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標準必須特許を巡る紛争解決に向けて
プレゼンテーション資料

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International Arbitration in Patent Disputes

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Agenda

- Current litigation-focused patent enforcement system
- Overview of SEP Cases
- Arbitration can do better
- A future International Arbitration Center in Tokyo (IACT)?
 - Improve on current arbitration models?

The Current System (Global Litigation)

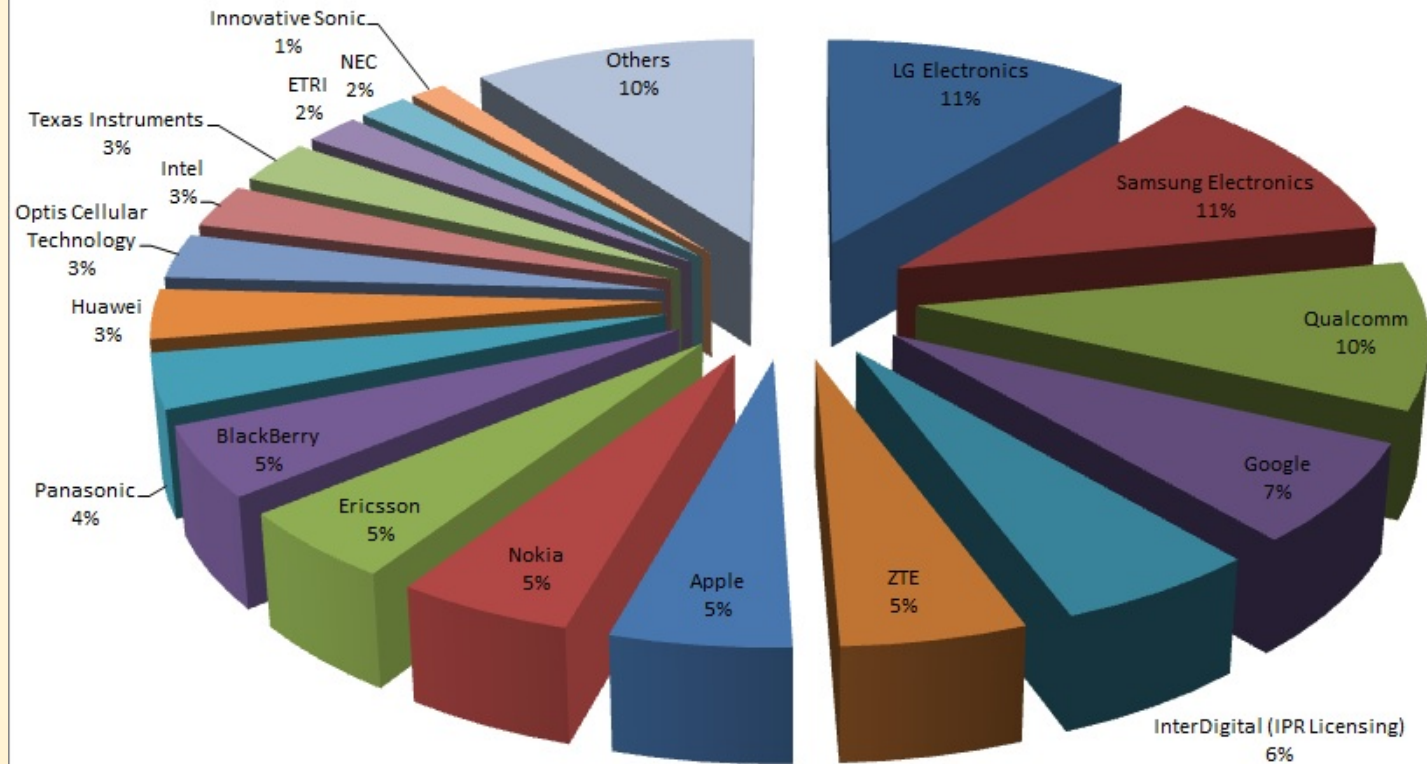
- Courts not equipped to resolve SEP disputes:
 - Can a single court issue a global decision?
 - Forces many lawsuits under different legal regimes
 - Injunction: YES, China, UK; No, Japan
 - German injunction model vs. US damages model
 - Complexity
 - Thousands of patents; many standards
 - Delays – Many years before finality
 - Expense
- **Highly Inefficient**

