◆法と経済学会・第１７回全国大会　講演報告◆

□シンポジウム　企画２

『 Intellectual Property and Competition Policy 』

(北海道大学・大野科研共催)　企画：青木 玲子(公正取引委員会)

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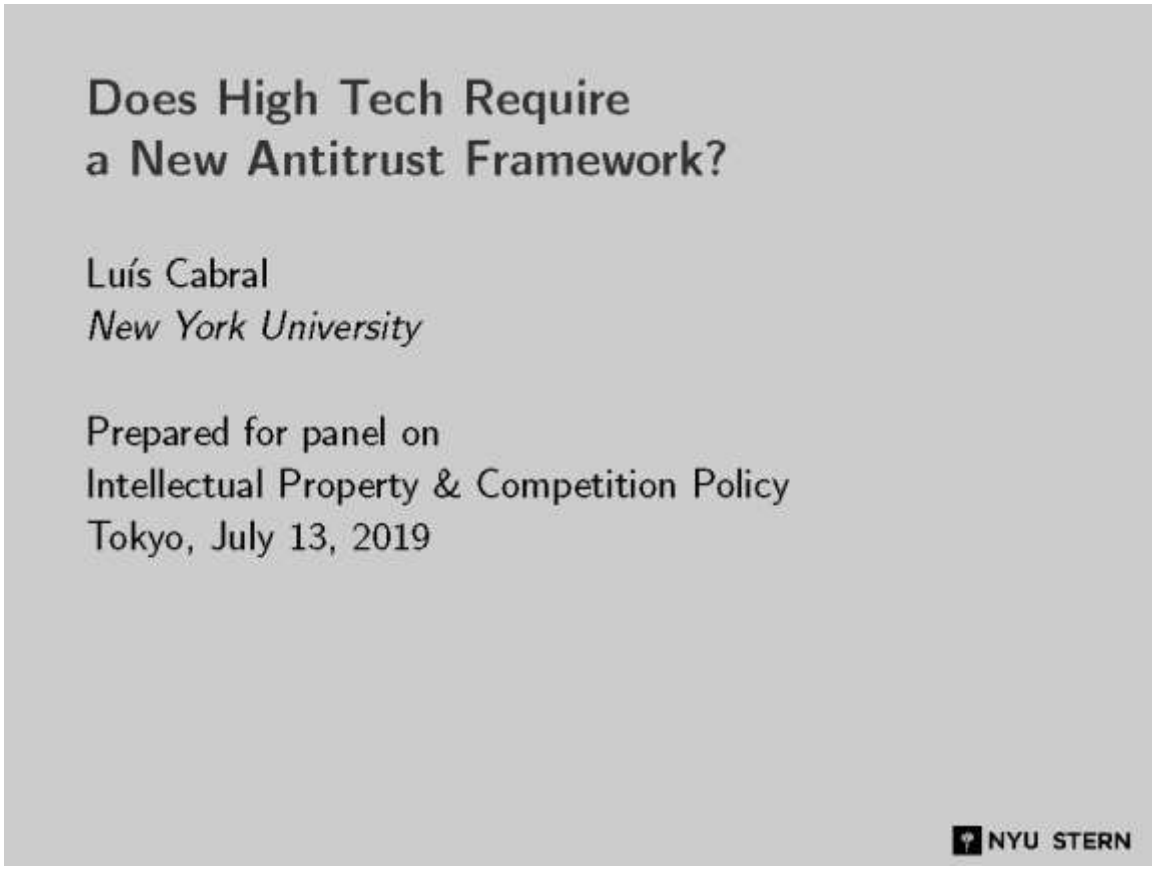
チェア	大野　由夏(北海道大学)
パネリスト	Luis Cabral(NYU)
	Michael Katz(UC Berkeley)
	鈴木　将文(名古屋大学)
	白石　忠志(東京大学)
	久保　研介(慶応大学)




Google has too much power, and they're using that power to hurt small businesses, stifle innovation, and tilt the playing field against everyone else. It's time to fight back. That's why I have a plan to break up Google and the other big tech companies. — Elizabeth Warren


Does high tech require a new antitrust framework?
M&A provide an important vehicle for tech transfer. Proposal: greater emphasis on ex-post regulation (and divestiture), less on traditional merger analysis.
Other than M&A, most current issues are not new: collusion, vertical foreclosure, predation, natural monopoly, etc. Need to apply existing framework!

Outline

- Innovation and antitrust
- Other issues raised by high tech
- Conclusion: does high tech require new antitrust policy?

