

## **New Decisions on Patent Law**

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### **Patent Act sec. 100, Civil Code sec. 1 par. 3 – “Samsung v. Apple – Standard patent and abuse of rights”**

A patent proprietor who has made a FRAND declaration for standard patent, is estopped from claiming injunctive relief based on the infringement of the standard patent against a third party that complies with the FRAND terms and has been willing to obtain a license.

*Intellectual Property High Court, decision of 16 May 2014  
Samsung v. Apple*

*From the facts:*

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#### *1. Background of the case*

In the case at issue, the plaintiff (Samsung Inc.) has requested interim measures against the defendant (Apple Limited), namely injunctive relief against the production, sale and importation of the defendant’s products, seizure of which is also requested. According to the plaintiff, the acts of the defendant infringe the plaintiff’s patent no. 4642898 with the title "Process and device for sending and receiving certain package data with predetermined length indication in a system of mobile communication“ (subsequently referred to as “the patent”).

The first instance court dismissed the request and regarded the plaintiff’s request as an abuse of rights, even though the defendant’s products fell into the scope of the plaintiff’s patent. The plaintiff now appeals against this decision.

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#### *(1) Parties to the dispute*

a. The defendant is a limited liability company whose purpose is the sale of personal computers, hardware, software and additional appliances for computers. It has been established as a successor to Apple Inc. Japan, an affiliate of Apple Inc. US, on 30 October 2011.

b. The plaintiff is a Korean company whose purpose is the manufacture and sale of electronic machinery, communication devices and devices and components related thereto.

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\* Translated from the original by Christopher Heath, Dr. iur., European Patent Office.

*From the reasons:*

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*2. On the estoppel of abuse of rights*

We have to consider the plaintiff's argument that the estoppel of abuse of rights should not be recognised in respect of the claim for injunctive relief based on the patent concerning the manufacture, sale etc. We hold that the claim for injunctive relief based on the patent cannot be granted. The reasons for this are the following:

*(1) Jurisdiction*

First of all we have to examine our jurisdiction as a prerequisite of the action. Competent for a claim for injunctive relief are the courts of the country in which the patent has been registered, Supreme Court, 26 September 2002. In the case at issue, this is Japan.

*(2) On the claim for injunctive relief in the case of a FRAND declaration*

*a. Facts ascertained by the court*

From the facts, documents, and arguments in these proceedings, the following facts can be ascertained:

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*(b) Circumstances of the FRAND declaration*

*α.* The plaintiff on 14 December 1998 declared to ETSI that it was willing to license its intellectual property pertaining to the UTMS standard of the W-CDMA technology according to the ETSI IPR Policy para.6.1 under "fair, reasonable and non-discriminatory" terms (FRAND terms).

*β.* The plaintiff on 4 May 2005 filed a patent application in Korea, and based on this priority (priority number 10-2005-003774 filed the patent. Between 9 May 2005 and 13 May 2005, the plaintiff participated in a working group on 3GPPs and made a proposal for amendment. Subsequently, this proposal was accepted and the interpretation of the replacement E-bit became part of the standard. The plaintiff filed that application for the patent on 4 May 2006, and the patent was registered on 10 December 2010.

*γ.* On 7 August 2007, the plaintiff supplied ETSI with a document entitled „declaration on information and licenses for intellectual property“ according to ETSI IPR Policy para.4.1 and declared that the priority patent and the patent (PCT/KR2006/001699) etc. were or would be essential intellectual property for the UTMS Standard (TS 25.322 etc.) and that such intellectual property would be irrevocably licensed under the terms of IPR Policy para.6.1 (FRAND terms) as a standard in an essential sector (FRAND declaration).

*(c) Importance of the patent*

The patent is an essential and thus inevitable patent for the manufacture, sale etc. of the products and for the use of the process for „interpretation of replacement E-Bits“ as mentioned in technical specification V6.9.0 of the UTMS Standards.

In general, there are rules in associations on how to treat intellectual property rights in standards, e.g. the ETSI IPR Policy, whereby the members are required to publish the patent information and make a declaration on licensing according to FRAND or RAND terms (“reasonable and non-discriminatory”) should such patents be intended for an essential standard.