Overview of Important SEP Cases

Major Players in 4G LTE

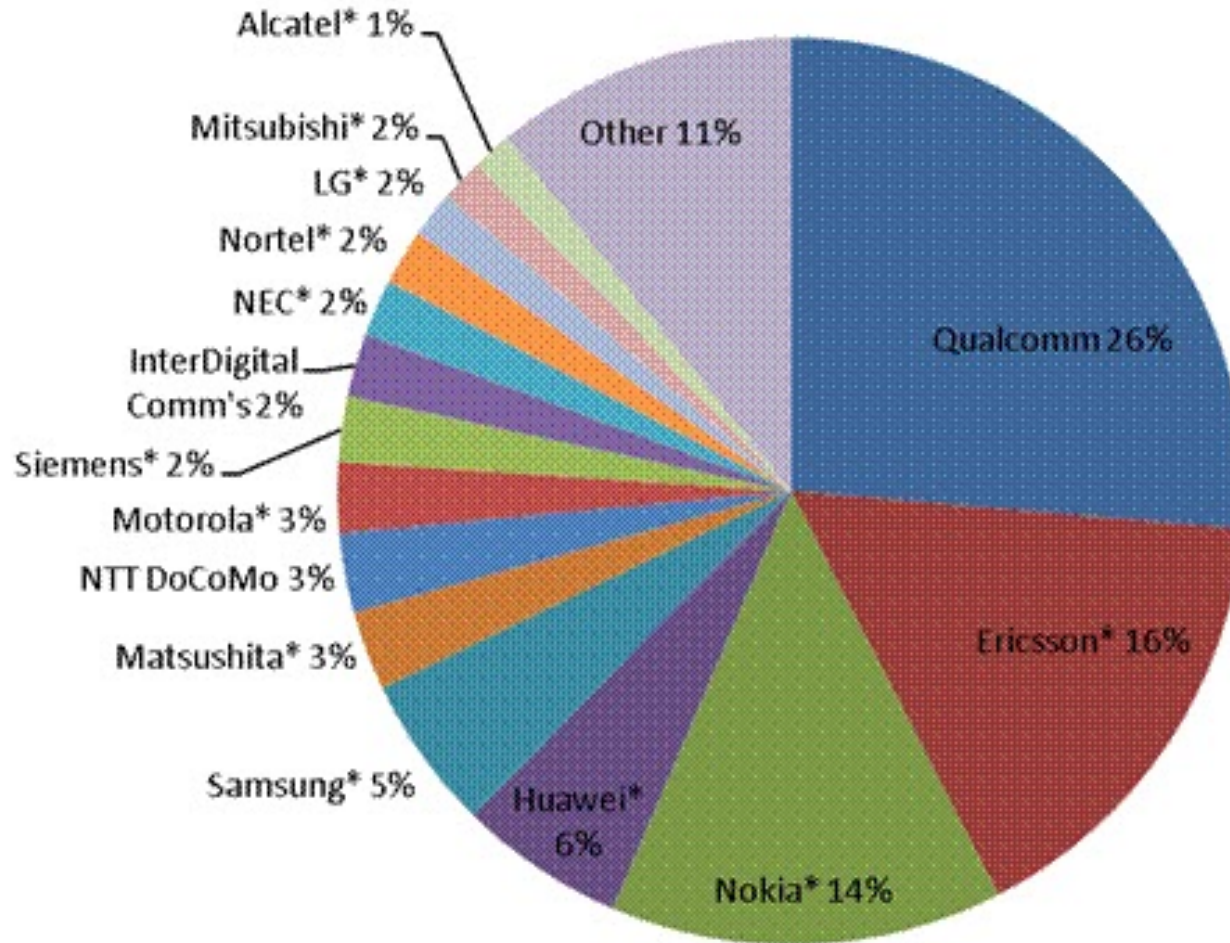
4G LTE Patent Landscape USPTO 2Q 2016

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Major Players in 4G LTE

Exhibit 1: Ownership of Declared [Potentially] Essential IP



Source: Farifield Resources International, 2009

* Vertically-integrated with handset or radio network equipment manufacture

Microsoft v. Motorola (W.D. Wash., April 2013): **BOTTOM-UP METHODOLOGY**

- Standards:
 - IEEE 802.11 WLAN standard (WiFi)
 - ITU H.264 Video Coding standard
- Royalties: Determined royalties using *G-P* style analysis, largely focusing on: 3 steps:
 - Importance of SEPs to standard
 - Importance of standard to products
 - Technical analysis of advantage over non-infringing substitute