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What is special about high tech

- High innovation rates
- Large asymmetries in firm size (from stratups to superstars)
- Frequent acquisition of small firms by large firms

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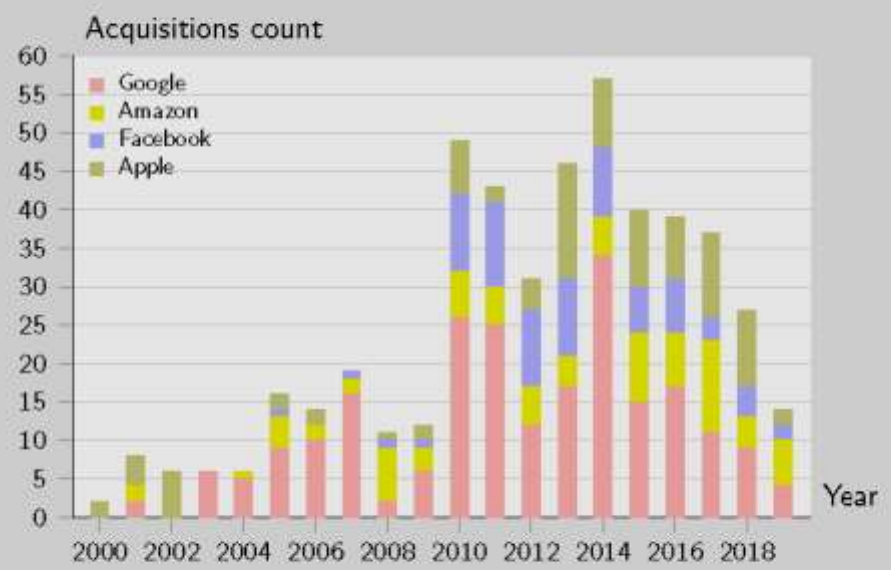
Superstars and startups



Source: Wikipedia, author's calculations

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Superstars and startups

- How do large asymmetries in firm size (superstars and startups) affect innovation incentives?
- Bad news: "shadow of Google" effect (or Microsoft, or Amazon)
  - absent technology transfer, innovation incentives are lower the greater the asymmetries in size
- Good news: "innovation for buyout" effect
  - technology transfer increases innovation incentives
  - given technology transfer, innovation incentives are greater the greater the asymmetries in size
- The difference between positive and negative effects stems largely from the efficiency of markets for technology

L Cabral, "Standing on the Shoulders of Dwarfs: Dominant Firms and Innovation Incentives," 2019.

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Antitrust and innovation

- Tech transfer plays an important role in the innovation ecosystem.
- When IP is poorly defined, M&A provide an important vehicle for technology transfer.
- Traditional merger analysis framework hard to apply in superstar-startup case:
  - hard to distinguish pre-emption, monopolization, value creation
  - hard to identify market shares, prices, etc (even business model)
- In this context, stricter M&A enforcement implies
  - chilling effect on innovation
  - many false positives (welfare enhancing blocked mergers)

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Antitrust and innovation

- Proposed solution: greater emphasis on ex-post policy rather then ex-ante policy.
- Forced divestiture rather than blocked acquisitions (some false negatives better than multiple false positives)
- Regulation (many platforms are becoming like "utilities")
- Step up policy against abuse of dominant position

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Outline

- Innovation and antitrust
- Other issues raised by high tech
- Conclusion: does high tech require new antitrust policy?

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Issues created by high tech

- Platforms as essential facilities
- Agent inertia, and competition for the market
- Big data and self-reinforcing dynamics
- Algorithmic pricing
- Predation and the CWS
- Poorly defined prices, consumer data protection
- Political power
- Income inequality, unemployment, wage growth

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Outline

- Innovation and antitrust
- Other issues raised by high tech
- Conclusion: does high tech require new antitrust policy?

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A new antitrust paradigm?

- Most of the current issues relating to market power in high tech are not new: collusion, vertical foreclosure, predation, natural monopoly, etc. Need to apply existing framework.
- Exception: interaction between antitrust and innovation in the context of mergers and acquisitions.
- Some issues that are being asked of antitrust really belong to consumer protection
- Some issues that are being asked of antitrust do not belong in antitrust or consumer protection (income inequality, unemployment, and wage growth)