*b. FRAND declaration and injunctive relief*

(a) The unconditional claim for injunctive relief based on an essential patent undermines the trust of third parties that implement the standard, leads to an overly broad scope of the patent, hinders the development of industry that is the purpose of the Patent Act (sec. 1) by a delayed diffusion of the patented technology in society, and is contrary to common sense. The reasons for this are the following:

Someone who plans to manufacture and sell products according to the standard and subsequently invests, manufactures and sells, and has looked at the rules of associations on the use of intellectual property rights that are parts of a standard, must feel reassured that the rules on FRAND declarations for essential patents oblige the members to grant licences under FRAND terms also for the future. If injunctive relief could be requested for essential patents, this would undermine the trust of those that had counted on obtaining a licence under FRAND terms when investing in the manufacture and sale of standard products. The owners of essential patents declare that their patents can be used on condition that a license under FRAND terms has been obtained. On this, potential licensees of standard patents should be able to rely. As long as the owners of essential patents can obtain a remuneration based on FRAND terms, there is no comparable necessity to protect the patent monopoly by way of injunctive relief. Under these circumstances, a claim for injunctive relief against third parties that are willing to obtain a license under FRAND terms would lead to an unduly broad protection for the owners of substantial patents and hinder the development of industry as a purpose of the Patent Act (sec. 1) due to delays in the development of parallel technologies.

(b) Application of the above principles to the case at issue:

Someone who intends to manufacture or sell products in which the UTMS standard is embedded, recognises that the information on essential patents for the manufacture and sale of such products, or at least the patents of ETSI members, has been published together with the IPR Policy para.4.1, and that para.6.1 etc. of this policy requires a FRAND declaration. A third party thus relies on the fact that in the future, it will be able to obtain a licence under FRAND terms through negotiations with the patentee. Such expectation should be protected. For this reason, the unconditional possibility of obtaining injunctive relief based on a patent with a FRAND declaration goes against the expectation of those that in the above expectation produce and sell products that use the UTMS standard.

The interests of proprietors of essential patents are safeguarded by the fact that they can expect from the users of UMTS standards that their patents, including the patent at issue, will be used by many companies all around the world and will yield licensing fees that could not have been obtained without making the patents part of the UMTS standard. Who makes a FRAND declaration, as the patent proprietor, irrevocably offers licences on FRAND terms. As long as remuneration according to FRAND terms is paid, the patent proprietor is not entitled to injunctive relief based on the monopoly. The necessity for such claim for injunctive relief based on the monopoly cannot be rated particularly high in such case.

Those, including the defendant, that intend to manufacture and sell products implementing the UMTS standard have no other possibility but to use the patent if they want to carry out the standard. And there is no possibility of using other technologies or of changing the configuration. In order to avoid claims for injunctive relief, third parties would have to agree to high licensing fees or detrimental licensing terms beyond the FRAND terms, or abandon their commercial endeavours altogether should injunctive relief based on the patent be allowed unconditionally. Many companies have put quite a number of patents in a UMTS standard (more than 50 companies have declared more than 1800 patent families as essential patents). Therefore, we take the view that it is too difficult to negotiate licenses for such a number of patents of different companies in advance and one at a time, and that an unfettered right of injunctive relief would make the application of a UMTS standard impossible. Such circumstances would impede the diffusion of a UMTS standard and contradict the purpose of the ETSI IPR Policy for the harmonization and diffusion of communication standards. Under such circumstances, the harmonisation and diffusion of communication standards would be of no benefit to society.

Allowing a request for injunctive relief based on an essential patent with a FRAND declaration against third parties who are willing to obtain a licence under FRAND terms is not appropriate.

(c) On the other hand, injunctive relief can be obtained against those third parties that manufacture and sell products that implement an UMTS standard, but that have no intention to conclude a licensing agreement according to FRAND terms. After all, third parties that have no intention to conclude a licensing agreement on FRAND terms and do not rely on FRAND terms and do not observe the standard do not deserve protection. If the claim for injunctive relief against such third parties was hindered, the protection of patent proprietors would be curtailed. Thus, it must be carefully ascertained whether third parties have the intention to conclude a licensing agreement on FRAND terms, because this has repercussions on the enforcement of a claim for injunctive relief.

(d) Based on the above considerations, the claim for injunctive relief is an impermissible abuse of rights (sec. 1 Civil Code) if the defendant can successfully prove that the plaintiff made a FRAND declaration and that the defendant had the intention to obtain a licence on FRAND terms.