Microsoft v. Motorola (W.D. Wash., April 2013) – PROCEDURAL CONFLICT

- Complex procedure (simplified)
 - Microsoft sues in W.D. Wash (J. Robart) as 3rd party beneficiary of RAND contract between Motorola and SSO.
 - Motorola sues for infringement in Germany-- German court awards injunction.
 - W.D. Wash. enjoins Motorola from enforcing German judgment -- 9th Circuit upholds

Microsoft v. Motorola (W.D. Wash., April 2013)

- Bench trial to set RAND rate
- First-of-its-kind ruling, 2013
- 207 page decision by J. Robart

Microsoft v. Motorola (W.D. Wash., April 2013)

- Decisions:
 - RAND rate of 0.555 cents per unit for video (range 0.555 to 16.389 per unit)
 - RAND rate of 3.471 cents per unit for WiFi (range 0.8 to 19.5 per unit)
 - Both rates far below 2.25% of the end unit selling price (about \$4.50 per \$199 Xbox) in Motorola initial request

Microsoft v. Motorola (W.D. Wash., April 2013)

- RAND royalty set to promote the standard
- Recognized and mitigated “patent hold-up” and royalty stacking (without reference to “hold-out”)
- RAND royalty set by using *Georgia-Pacific* standards to assess the patentee’s return on IP-related investment
- *G-P* standards modified for RAND case

Microsoft v. Motorola (W.D. Wash., April 2013)

- Examples of Modified *G-P* Factors:
 - Factor 1 (established royalties): “Thus, [only] license agreements where the parties clearly understood the RAND obligation, and . . . patent pools, will be relevant to a hypothetical negotiation for SEPs.”
 - Factor 4 (past licensing policies): “inapplicable in the RAND context”
 - Factor 5 (relationship, competitors): “inapplicable”





Microsoft v. Motorola (W.D. Wash., April 2013)

- Examples of Modified *G-P* Factors:
 - Factor 7 (patent duration): “little influence”
 - Factor 9 (alternatives): “alternatives that could have been written into the standard”
 - Factor 10 (benefits of invention): include “contribution of the standard’s capabilities”
 - Factor 15 (hypothetical negotiation): seek “widespread adoption of the standard through avoidance of holdup and stacking.”

Microsoft v. Motorola (W.D. Wash., April 2013)

- Modified G-P factors discounted technology value repeatedly
 - Absolute bottom of video range; near bottom of Wifi range

Microsoft v. Motorola (W.D. Wash., April 2013)

	Motorola's October 2010 Demands	Court-Determined RAND Royalty
H.264	 <p>\$11.25 per unit</p>	 <p>0.555 ¢ per unit</p>
802.11	 <p>\$4.50 per unit</p>	 <p>3.471 ¢ per unit</p>

In re Innovatio (N.D. Ill., 2013) – TOP DOWN METHODOLOGY

- Innovatio acquires patents and files suit against coffee shops, hotels, and others for wireless technology SEPs
- Three steps:
 - find portion of product that implements patents
 - “not on the entire product, but instead on the smallest salable ... unit [SSPPU]”
 - Royalty for all SEPs in SSPPU
 - Apportion between all SEPs and fewer SEPs in suit

In re Innovatio (N.D. Ill., 2013)

- Innovatio sought % of sales price of end products (laptops, tablets, etc.)
 - \$4.17 per laptop, \$16.17 per tablet, etc.
- Defendants base royalty on % of wireless chips in those products
 - Royalty ranged from .72 cents to 3.09 cents

Ericsson v. D-Link (Fed. Cir., December 2014)



Ericsson v. D-Link (Fed. Cir., December 2014) – Bottom UP analysis

- 2010: Ericsson sues D-Link for infringing its 802.11(b) SEPs.
- D. Ct: Ericsson wins jury verdict with award of \$10 million in damages (a royalty rate of \$0.15 per product)
- \$0.15 per product becomes running royalty
- Appeal to the Federal Circuit
 - Affirms on liability
 - Issue – damages

Ericsson v. D-Link (Fed. Cir., December 2014)

- Case-by-case rules: NO SINGLE METHOD
 - “[A] district court must instruct the jury only on factors that are relevant to the specific case at issue. There is no *Georgia-Pacific*-like list of factors that district courts can parrot for every case involving RAND-encumbered patents.”
 - “[I]nstructions that mirror . . . *Innovatio* or *Microsoft*, we specifically reject that argument.”