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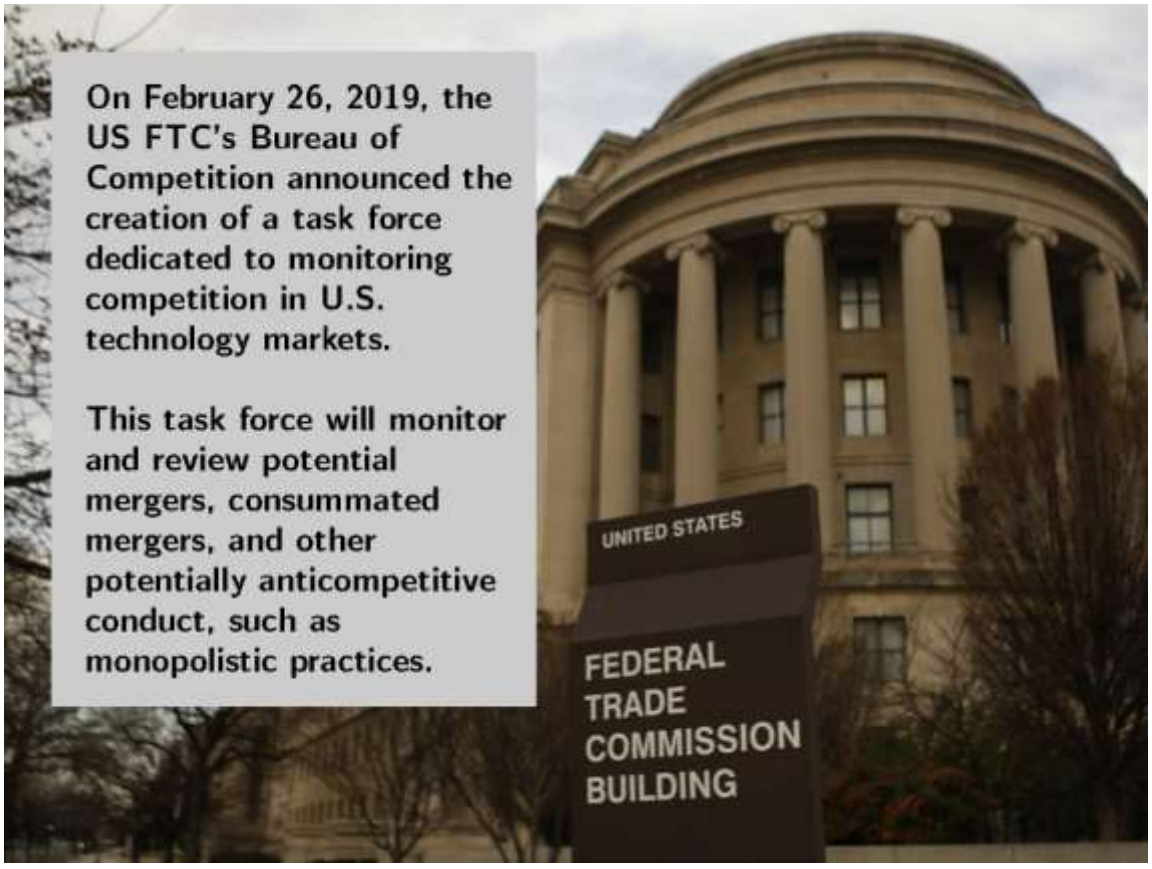
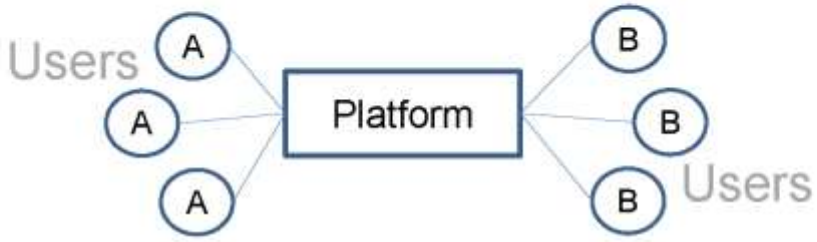

On February 26, 2019, the US FTC's Bureau of Competition announced the creation of a task force dedicated to monitoring competition in U.S. technology markets.
This task force will monitor and review potential mergers, consummated mergers, and other potentially anticompetitive conduct, such as monopolistic practices.
UNITED STATES
FEDERAL TRADE COMMISSION BUILDING

Would Granting Users Property Rights to their Data Promote Competition (and Privacy)?

Michael L. Katz
Intellectual Property and Competition Policy
13 July 2019

University of California
Berkeley
Haas School of Business

User big data are central to many platform's strategies.



Platform utilizes data about B-side users to predict their behavior in ways that are valuable to A-side users making product design, pricing, and promotion decisions.

Rakuten　facebook　NETFLIX　Google

Potential Problems and Solutions

- If user data are a key input and lack substitutes, then a platform might engage in **exclusion** by limiting—or making more costly—rivals' access to user data.
  - Can lead to high concentration and a "data barrier to entry."
  - Moreover, when consumers benefit from the use of the data, there can be high switching and multi-homing costs.
- Some of the possible uses of user data raise issues regarding price discrimination and user **privacy**.
- User data IPRs to the rescue?
  - Right to withhold data to allow monetization or to protect privacy.
  - Right to transfer data to allow monetization, reduce platform entry barriers, and prevent exclusion and lock in.

One Set of Proposed Principles

- Establish a federally-recognized **class of online data property** that includes data consumers generate on online platforms and devices — such as search data, location data, data about their responses to advertising and data included in their online posts — essentially, all the online data that makes up their "Virtual You;"
- Recognize in federal law that **this data is the property of the consumers who generate it**;
- **Enable consumers** to oversee the commercial use of their data property and **to preclude the use of their data should they choose to do so**...