*(3) Intention to obtain a licence on FRAND terms*

Both the defendant and Apple Inc. have claimed that they were willing licensees. We consider this point:

*a. Considerations*

Based on all documents and arguments, the following can be ascertained: (a) The plaintiff in a letter to Apple Inc. dated 25 July 2011 demanded concrete licensing fees for the use of its essential patent portfolio. (b) Apple Inc. suggested a cap on licensing fees in a letter dated 18 August 2011 and in a letter dated 3 March 2012 suggested a licensing fee of 1% or less as a cap, and further made a concrete proposal for a mutual licensing agreement in a letter dated 7 September 2012, (c) the plaintiff demanded a concrete proposal only to the extent that Apple Inc. did not agree with its proposals, (d) the plaintiff in a letter dated 14 September suggested a different cap for the calculation of a licensing fee, (e) in a letter dated 12 December 2012, the plaintiff demanded less than half of the original sum, (f) Apple Inc. and the plaintiff met on 12 December 2012, 17 December 2012 and 18 December 2012, and during these meetings the plaintiff suggested a huge lump as licensing fee, and Apple Inc. proposed an agreement on the portfolio of essential patents in the UTMS standard, (g) Apple Inc. and the plaintiff met again on 14 January 2013, where Apple Inc. proposed a licensing agreement without any licensing fees, (h) both companies worked out a licensing agreement during their encounter on 7 February 2013, (i) thereafter, several negotiations between the plaintiff and Apple Inc. took place, e.g. on arbitration clauses.

As can be appreciated from the above facts, Apple Inc. in its letter dated 18 August 2011 suggested a cap on the licensing fee, and several times proposed concrete figures as a basis for calculating licensing fees, and has met several times with the plaintiff in order to conduct intensive negotiations. Therefore, it can be ascertained that Apple Inc. and the defendant had the intention to conclude a licensing agreement under FRAND terms. However, for a very long time there were differences between the plaintiff and Apple Inc. on the amount of the licensing fee. The two companies as licensee and licensor have substantial conflicts of interest with one another. And there is no clear guideline as to which licensing fee would be appropriate under FRAND terms. Different ways of calculation are possible in respect of necessity, importance, etc. of one single patent in the UTMS standard, and the appropriate licensing fee can change in this respect. To that extent, the proposals made by Apple Inc. are justified to a certain extent. Furthermore, it can be ascertained that the conduct of the plaintiff was not conducive to a licensing agreement with Apple Inc.. But this does not prevent our finding that Apple Inc. and the defendant had the intention to conclude a licence on FRAND terms, even if for a long time there were differences in opinion between the two companies.

*b.* Against these findings the plaintiff has alleged that Apple Inc. did not precisely identify any patents, that its proposals every time favoured only Apple Inc., that every time, Apple refused the terms offered by the plaintiff in light of the FRAND terms, and that it

purposefully torpedoed any conclusion of a licensing agreement, for which reason Apple had no intention to conclude a licensing agreement on FRAND terms. But in light of the purpose and significance of developing standards it must be checked very carefully whether there was an intention to conclude a licensing agreement. Against the background of the negotiations between Apple Inc. and the plaintiff, it must be held that the defendant had the intention to conclude a licensing agreement on FRAND terms, and the allegation of the plaintiff must be rejected.

*(4) Result*

The request for injunctive relief based on the patent must be dismissed as an abuse of rights (sec. 1 Civil Code).

**Patent Act sec. 102 –****“Apple v. Samsung – Standard patents and damage claim”**

Once a patentee has agreed that its patent is used for a standard on FRAND terms, damages against third parties can only be claimed in the amount of a licensing fee according to FRAND terms. This does not apply where the third party has not made efforts to obtain a license on FRAND terms.

*Intellectual Property High Court, decision of 16 May 2014  
Apple v. Samsung*

*From the facts:*

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*1. Outline of the case*

In the case at issue, the plaintiff (Apple Limited) requests that it be ascertained that the defendant (Samsung Inc.) is not entitled to damages and injunctive relief. More specifically, the plaintiff claims that the manufacture, sale and importation of the plaintiff's products do not infringe the defendant's patent (in the following: “the patent”) no. 4642898 with the title: “Process and device for sending and receiving certain packet data with predetermined length indication in a system of mobile communication”.

The first instance court has granted the claim in all respects also for the products 2 and 4 that fall inside the claim of the patent (while products 1 and 3 fall outside), because the defendant's damage claim would amount to an abuse of rights. The defendant has appealed.