Ericsson v. D-Link (Fed. Cir., December 2014)

- Incremental value:
 - “any royalty award must be based on the incremental value of the invention, not the value of the standard as a whole or any increased value the patented feature gains from its inclusion in the standard.
 - “. . . often, the smallest salable unit and, at times, even less.”

Ericsson v. D-Link (Fed. Cir., December 2014)

- Hold-up and Stacking:
 - “We also conclude that, if an accused infringer wants an instruction on patent hold-up and royalty stacking, it must provide evidence on the record of patent hold-up and royalty stacking in relation to both the RAND commitment at issue and the specific technology referenced therein.”

Ericsson v. D-Link (Fed. Cir., December 2014)

- RESULT:
 - Reversed and Remanded on damages
 - Due to errors identified above, the Federal Circuit vacated the RAND determination and remanded the case back to the district court for further proceedings

CSIRO v. Cisco (Fed. Cir. 2015)



CSIRO v. Cisco (Fed. Cir. 2015) – Bottom UP method again

- CSIRO sues Cisco for infringement of SEP patent on wireless signal processing
- Bench trial in D. Ct:
 - Range for royalties of 90 cents to \$1.90 resulting in award of \$16 million to CISCO
- Appeal to CAFC:
 - Challenged that D. Ct. did not use SSPPU (smallest salable unit) and not discounting for SEP

CSIRO v. Cisco (Fed. Cir. 2015)

- Apportionment
 - “[M]ust reflect the value attributable to the infringing features of the product, and no more.”
 - When “a damages model apportions from a royalty base, the model should use the smallest salable patent-practicing unit as the base”
 - BUT no error because D.Ct. used per unit royalty

CSIRO v. Cisco (Fed. Cir. 2015)

- Comparable License
 - Predecessor parties had negotiated several per unit royalty agreements based on same patent
 - D.Ct. refused to use them — error
 - “[A] comparable license may not be excluded from the fact finder’s consideration ‘solely because of its chosen royalty base.’”

CSIRO v. Cisco (Fed. Cir. 2015)

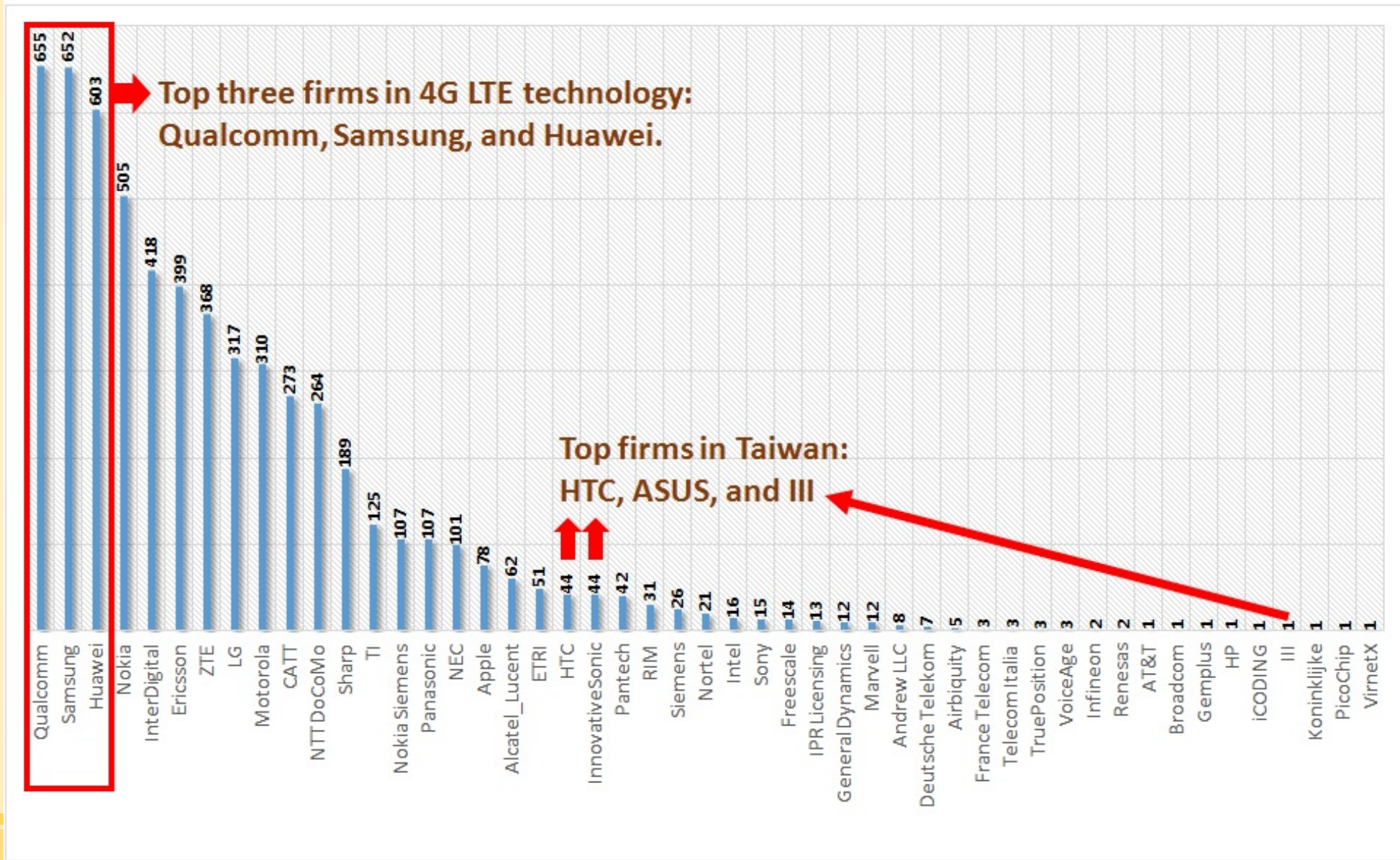
- Discount for standardization? Adjust *G-P* factors to account for RAND encumbrance?
- CAFC: Yes: “[D]amages awards for SEPs must be premised on methodologies that attempt to capture the asserted patent’s value resulting not from the value added by the standard’s widespread adoption, but only from the technology’s superiority.”