10 July 2019 press release by Representative Doug Collins, Ranking Member of the U.S. House Judiciary Committee.

User-Data IPRs and Exclusion

- Would users protect competition?
  - Results on "naked exclusion" suggest otherwise.
  - Should users be allowed to enter into exclusive contracts with platforms?
- Whose data are they, anyway?
  - Joint production with the platform (e.g., Internet search history)
- Need for mandatory data portability?
  - Difficult issues about who bears the costs and what data are stored in what form.
  - Affects platform incentives—less incentive to collect data, say by offering a very attractive platform.
  - The competitive effects of switching costs are complex.

User-Data IPRs and Privacy

- IPRs raise difficult questions regarding which data are a user's data
  - A social-network "privacy thicket."
- IPRs may not protect user privacy.
  - What matters is how the platform and A-side users interpret and react to a B-side user's refusal to provide data?
    - Firms' beliefs about you: employer or firm providing you services
  - May need to: (a) ban data provision, or (b) mandate "no penalty for privacy."
    - Mandating that privacy be free means NOT paying people for their data.
  - Either policy may undermine business models that generally promote consumers' welfare.

Privacy and the Missing Price

- Privacy as Product Quality: No theorem stating that firms with market power undersupply privacy (Spence).
- Undersupply by monopoly media platform.
  - *Monopsony:* by weakening privacy, platform pays users less (in kind) for being an input into the sale of advertising.
  - *Monopoly:* by weakening privacy and losing users, platform restricts the supply of advertising, leading to a higher price.
- Distortions with competing media platforms.
  - Lack of monetary transfers can lead to oversupply of privacy: only way to attract users to is to offer a higher-quality service.
- If monetary transfers between platform and users are implemented:
  - The equilibrium level of privacy may rise or fall.
  - Consumer welfare may fall as privacy rises.

Summary of Today's Summary

Granting users IPRs for their data:

- raises difficult questions regarding which data are "their" data;
- is, by itself, insufficient to protect against exclusionary platform behavior; and
- may not protect user privacy.

Public policies that supplement user data IPRs can have harmful unintended consequences:

- data portability mandates raise difficult issues about who bears the costs and what data are stored in what form; and
- policies that mandate "no penalty for privacy" may undermine business models that generally promote consumers' welfare.

Symposium on "Intellectual Property and Competition Policy"

Enforcement of Standard Essential Patents:
A View from a Japanese IP Law Scholar

Masabumi Suzuki
Dean & Professor
Graduate School of Law, Nagoya University

Outline

- Introduction: Standards and patents
- Enforcement of FRAND-encumbered SEPs
  - Overview
  - Court decisions in Japan and the EU
  - Competition law
  - JFTC Guidelines
  - JPO Guides

INTRODUCTION: STANDARDS AND PATENTS

Importance of Standards and SEPs

- Development of ICTs and interconnectivity

→ Increasing importance of standards

- Advanced standards tend to contain many technologies covered by patents.
- "Complex products" such as smart-phones adopt many standards, and use many patented technologies.
- Large transaction costs may pose a serious obstacle to *ex ante* bargaining (i.e., licensing).

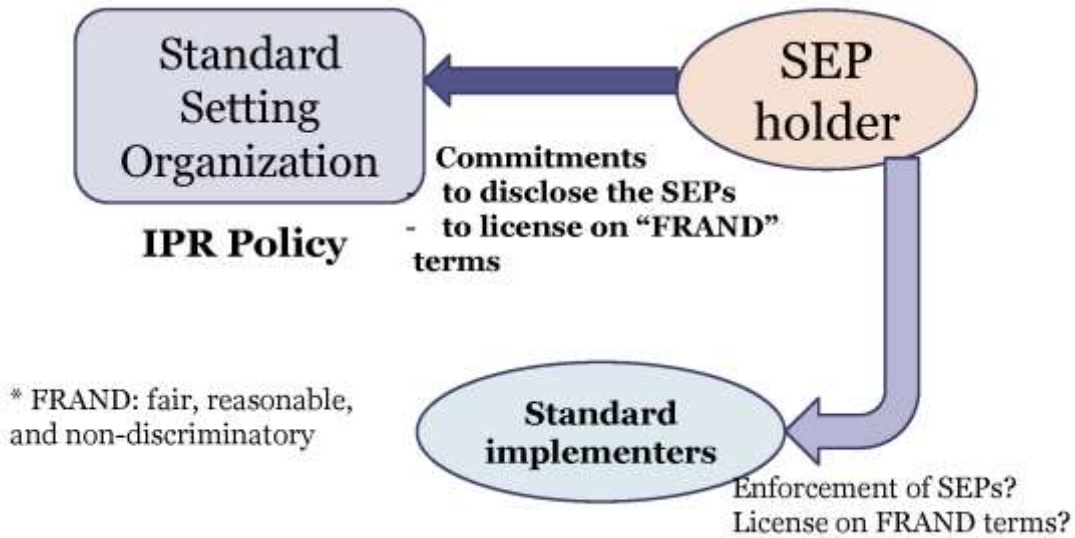
Problems about SEPs

- If holders of SEPs are free to enforce the patents (particularly by injunctions) against implementers of the standard, the following problems are likely to occur.