*(1) Parties to the dispute*

a. The defendant is a limited liability company whose purpose is the sale of personal computers, hardware, software and additional appliances for computers. It has been established as a successor to Apple Inc. Japan, an affiliate of Apple Inc. US, on 30 October 2011.

b. The plaintiff is a Korean company whose purpose is the manufacture and sale of electronic machinery, communication devices and devices and components related thereto.

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*Reasons:*

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*6. On the issue 6 (abuse of rights for the defendant to claim damages)*

We decide that the defendant's damage claim for products 2 and 4, where it is higher than a licensing fee on FRAND terms amounts to an abuse of rights, while a damage claim within the limits of the FRAND terms is not. The reasons are the following:

*(1) On jurisdiction*

The plaintiff alleges that a damage claim by the defendant based on the patent would amount to an abuse of rights. Jurisdiction for this case is based on the Jurisdiction Act sec. 17, as the matter is one of tort. The sale of products 2 and 4 occurred after the Act came into force.

The “laws of the country where the result of the infringing act occurred” (Jurisdiction Act sec. 17) in this case the laws of Japan, as the importation and sale of products 2 and 4 took place in Japan, and because the issue is the infringement of a patent protected by the Japanese Patent Act. Thus, we apply Japanese law to the current case.

Based on the above, we now have to determine whether a damage claim by the defendant would amount to an abuse of rights.

*(2) On damages in the case of a FRAND declaration*

*a. Ascertained facts*

From the facts, proofs and arguments we can ascertain the following facts:

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*(b) Terms of the FRAND declaration*

*a.* The defendant on 14 December 1998 declared to ETSI that it was willing to license its intellectual property pertaining to the UTMS Standard of the W-CDMA technology according to the ETSI IPR Policy para.6.1 under "fair, reasonable and non-discriminatory" terms (FRAND terms).

*β.* The defendant on 4 May 2005 filed a patent application in Korea, and based on this priority (priority number 10-2005-003774) filed the patent. Between 9 May 2005 and 13 May 2005, the defendant participated in a working group on 3GPPs and made a proposal for amendment. Subsequently, this proposal was accepted and the interpretation of the replacement E-bit became part of the standard. The defendant filed that application for the patent on 4 May 2006, and the patent was registered on 10 December 2010.

*γ.* On 7 August 2007, the defendant supplied ETSI with a document entitled “declaration on information and licenses for intellectual property” according to ETSI IPR Policy para.4.1 and declared that the priority patent and the patent (PCT/KR2006/001699) etc. were or would be essential intellectual property for the above UTMS Standard (TS 25.322 etc.) and that such intellectual property would be irrevocably licensed under the terms of IPR Policy para. 6.1 (FRAND terms) as a standard in an essential sector (FRAND declaration).

The patent is an essential and thus inevitable patent for the manufacture, sale etc. of the products and for the use of the process for “interpretation of replacement E-Bits” as mentioned in technical specification V6.9.0 of the UTMS Standards.

In general, there are rules in associations on how to treat intellectual property rights in standards, e.g. the ETSI IPR Policy, whereby the members are required to publish the patent information and make a declaration on licensing according to FRAND or RAND terms (“reasonable and non-discriminatory”) should such patents be intended for an essential standard.

*b. On the availability of damages*

Based on the above considerations, the sale of products 2 and 4 by the plaintiff falls within the scope of the patented technology. There is no reason why the patent should be invalid, the patent is not exhausted and a licensing agreement has not been concluded. Thus, the defendant is entitled to a damage claim. We now proceed to analyse to which extent such damage claim can be made.

(a) The unconditional claim for damages based on an essential patent undermines the trust of third parties that implement the standard, leads to an overly broad scope of the patent, hinders the development of industry that is the purpose of the Patent Act (sec. 1) by a delayed diffusion of the patented technology in society, and is contrary to common sense. The reasons for this are the following:

Someone who plans to manufacture and sell products according to the standard and subsequently invests, manufactures and sells, and has looked at the rules of associations on the use of intellectual property rights that are parts of a standard, must feel reassured that the rules on FRAND declarations for essential patents oblige the members to grant licences under FRAND terms also for the future. If a damage claim could be raised for essential patents, this would undermine the trust of those that had counted on obtaining a licence under FRAND terms when investing in the manufacture and sale of standard products. The owners of essential patents declare that their patents can be used on condition that a license under FRAND terms has been obtained. On this, potential licensees of standard patents should be able to rely. As long as the owners of essential patents can obtain a remuneration based on FRAND terms, there is no comparable necessity to protect the patent monopoly by way of damages. Under these circumstances, a claim for damages in excess of FRAND terms against third parties that are willing to obtain a license under FRAND terms would lead to an unduly broad protection for the owners of substantial patents and hinder the development of industry as a purpose of the Patent Act (sec. 1) due to delays in the development of the patented technology.