CSIRO v. Cisco (Fed. Cir. 2015)

- Key Implication:
 - Separate standard value from patent value
 - Method for setting royalties for RAND-encumbered SEP is same as SEP without RAND commitment
 - Damages in all patent cases, whether or not SEPs, is the same incremental value of the patented invention in its product

International SEP Cases

SEP Declarations



Huawei v. Interdigital (Guangdong High Court of China, April 2014) – ANTITRUST, Too!

- After InterDigital's 2011 ITC complaint against Huawei, Huawei filed two suits in Shenzhen:
 - A case to set RAND rate for IDC's Chinese SEPs
 - An action for damages under China's Anti-Monopoly Law
- SZ court set RAND rate at 0.019%
- SZ court awarded HW 20M RMB for its Anti-Monopoly claim
- It found that seeking an exclusion order at the ITC while negotiations for Chinese SEPs were in progress was a violation

Huawei v. Interdigital (Guangdong High Court of China, April 2014)

- Guangdong High Court affirmed:
 - IDC was bound by its RAND commitments to ETSI (even though IDC took no part in the development of Chinese standards, because IDC should have anticipated that its patents would be adopted by the Chinese standards)
 - The court used an IDC-Apple license based on a lump sum as a benchmark for its royalty rate
- IDC has appealed to the Supreme People's Court, challenging, inter alia, the rate-setting methodology

Samsung v. Apple (IP High Court, Japan, May 2014) – TOP DOWN Method

- May 16, 2014 rulings by a Grand Panel of the IP High Court
- Samsung sought injunction for SEP
- Apple had sought a declaratory judgment that Samsung may not seek damages
- The lower courts found Samsung was not entitled to damages or an injunction
- The Grand Panel solicited amicus briefs for the first time and received a total of 58

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

- The High Court: was Samsung's RAND commitment an offer of a specific license or merely a commitment to grant such a license in the future?
- Tokyo IP HC: under French law Samsung had merely committed to grant a RAND license in the future
 - No royalty rate, term, or geographic scope, and so not sufficiently specific to constitute an offer
- ETSI's IPR policy contemplated negotiation
- ETSI's members had opposed a proposal that users be granted "automatic licenses"

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

- Samsung abused right under Article 1(3) of the Civil Code; negotiation conduct was not fair.
- Samsung did not provide any basis for its requested royalty rate.
- Apple was a willing licensee, as it engaged in negotiations and proposed concrete royalty terms.
- NO INJUNCTION