- "Holdup" problem
  Implementers would be forced to agree to pay excessive royalties because of the sunk costs (=the infringer has already made an investment on the product) and/or switching costs (=circumventing the invention would cause additional costs).
- Royalty stacking problem
  For SEPs containing many patents, implementers have to pay a huge amount of accumulated royalties.

- "Holdout" (reverse holdup) problem
  If the enforcement of SEPs is overly suppressed, implementers would try to act to pay a royalty that is unfairly low.

Measures taken by SSOs



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Legal Disputes Involving FRAND-encumbered SEPs

Categories	Examples
Patent infringement Disputes	Apple v. Samsung (Japan), Apple v. Motorola (US), Ericsson v. D-Link Sys. (US), Huawei v. ZTE (Germany, EU), Unwired Planet v. Huawei (UK), etc.
Disputes under Competition law	Samsung case (EU), Motorola case (EU), Qualcomm case (US, Japan, Korea, etc.), etc.
Contractual Disputes	Microsoft v. Motorola (US), etc.

Enforcement of FRAND-encumbered SEPs

Enforcement of FRAND-encumbered SEPs

- It has been almost universally agreed that the enforcement of FRAND-encumbered SEPs, granting of injunctions in particular, should be restricted against willing licensees.
- However, there are different approaches or unclarified issues as to
- legal grounds for the restriction of enforcement,
- legal effects of FRAND declarations,
- willing licensees,
- claims for damages, and
- level of FRAND royalties.

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Legal basis for restricting the enforcement of SEPs

Country/Area	Legal basis	Examples
Japan	**doctrine of abuse of right**	Apple v. Samsung
US	contract theory of remedies	Microsoft v. Motorola Apple v. Motorola
Germany (EU)	defense of anticompetitive practice	Orange-Book-Standard Huawei v. ZTE

Court decisions in Japan

- *Apple v. Samsung*
  - decisions by the Tokyo District Court (2013) and the IP High Court (2014)

- *Imation v. One-blue*
  - decision by the Tokyo District Court (2015)

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Apple v. Samsung

- The leading case in Japan with regard to the enforcement of Samsung's FRAND-encumbered SEP related to the UMTS standard.

1) Samsung filed petitions for preliminary injunctions against Apple, alleging that Apple's products infringed the SEP.
2) Apple sued Samsung, asking for a declaratory judgment to confirm Samsung was not entitled to seek damages.

Apple v. Samsung

- Tokyo District Court (February 28, 2013) 2011 (Wa) 38969 (28), 2011 (Yo) 22027 and 22098.
- IP High Court, Special Division (May 16, 2014) 2013 (Ne) 10043, 2013 (Ra) 10007 and 10008.

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IP High Ct. on FRAND and licensing contracts

- Applicable law for interpretation with respect to the formation of contracts through the FRAND declaration by Samsung: **French law**
- "The FRAND declaration could not be considered as an offer for a contract, and **no license agreement was formed as a result of the declaration**."

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IP High Ct. on FRAND and licensing contracts

- However, the IP High Court recognized Samsung's obligation to negotiate in good faith with Apple for the execution of a FRAND license agreement, based on the principle of good faith under the Japanese Civil Code.

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Tokyo District Ct. on injunction and damages

- Tokyo District Court

1) dismissed Samsung's petitions for preliminary injunctions, and
2) issued a declaratory judgment denying Samsung's right to seek **any damages**.

- Such a denial of remedies was based on the doctrine of **abuse of right**.

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IP High Ct. on injunction and damages

- IP High Court

1) also refused to grant preliminary injunctions, and
2) denied the right of Samsung to seek damages exceeding the amount equivalent to the royalty under FRAND conditions (*i.e.*, **awarding of damages equivalent to FRAND-royalties** was affirmed).

IP High Ct. on injunctions

- Considering the holdup problem, holders of FRAND-encumbered SEPs should not be allowed to seek an injunction against a party willing to obtain a license under the FRAND terms as such an exercise of the patent right would constitute an abuse of right.
- Meanwhile, an injunction against a party working the invention should be allowed if it has no intention for such a license.
- The burden of proof of the willing licensee requirement is on the alleged-infringer (implementer of the standard), but **strict scrutiny shall be made before determining the lack of the willingness** on the side of the infringer.

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IP High Ct. on damages

- Claims for damages exceeding the FRAND royalty should be denied as an abuse of right, as long as the alleged-infringer successfully proves the fact that the patentee had made a FRAND declaration.
- Meanwhile, if the patentee successfully proves that the infringer has no intention of obtaining a FRAND license, the patentee should be allowed to claim damages exceeding the FRAND royalty.
- On the other hand, if the alleged-infringer successfully proves special circumstances, such as extreme unfairness regarding the patentee's claim for damages not exceeding the FRAND royalty, the patentee's claim is restricted as an abuse of right.

