

Date	May 16, 2014	Court	Intellectual Property High Court, Special Division
Case number	2013 (Ra) 10008		
<p>– A case in which the court found that the appellee's products fall within the technical scope of the appellant's patent right.</p> <p>– A case in which the court found that the appellant's exercise of the right to seek an injunction based on the patent right constituted the abuse of right.</p>			

References: Article 1, paragraph (3) of the Civil Code, and Article 100 of the Patent Act

1. Background

This is the case wherein the appellant (obligee) alleged that the appellee's (obligor's) production, assignment, import or other acts in relation to the products specified in the attached Lists of Products (hereinafter referred to as the "Product") constitutes the infringement of the appellant's patent right under the Patent No. 4642898 for the invention titled "method and apparatus for transmitting/receiving packet data using pre-defined length indicator in a mobile communication system" (hereinafter referred to as the "Patent"), and filed a petition for a provisional disposition order for an injunction against the appellee's production, assignment, import, etc. of the Product and custody of infringing products by a court execution officer. The right sought to be preserved by this provisional disposition is the right to seek an injunction of the Patent Right.

In the decision in prior instance, the court held that the Product fall within the technical scope of the invention pertaining to the Patent Right; however, the court dismissed the appellant's petition holding that the appellant's exercise of the right to seek an injunction based on the Patent Right constituted the abuse of right. The appellant filed this appeal against such decision.

2. Outline of the facts on which the court decision is premised

- (1) The Product conform to the UMTS (Universal Mobile Telecommunications System) standard, which is the telecommunications standard developed by 3GPP (Third Generation Partnership Project). 3GPP is a private organization established for the purposes of the dissemination of the third-generation mobile telecommunication system or mobile telephone system (3G), as well as the international standardization of the related specifications.
- (2) ETSI (European Telecommunications Standards Institute), one of the standard

organizations which established 3GPP, provides the "Intellectual Property Rights Policy" as the guidelines for the treatment of intellectual property rights (IPRs).

- (3) On August 7, 2007, the appellant, in accordance with the ETSI IPR Policy, notified ETSI that the IPRs including the Patent were or were highly likely to be essential IPRs for the UMTS standard, with an undertaking that it was prepared to grant an irrevocable license on fair, reasonable and non-discriminatory terms and conditions (such terms shall be hereinafter referred to as the "FRAND Terms," and this declaration as the "FRAND Declaration").

3. Summary of the decision

- (1) Issue of whether the Product fall within the technical scope of Invention 1

In this decision, the court found that the Product fall within the technical scope of Invention 1.

- (2) Issue of whether the exercise of the Patent Right constitutes the abuse of right

In this decision, the court held as follows, determining that the appellant's exercise of the right to seek an injunction based on the Patent Right constitutes the abuse of right.

"A party intending to engage in the manufacturing, sale, etc. of a UMTS standard-compliant product would recognize that, among the patent rights essential for the manufacturing, sale, etc. of such product, at least those owned by ETSI members require the timely disclosure in accordance with ETSI IPR Policy Clause 4.1 and the FRAND licensing declaration under ETSI IPR Policy Clause 6.1. Such party would rely on the availability of a FRAND license through an appropriate negotiation with the patentee. Such reliance is worth protecting. Accordingly, in connection with the Patent subject to the FRAND Declaration, allowing the unconditional exercise of the right to seek an injunction would be detrimental to the reliance of parties who manufacture or sell the UMTS standard-compliant product on the availability of such license.

Owing to such reliance of the UMTS standard users, the patent rights (including the Patent Right) incorporated into the UMTS standard can be widely disseminated among a large number of business enterprises in all part of the world. As a result, an owner of a Standard Essential Patent can benefit from royalty income, which would be unavailable if the patent was not adopted as part of the UMTS standard. In addition, a party which makes a FRAND declaration as required by the ETSI IPR Policy, including the appellant's FRAND Declaration, declares on a voluntary basis that it is prepared to grant

an irrevocable license under the FRAND Terms. So, it is considered that such party does not anticipate the exercise of the right to seek an injunction to maintain its dominance over the market, so long as such party can obtain consideration for the FRAND license. For such party, it is not so necessary to allow the exercise of the right to seek an injunction to protect its dominance over the market.

Whenever parties intending to engage in the manufacturing, sale, etc. of any product complying with the UMTS standard, including the appellee, implements the UMTS standard, there is no choice but to work the Patent, and it is impossible for them to adopt alternative technology or to change the product design. Therefore, if the patentee is unconditionally allowed to exercise the right to seek an injunction based on the Patent Right, the standard users may be put into a situation where they are forced to pay a high royalty or to agree to extremely unfavorable license conditions which are not FRAND Terms, or to abandon the business project itself, so as to avoid the damage that may arise from such injunction. In addition, the UMTS standard contains a large number of patents owned by different owners (1800 or more patent families are declared as essential by 50 or more patentees). It is considered extremely difficult for a standard user to obtain the licenses in advance, after confirming whether each of such large number of patents is essential or not. Therefore, if the patentee is unconditionally allowed to seek an injunction based on the Standard Essential Patent, the use of the UMTS standard would become practically impossible. Such situation would have a negative impact on the dissemination of the UMTS standard and run counter to the purpose of the ETSI IPR Policy aimed at the harmonization and dissemination of the communication standards. Further, if such situation arises, the general public would be unable to enjoy a variety of benefits which would be available if the harmonization and dissemination of communication standards was achieved.

In relation to a Standard Essential Patent, it is not appropriate to allow a party who made a FRAND declaration to exercise the right to seek an injunction based on the patent right against a party willing to obtain a license under the FRAND Terms. "

"Meanwhile, the injunction should be allowed against a party engaged in manufacturing, sales, etc. of an UMTS standard-compliant product without any intention of receiving a FRAND license, as such party with no intention of obtaining a FRAND license is not considered to comply with the standards

relying upon the FRAND declaration, and the patentee would not be adequately protected if the exercise of right to seek an injunction even against such parties is restricted. Nevertheless, as allowing the patentee to exercise the right to seek an injunction involves potential adverse effects as mentioned above, scrutiny shall be made before determining that the prospective licensee has no intention of receiving a FRAND license. "

"Considering the totality of the above circumstances, the exercise of the right to seek an injunction based on the Patent Right by the appellant who made the FRAND Declaration would constitute the abuse of right (Article 1, paragraph (3) of the Civil Code) and therefore is not allowed, if the appellee successfully alleges and proves the fact of the appellant having made the FRAND Declaration and the appellee's intention of receiving a FRAND license. "

"Apple Inc. and the appellee can be considered as the parties who have the intention of receiving a FRAND license, as Apple Inc. has made specific royalty rate proposals with a calculation basis several times,, and held several conferences with the appellant for intensive licensing negotiation. "

(3) Conclusion

On the premises of the foregoing, in this decision, the court concluded that the petition should be dismissed without the need to discuss the other points in issue, as the appellant failed to make a prima facie showing in regard to the right sought to be preserved. The court therefore held that this appeal should be dismissed, finding the decision in prior instance which reached the same conclusion to be appropriate.