the two assertions by the appellee, Qualcomm contradict each other, and the appellants assert that such assertion by the appellee, Qualcomm contradicting the present action in the U.S. lawsuit is grounds for the benefit of confirmation of the present action.

However, as found in the aforementioned 1(6), the facts that the appellee, Qualcomm petitioned in the U.S. lawsuit for confirmation that the license proposal by the appellee, Qualcomm conforms to the FRAND declaration and if it does not conform to the FRAND declaration, royalty by the FRAND declaration should be confirmed and that the appellee, Qualcomm submitted the expert's opinion on June 29, 2018 in the same lawsuit that the appellant, Apple infringes the corresponding U.S. patent of the present patent, as countersuits do not contradict at all with the assertion by the appellee, Qualcomm in the present action that they do not intend to exercise the right to demand compensation for damages and the right to demand royalties based on the present patent right or do not consider they can under the Japanese laws against the appellants who received the supply of the plaintiff's products from CM having received the license from the appellee, Qualcomm.

Or rather, as found in the aforementioned 1(6), since the appellee, Qualcomm made the unconditional and irrevocable oath in the U.S. lawsuit that they would not sue the appellant, Apple for the 9 U.S. lawsuit target patents including the corresponding U.S. patent of the present patent, it cannot be found that their assertion is made on the premise of the infringement by the appellant, Apple of the present patent right held by the appellee, Qualcomm in the U.S. lawsuit, either.

Therefore, the aforementioned assertion by the appellants is not grounded."

(2) The phrase "comprehensively considering them" on page 20, line 8 of the judgment in prior instance is revised to "H. By comprehensively considering them,".

3 Motion for additional change in action by appellants in this court

This court decided on the date of the first oral argument in this court on January 15, 2019 that the written motion for change in the action as of November 15, 2018 made by the appellants in this court and the motion for additional change in the action on the basis of the written motion for change as of the 30th of the same month (hereinafter, referred to as the "present change in action") were not permitted, and the reasons for that are as follows.

(1) The written motion for change in this action by the appellants was to add the 9 products such as "iPhone XS 64GB" started to be sold in Japan on September 21, 2018 and after subsequent to institution of the present appeal (hereinafter, referred to as "the appellant's new products"), other than the plaintiff's products (39 products in total) described in the attached list of articles in the judgment in prior instance, to the list and additionally requested confirmation that the appellees do not have the right to demand compensation for damages and the right to demand royalties on the ground of the present patent right infringement with regard to the acts of producing, transferring, and the like the appellant's new products by the appellants.

In response to that, the appellees opposed the petition for change of the present action by stating that, since the appellant's new products were not the target of organization of the issues in the court of prior instance on the basis of the opinion to the motion for change in the action as of January 8, 2019, surveys/confirmation of the basic relation of facts as the premise related to existence benefit of confirmation (particularly the fact that the appellants have received the supply of all the appellant's new products from CM) are indispensable on the side of the appellees, and since it is likely that the assertions need to be newly proven if the basic relation of facts is different from the plaintiff's products, if the change in the present action is allowed, it impairs the benefit of instance of the appellees and would also extremely delay the procedure of the present lawsuit.

(2) The target of appeal in the court of second instance when dismissal without prejudice was rendered in the first instance is limited to propriety of dismissal without prejudice in principle, and when the court of second

instance finds that the judgement in the first instance is reasonable, the appeal is dismissed, while when the judgment in the first court is reversed as the judgment is unjust, the case should be remanded to the first court without instituting the trial on propriety of the action in principle, except that no further argument is necessary for the case (Article 307 of the Code of Civil Procedure) and thus, sufficient trial has been accomplished in the first instance on this case related to the new action after the change in the action, and it is reasonable to understand that the petition for change in the action in the court of second instance impairs the benefit of instance of the other party and is not allowed except where there is a special circumstance such that the other party has not stated opposition to the petition for change in the action.

When the above is applied to this case, (i) any of the new products by the appellant is the product started to be sold in Japan on September 21, 2018 subsequent to the institution of the present appeal (the date of constitution of the appeal for the appellant, Apple Japan is May 10, of the same year and for the appellant, Apple is June 11 of the same year), and not only the trial on the benefit of action but also the trial on the present case has not been made at all in the court of prior instance for the new products by the appellant; (ii) since the appellees have expressed explicit opposition to the motion for change in the present action as described in the aforementioned (1), no special circumstance is found in the motion for change in the present action to add the new action in relation with the new products by the appellant in this court, and to allow the change in the present action is found to rather impair the benefit of instance in relation with the new action by the appellees and to be likely to extremely delay the litigation proceedings of the action.

Therefore, it is reasonable to not allow the petition for change in the present action by the appellants under Article 297 and Article 143, paragraph (4) of the Code of Civil Procedure.

4 Conclusion

As described above, since each of the present actions lacks benefit of confirmation and is unlawful, the judgment in prior instance that dismissed each of the present actions is reasonable.

Therefore, each of the present appeals is dismissed and judgment is rendered as in the main text.

Intellectual Property High Court, Fourth Division

Presiding Judge OOTAKA Ichiro

Judge FURUKAWA Kenichi

Judge SEKINE Sumiko

(Attachment)

List of parties concerned

Appellant: Apple Incorporated

Appellant: Apple Japan GK

(omitted)

Appellee: Qualcomm Incorporated

Appellee: Qualcomm Technologies Inc.

Appellee: Qualcomm CDMA Technologies Asia-Pacific PTE LTD

Trade name before reorganization: Qualcomm Japan

Appellee: Qualcomm Japan GK

(omitted)