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Framework by *IP High Ct*

- Baseline (when the both parties are giving FRAND offers but cannot reach an agreement):
  no injunction + FRAND royalty

- the burden of proof of (a lack of) a willing licensee requirement
  - on the implementer as to injunctions
  - on the patentee as to damages exceeding the FRAND royalty

- The Court did not present a criterion to judge whether the standard implementer was a willing licensee or not.
  = Remaining issue

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The “abuse of right” approach

- Advantage
- In Japan, this is almost the only practically possible way to restrict patent enforcement against infringement. (No discretion in granting injunction. Anti-competitiveness may be just one reason for an abuse of right.)

- Disadvantage
- Ambiguity and unpredictability.

→ The IP High Court tried to mitigate this problem by presenting a general and clear standard.

Damage claim by a SEP holder

- Under the IP High Court decision, a claim for damages by a SEP holder is restricted just like a claim for injunctions.
- Namely, even if the SEP holder (who gave a FRAND declaration) has been giving offers on FRAND terms to an implementer, he/she can be awarded only damages equivalent to a FRAND royalty when the infringing implementer is considered to be a willing licensee.
- Such a treatment is different from practices in some other countries.

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IP High Ct. on the FRAND royalty

- (A × B) × 5% ÷529

  A: the sales turnover of the infringing products

  B: the contribution ratio of the compliance with the UMTS standard by the infringing products

  5%: the royalty rate cap which is applied to prevent the aggregate amount of too high of royalties (= to avoid royalty stacking)

  529: the number of the essential patents for the UMTS standard

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Calculation of the FRAND royalty

- IP High Ct.

- calculation of damages are done after determining the validity and infringement
- multiplying by the contribution ratio and 5%
- dividing by the number of SEPs without taking their different values into account

→ Was the actual amount too low?

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IP High Ct. on anti-competitiveness of the enforcement of SEPs

- Because the IP High Court found Apple to be a willing licensee and that fact was a sufficient reason for recognizing an abuse of right, the Court did not discuss anti-competitiveness of the claim for injunctions.
- The award of damages was examined in a suit on the merits, but the IP High Court just said "the entire evidence is not sufficient to prove that the claim for damages not exceeding the FRAND royalty constitutes a breach of the Antimonopoly Act."

Huawei v. ZTE (2015)

- CJEU, 16 July 2015, C-170/13.
- When the holder of FRAND-encumbered SEPs seeks an injunction against a standard implementer, the claim would be an abuse of the dominant market position (a violation of Article 102 TFEU) unless the holder takes certain steps (such as a prior notice or consultation) as described by the CJEU.
- If the SEP holder has taken the necessary steps, the alleged infringer (standard implementer) cannot avoid an injunction unless it also takes certain steps and become qualified as a willing licensee.

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Competition law

- Possible claims under the Japanese Antimonopoly Act (AMA)
- unfair trade practices (price differentiation, refusal to trade, discriminatory treatment of trade terms, interference with a competitor's transactions, etc.)
- private monopolization (when a substantial restraint of competition is found)

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Competition law

- Given the decision by the IP High Ct., it would not be needed as much to allow a defense of anticompetitive conducts in civil litigation on infringements of SEPs.
- However, as a matter of competition policy, clarification of the treatment of enforcement of SEPs under the AMA is warranted, because the possibility of the imposition of severe sanctions (surcharges and even criminal sanctions) might affect the patentee's behavior.

Imation v. One-blue (*Tokyo D. Ct.* Feb. 18, 2015)

- A case decided under the Unfair Competition Prevention Act.
- The defendant (Y) was a patent management company which was entrusted with FRAND-encumbered SEPs related to standards for blue-ray discs (BDs) by the patentees.
- The plaintiff (X) was selling BDs adopting the standards.
- Y sent warning letters to X's major clients mentioning Y's right to injunction against X's infringement of the SEPs.

Imation v. One-blue (*Tokyo D. Ct.* Feb. 18, 2015)

- X sued against Y, alleging that Y's conducts constituted
  - acts of unfair competition (false allegation) , and
  - unfair trade practices (interference with a competitor's transactions)
- The Tokyo District Court affirmed that Y's conducts were acts of unfair competition, because X was willing to agree on a FRAND-based license contract and thus Y could not enjoin X's sale of BDs.

Imation v. One-blue (*Tokyo D. Ct*. Feb. 18, 2015)

- Commentators (competition law scholars) say that the same conclusion could be reached as to the presence of unfair trade practices under the Antimonopoly Act.