(b) On the other hand, within the limits of a licensing fee on FRAND terms, a limitation of the damage claim would result in a lack of incentive for inventions, have detrimental effects, hinder the standardisation of technologies and hinder the development of industry as the purpose of sec. 1 Patent Act. This would be contrary to common sense. Third parties that manufacture and sell products based on the standard should anticipate the payment of licensing fees on FRAND terms. Thus, as long as the patentee claims damages within the range of FRAND terms, this would not go against the expectation of third parties that manufacture and sell products based on the standard.

And there is yet another limitation. The patent proprietor who is bound by a FRAND declaration cannot request injunctive relief against those third parties that have the intention to obtain a licence on FRAND terms (this court has decided this issue in a case of interim relief regarding products 2 and 4 and iPhone 4S between the same parties, and upheld the District Court's decision in this respect). In consideration of the fact that we

have limited the remedy of injunctive relief, we should be careful when limiting the remedy of damages, as a damage claim in the amount of a licensing fee on FRAND terms is an important compensation for the publication of the invention.

(c) We will now apply these considerations to the two constellations “damages higher than the licensing fee on FRAND terms” and “damages within the range of a licensing fee according to FRAND terms”.

*a. Damages higher than the licensing fee on FRAND terms*

Someone who wants to manufacture and sell products based on the UMTS Standard realizes that the information on essential patents on the manufacture and sale of the products based on the UMTS Standard at least for the patents of the members of ETSI will be published together with the IPR Policy para.4.1 etc., and that this requires a FRAND declaration according to para.6.1. A third party would thus rely on the fact that it will be able to obtain a licence on FRAND terms through negotiations with the patentee. Such expectation should be protected. For this reason, the unconditional right to obtain damages all and above a licensing fee under FRAND terms goes against the expectation of those who manufacture and sell products based on the UMTS Standard.

The interests of proprietors of essential patents are safeguarded by the fact that they can expect from the users of UMTS standards that their patents, including the patent at issue, will be used by many companies all around the world and will yield licencing fees that could not have been obtained without making the patents part of the UMTS standard. Who makes a FRAND declaration, as the patent proprietor, irrevocably offers licences on FRAND terms. As long as remuneration according to FRAND terms is paid, the patent proprietor is not entitled to injunctive relief based on the monopoly. The necessity for a right to claim damages over and above a licensing fee on FRAND terms based on the monopoly cannot be rated particularly high in such case.

For this reason, a willing licensee can refuse to pay licensing fees over and above FRAND terms towards a patentee who in respect of the patent at issue is proven to have made a FRAND declaration.

On the other hand, a claim for damages over and above FRAND terms may be granted if the patentee can successfully prove special circumstances, namely that the third party had no intention to obtain a licence on FRAND terms. There is no reason to limit a damage claim of the patent proprietor against such third parties not willing to take out a FRAND licence, as these had no interest and no intention to rely on such FRAND declaration. It must be ascertained very carefully whether a third party had the intention to obtain a licence under FRAND terms, because a damage claim beyond a licensing fee under FRAND terms may have negative repercussions.

*β. Damages within the range of a licensing fee under FRAND terms*

A damage claim within the range of a licensing fee under FRAND terms should not be limited even in case of essential patents.

Parties that manufacture and sell products based on an UMTS standard start their projects in the expectation that they will have to pay licensing fees according to FRAND terms. And according to the ETSI IPR Policy it is the declared policy that “IPR holders should be adequately and fairly rewarded for the use of their IPRs“. In this way, the patentee will be appropriately compensated.

Nonetheless, damages can be limited due to an abuse of rights once a third party can successfully prove special circumstances based on the FRAND declaration or licensing negotiations that make the enforcement of a damage claim even according to the FRAND terms unlawful irrespective of the importance of damages as a proper compensation for the publication of the invention.