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

- Damages: IP High Court reversed the lower court's ruling of no damages
- Award of damages for infringement of SEP is consistent with RAND, but damages may generally not exceed RAND amount
- Super-RAND damages may be available for “hold out” but not in this case
- IP High Court set damages at ¥9.95M (\$95,000)

Huawei v. ZTE (CJEU, August 2015)



Huawei v. ZTE (CJEU, August 2015) – Competition Law Adjusts “Orange Book” burdens in Europe

- Huawei sues ZTE in Germany to enforce its LTE SEPs against ZTE
 - FRAND licensing negotiations failed
 - HW seeks injunction
 - ZTE defends saying HW is abusing its dominant position
- German court refers to CJEU
 - Advocate General suggests “middle path” because German law favors patentee

Hauwei v. ZTE (CJEU, August 2015)

- Shifts burden to SEP holder to make FRAND offer
- Transparency – must specify basis for offer
- Harmonized approach for EU
- Follows Advocate General “middle path”
 - Is this a “middle path?”
- Seems to encourage use of arbitration

Hauwei v. ZTE (CJEU, August 2015)

- Will this really work?
- Meaning of FRAND? Still not defined
- Injunction? How applicable?

Unwired Planet v. Huawei (UK, August 2017) – FRAND requires Global License?

- UPlanet sues HW (also Google, Samsung) on 6 patents (5 SEP patents)
 - Google and SS settle; 2 patents invalid
 - UPlanet acquired patents from Ericsson
 - “privateering” an issue?
- HW offered a license, but only in UK
 - UPlanet insisted on a global license
 - Can UK court compel a global license?

Unwired Planet v. Huawei (UK, August 2017)

- DECISION: Judge Buriss
 - No breach of competition law (HW's defense loses)
 - UP wins on global license – “willing and reasonable parties would agree on a worldwide license”
 - “UK only scope is not FRAND”

Unwired Planet v. Huawei (UK, August 2017)

- Decision:
 - HW subject to injunction on SEP patents
 - Final decision on injunction (all sales in UK) assessed after court has chance to review terms of global license
 - FRAND rate: UP's initial rates rejected as not FRAND (unreasonable)
 - "None of U P's offers were FRAND"

TCL v. Ericsson (C.D. Cal, December 2017) – More Conflict Between Courts?

- TCL – 7th largest handset maker in the world accused of infringing ERICSSON’s SEPs on 2g, 3g, 4g
- CD Cal. endorses “TOP DOWN” method, no “single FRAND rate”; awards 5 year royalties (.45% highest rate) and \$16.5 million for past use
- In ED TEX a single patent in that Ericsson portfolio won \$75 million in past damages
 - *BUT SEE, Ericsson, Inc. v. TCL Communication Tech. Holdings, Ltd.*, No. 2:15-cv-00011, Slip Op. (Mar. 7, 2018). (Judge Payne vacates the \$75 million and orders a new trial on damages)
- CONFLICT?

CONCLUSION from Overview of Courts

- No consensus on methods or rules
 - bottom up, top down, etc.
 - injunctions vs. damages
- Antitrust intervention prominent in some places, not others
- Global license = FRAND?
- One clear RULE: uncertainty, multiple appeals, and expense (whoops, that is three!)

Arbitration: A Better Solution?

Benefits of Arbitration

- **Confidentiality**
- **Single forum** for resolving global dispute
- **Flexibility** – parties choose law and set procedure
- **Efficiency**
- **Expert decision-makers** – chosen by parties

Concerns about International Arbitration

- Still too time-consuming for fast-moving market
- No appeal in event of “major” mistake
- Expense

Launching IACT (International Arbitration Center in Tokyo)?

- Gathers leading **expert judges** from around the world (China, US, Japan, Korea, Europe)
- Neutral site (for disputes outside Japan)
- Rules similar to ICC Rules (with improvements!)
- Voluntary global patent enforcement
- 5G technology wave coming – avoid patent enforcement mistakes of earlier generations!

Improvements of IACT

- ONE YEAR TIME LIMIT – default rule
 - from time three arbitrators chosen
 - reduces expense; promotes efficiency
- APPEAL to IACT Board (5 members from each of key regions, with alternates if member is recused)
 - Board reviews all decisions
 - Parties may request board hearing to correct “MAJOR” error