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JFTC's Guidelines for the Use of IP under the AMA (2016)

- Refusal to license or bring an action for injunction against a party who is willing to take a license by a FRAND-encumbered SEP holder may fall under
  - private monopolization, or
  - unfair trade practices.

JFTC's Guidelines for the Use of IP under the AMA (2016)

- The description above shall be applied no matter whether the act is taken by the party which made the FRAND Declaration or by the party which took over the FRAND-encumbered SEP or is entrusted to manage the FRAND-encumbered SEPs.

JFTC's Guidelines for the Use of IP under the AMA (2016)

- Whether a party is a "**willing licensee**" (one willing to take a license on FRAND terms) or not should be judged based on the situation of each case in light of the behavior of the both sides in licensing negotiations, etc. (For example, the presence or absence of the presentation of the infringement designating the patent and specifying the way in which it has been infringed, the presence or absence of the offer for a license on the conditions specifying its reasonable base, the correspondence attitude to the offers such as prompt and reasonable counter offers and whether or not the parties undertake licensing negotiations in good faith in light of the normal business practices.) Even if a party which intends to be licensed challenges dispute validity, essentiality or possible infringement of the SEP, the fact itself should not be considered as grounds to deny that the party is a "willing licensee" as long as the party undertakes licensing negotiations in good faith in light of the normal business practices.

Remaining issues

- Specific criteria for judging the willingness of standard implementers
- Reason why transferees of FRAND-encumbered SEPs also bear the obligation under the declaration

Efforts by the JPO

- "Guide to Licensing Negotiations Involving SEPs" (Japan Patent Office, June 5, 2018) http://www.jpo.go.jp/torikumi_e/hiroba_e/sep_portal_e.htm
- The JPO at first tried to introduce an administrative adjudication system to determine SEP licensing terms, but gave up the idea.

"Guide to Licensing Negotiations Involving SEPs" (*JPO*)

- The Guide "aims to enhance transparency and predictability, facilitate negotiations between rights holders and implementers, and help prevent or quickly resolve disputes concerning the licensing" of SEPs.
- The Guide "is not intended to be prescriptive, is in no way legally binding, and does not forejudge future judicial rulings."
- "It is intended to summarize issues concerning licensing negotiations as objectively as possible based on the current state of court rulings, the judgment of competition authorities, and licensing practices, etc."

Thank you for your attention.

msuzuki@law.nagoya-u.ac.jp

Japan Law and Economics Association
July 13, 2019
Komazawa University

Intellectual Property and Competition Policy

The JFTC Decision in *Qualcomm*

(Summary)

Tadashi Shiraishi
University of Tokyo

The Japan Fair Trade Commission (JFTC) delivered its Decision on the *Qualcomm* case on March 13, 2019. The Decision revoked the JFTC's order in 2009 which concluded that certain conduct by Qualcomm violated the Japanese competition law, the Antimonopoly Act.

The JFTC was concerned that Qualcomm's No-assertion-of-patents (NAP) clauses might have stifled incentive to innovate by its Japanese licensees. In general, an NAP clause refers to a contractual restraint in which the licensor prohibits the licensee from enforcing licensee's patents against the licensor and other licensees.

The differences between the *Microsoft* Decision and the *Qualcomm* Decision will be examined. The JFTC successfully accused Microsoft in 2008 based on similar clauses.

According to the JFTC, the NAP clauses in the *Qualcomm* case were so limited that they did not cause a sufficient decrease in incentive to innovate by the Japanese licensees.

Microsoft proposed similar arguments in its proceedings more than ten years ago. The primary coverage of the patents in the *Microsoft* case was audio-visual technologies. The licensees were prohibited from enforcing their patents in relation to Windows products, but they were allowed to enforce them in relation to audio-visual home appliances without Windows, such as Blu-ray devices. The JFTC rejected Microsoft's arguments. The more rewards to patent holders, the more innovations potential patentees would generate: this was the theory supported by the JFTC in 2008.

In the *Qualcomm* Decision, even though licensees were prohibited from patent enforcement to some extent, the JFTC admitted that the licensees had enough incentive to innovate by earning money from other sources.

The *Qualcomm* Decision is not friendly to monopolists. By correcting its theory, which had been distorted since the *Microsoft* case, the JFTC acquired a theoretical basis to handle digital giants by outlawing too much reward to monopolists.

Restricting SEP Holders' Right to Injunction: Are We on the Right Path?