*γ. Conclusion*

Based on the above considerations, a damage claim of those who have made a FRAND declaration, such as the defendant, (a) is generally unlawful where the claim exceeds a licensing fee on FRAND terms, while (b) is generally lawful for essential patents within the range of licensing fees on FRAND terms, unless special circumstances apply.

*(3) Whether there are special circumstances*

In the case at issue, the defendant requests damages beyond a licensing fee under FRAND terms. So we have to consider whether there are special circumstances that make a damage claim within the range of a licensing fee on FRAND terms unlawful. And we also consider whether there are special circumstances that would make a claim for damages beyond a licensing fee under FRAND terms lawful, namely that the plaintiff had no intention to obtain a licence under FRAND terms.

*a. Ascertained facts*

Based on all documents and arguments, we can conclude the following: (a) The defendant in a letter to Apple Inc. dated 25 July 2011 demanded concrete licensing fees for the use of its essential patent portfolio. (b) Apple Inc. suggested a cap on licensing fees in a letter dated 18 August 2011 and in a letter dated 3 March 2012 suggested a licensing fee of 1% or less as a cap, and further made a concrete proposal for a mutual licensing agreement in a letter dated 7 September 2012, (c) the defendant demanded a concrete proposal only to the extent that Apple Inc. did not agree with its proposals, (d) the defendant in a letter dated 14 September suggested a different cap for the calculation of a licensing fee, (e) in a letter dated 12 December 2012, the defendant demanded less than half of the original sum, (f) Apple Inc. and the defendant met on 12 December 2012, 17 December 2012 and 18 December 2012, and during these meetings the defendant suggested a huge lump as licensing fee, and Apple Inc. proposed an agreement on the portfolio of essential patents in the UMTS standard, (g) Apple Inc. and the defendant met again on 14 January 2013, where Apple Inc. proposed a licensing agreement without any licensing fees, (h) both companies worked out a licensing agreement during their encounter on 7 February 2013, (i) thereafter, several negotiations between the defendant and Apple Inc. took place, e.g. on arbitration clauses.

*b. On the claim for damages within the scope of a license fee on FRAND terms*

*(a) Duty to act in good faith*

The defendant in the negotiations on a licensing agreement on FRAND terms has to act in good faith as is required by the Japanese Civil Code.

In this respect, the defendant between 25 July 2011 and 3 December 2012 made proposals for a licensing contract that countered those of the Apple Inc., but did not suggest a concrete plan. And the defendant only proposed a licence for the whole patent portfolio rather than a licensing fee for the individual patents necessary for the plaintiff's manufacture, and in this way did not sufficiently explain the FRAND terms for the proposed licence. It is therefore comprehensible that the conduct of the plaintiff was not conducive to a licensing agreement with Apple Inc.

Furthermore, there are circumstances such as the following: (a) During the negotiations with Apple Inc., the defendant initially did not make a concrete proposal, but has met with Apple after December 2012 a couple of times and then made a concrete proposal, and such activities were continued, (b) A licensing proposal for the whole portfolio does not directly contravene good faith, as it is normally directed at an agreement between the manufacturer of mobile phones, such as the defendant, and the plaintiff. (c) The licensing agreement between the defendant and other companies due to a secrecy agreement will not become public, and the terms in these agreements cannot always be applied to contracts between the plaintiff and the defendant (even if they were published), as these contracts are determined by the relative weight of the patent portfolio, and because the requirements for this are different between defendant and plaintiff. (d) The terms in the licensing agreements may possibly concern licences on patents or projects that bear no relation to the standard.

Due to these considerations we hold that it was the duty of the defendant to declare the proposed terms as FRAND terms, but it cannot be directly said that the secrecy obligation for contracts between the defendant and other companies is unlawful and that the claim for damages by the defendant within the scope of a licensing fee on FRAND terms is unlawful in light of the defendant's behaviour in the licensing negotiations.

*(b) On the duty to publish a standard patent in a timely fashion*

The defendant has a duty to timely publish a standard patent, as the ETSI policy requires that ETSI members involved in the development of a standard should especially notify ETSI of standard patents in a reasonable manner.