Japan Law and Economics Association
Symposium on Intellectual Property and Competition Policy
July 13, 2019

Kensuke Kubo
Faculty of Business and Commerce, Keio University

Nature of Standard Essential Patents

- SEPs cover **complementary technologies** that are combined to make a product
- Innovation capabilities are distributed across **multiple entities**
  - Heterogeneous entities are involved in innovation and implementation: non-implementing innovators, downstream implementers, vertically integrated firms
- Product development generally begins before licensing terms are determined

Issue 1: Royalty Stacking

- When patent holders independently set their per-unit royalty rates, each rate becomes excessively high – not only for the implementers but also for the patent holders as a group
- A **patent pool** sets a lower combined per-unit royalty rate for the entire pool, while increasing patent holders' collective royalty income
- With heterogenous membership, sustaining the pool becomes difficult (Aoki and Nagaoka, 2004)
- Dispersion of patent values also makes it difficult for pools to attract high-value patents

Issue 2: Patent Hold-up

- Because licensing terms for SEPs are negotiated after they have been incorporated into the standard and implementers have begun product development, patent holders are in a position to engage in hold-up
- Lemley and Shapiro (2007) show that ex post negotiated royalty rates are higher than the ex ante benchmark rate when SEP holders are able to obtain an injunction against infringers
- This leads them to advocate a **restriction on SEP holders' right to injunction**

Restrictions on Right to Injunction

- U.S. Department of Justice/Patent & Trademark Office, *Policy Statement on Remedies for SEPs Subject to F/RAND Commitments*
  - "**[T]he public interest may preclude the issuance of an exclusion order*** in cases where the infringer is acting within the scope of the patent holder's F/RAND commitment and is able, and has not refused, to license on F/RAND terms"

* Exclusion orders under Section 337 of the Tariff Act. Footnote 1 states that "similar principles apply to the granting of injunctive relief in U.S. federal courts".

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Restrictions on Right to Injunction

- Japan Fair Trade Commission, *Guidelines for the Use of Intellectual Property under the Antimonopoly Act*
- Japan Patent Office, *Guide to Licensing Negotiations Involving SEPs*
  - "Legal precedents across the world seem to be converging toward permitting injunctions concerning FRAND-encumbered SEPs **only in limited situations**"

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Emergence of Differing Views

- Ohlhausen (Stanford Technology Law Review, 2017)
  - "[T]he FTC has adopted a 'no injunction rule' for SEP owners who have agreed to license on RAND terms ⋯ **[T]here is no basis in competition law for adopting such a rule**"
- Delrahim (2017/11 remarks)
  - "I believe Judge Posner was badly mistaken in the *Apple v. Motorola* case, in which he held that IP owners who make FRAND commitments somehow sacrifice their right even to seek an injunction ... [T]he Federal Circuit ... ruling did not improve matters much"

Effect of Restricting Injunction Rights

- The interpretation of "FRAND" often diverges between patent holders and implementers, leading to divergence in their respective royalty offers
- **Bargaining theory** informs us that negotiated royalties will strongly depend on **disagreement payoffs**
- By increasing the implementer's disagreement payoffs, restriction of SEP holders' injunction rights causes the negotiated rate to approach the "implementer's version" of FRAND

Case Study: *Imation v. One-Blue* (2015)

- Divergence in "FRAND" royalties
  - One-Blue (patent holder): 8.6~10.9 JPY per standard recordable or rewritable Blu-ray disc*
  - Imation (implementer): 3.5% of Imation's sourcing price
- Neither offer was revised
  - One-Blue refused to negotiate, claiming its non-discrimination policy precluded differential pricing; it also failed to submit any justifying material during negotiations

* Average retail price of BD-R (25GB) was around 65 JPY; BD-RE (25GB) was around 100 JPY – both in early to mid-2012

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The Parties' Arguments

- Imation's grounds for claiming hold-up and royalty stacking
  - Adding One-Blue's royalty offer to its average cost would cause it to lose money
  - Royalties paid to Premier BD (another patent pool covering more patents) was only 5.2~7.2 JPY per disc
  - It was not clear whether One-Blue's implementer-members were all paying royalties
- One-Blue's counterargument
  - Comparable patent pools for the DVD standard (covering fewer patents) charged royalties that were commensurate to One-Blue in percentage-of-product-price terms

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Tokyo District Court Decision

- Based on precedent (*Apple v. Samsung*, 2014), **an SEP holder commits an abuse of rights by seeking injunction against a willing licensee for a FRAND-encumbered patent**
- Imation has demonstrated itself to be a willing licensee
- By warning Imation's customers that they could be subject to injunction, One-Blue made an "announcement of a falsehood" (violation of Unfair Competition Prevention Act) because **precedent precludes it from seeking such an injunction**

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Are We on the Right Path?

- Given the potential for patent hold-up and royalty stacking, *some* restriction on SEP holders' right to injunction is warranted
- That said, the current practice in Japan of assessing only the implementer's willingness to license on FRAND terms may unduly shift the bargaining outcome in favor of implementers

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A Possible Way Forward

- While assessment of the patent holder's willingness to license (*cf., Huawei v. ZTE*, ECJ) is a must, restoring balance in bargaining outcomes is likely not possible without conditioning the availability of injunctive relief on the "FRAND-ness" of both parties' royalty offers
- This amounts to admitting a "range" of FRAND royalties (Sidak, 2017), without necessarily creating ambiguity in the court's determination of reasonable royalties

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