In this regard, and as mentioned above, the defendant filed a patent application on 4 May 2005, and based on this priority the patent was filed. A bit later, between 9 May and 13 May 2005, the defendant proposed amendments to the 3GPP Working Group for the inclusion of an interpretation of replacement E-bits. However, the defendant did not notify ETSI on the existence of the patent until the FRAND declaration on 7 August 2007. In this way, the defendant has not communicated the existence of the patent to ETSI for a period of two years despite knowing of its existence.

But we cannot find that the damage claim of the defendant within the scope of a licensing fee on FRAND terms is unlawful. After all, the defendant has made a FRAND declaration, and the publication of the patent by the defendant had no effect on the interpretation of replacement E-Bits in the UMTS standard. A period of two years cannot be considered excessive when compared to the behaviour of other companies.

*(c) On the request for injunctive relief*

As described above, the request for injunctive relief based on an essential patent against third parties that are willing to take out a FRAND licence is an abuse of rights. The defendant requested injunctive relief against the marketing of the products 2, 4 and “iPhone 4S” in interim proceedings. But a request for injunctive relief is no reason to deny a damage claim within the limits of a licensing fee on FRAND terms.

*(d) Antitrust Law*

In respect of this issue, the plaintiff has claimed that the acts of the defendant contravened antitrust law. Yet the amount of damages claimed by the defendant is what the defendant alleges as a licensing fee on FRAND terms. Damages in excess of a licensing fee on FRAND terms must be considered abusive and unlawful. According to the evidence it thus cannot be held that a damage claim within the limits of a licensing fee on FRAND terms is a contravention of antitrust laws.

*(e) Result*

Considering all the facts, there are no special circumstances that would make a claim for damages in the amount of a licensing fee on FRAND terms unlawful.

*c. Damages over and above a licensing fee on FRAND terms*

As can be appreciated from the above facts, Apple Inc. in its letter dated 18 August 2011 suggested a cap on the licensing fee, and several times proposed concrete figures as a basis for calculating licensing fees, and has met several times with the plaintiff in order to conduct intensive negotiations. Therefore, it can be ascertained that Apple Inc. and the plaintiff had the intention to conclude a licensing agreement under FRAND terms. However, for a very long time there were differences between the defendant and Apple Inc. on the amount of the licensing fee. The two companies as licensee and licensor have substantial conflicts of interest with one another. And there is no clear guideline as to which licensing fee would be appropriate under FRAND terms. Different ways of calculation are possible in respect of necessity, importance, etc. of one single patent in the UMTS standard, and the appropriate licensing fee can change in this respect. To that extent, the proposals made by Apple Inc. are justified to a certain extent. Furthermore, it can be ascertained that the conduct of the defendant was not conducive to a licensing agreement with Apple Inc.. But this does not prevent our finding that Apple Inc. and the plaintiff had the intention to conclude a licence on FRAND terms.

Against these findings the defendant has alleged that Apple Inc. in the licensing negotiations did not act in good faith and did not make any concreted proposals in the encounter in February 2013. But in light of the purpose and significance of developing

standards it must be checked very carefully whether there was an intention to conclude a licensing agreement. Against the background of the negotiations Apple Inc. and the plaintiff, it must be held that the plaintiff had the intention to conclude a licensing agreement on FRAND terms.

The defendant further argues that denying a claim for damages would be contrary to the TRIPS Agreement. This argument is incorrect.

*(4) Result*

For the above reasons, the plaintiff's allegation that a damage claim would amount to an abuse of rights is correct to the extent that the claim exceeds a licensing fee over and above FRAND terms. Yet the allegation is incorrect for a licensing fee on FRAND terms.

*7. Calculation of damages*

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*(d) Result*

The contribution of the patent to the overall turnover of the products 2 and 4 is a multiplication of the share in the UMTS standard with the highest overall licensing fee (5%) divided by the number of essential patents (529). Therefore:

Product 2: (omission) %  $\times$  5%  $\times$  1/529 = (omission) %

Product 4: (omission) %  $\times$  5%  $\times$  1/529 = (omission) %

*c. Licensing fee on FRAND terms*

For the calculation of a licensing fee on FRAND terms see below. Interest on the licensing fee has to be paid as of 28 September 2013 until the end of the sales period of the products, as the date of first marketing is unknown.

Products 2: (omission) Yen  $\times$  (omission) % = 9,239,308 Yen

Products 4: (omission) Yen  $\times$  (omission) % = 716,546 Yen

Total (Licensing fee): 9,239,308 Yen + 716,546 Yen = 9,955,854 Yen