March 20, 2014

Counsel to Apple
c/o Person-in-charge of the Intellectual Property High Court 2013 (ne) No. 10043 case
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Re: ***2013 (ne) No. 10043 (first instance: Tokyo District Court 2011 (wa) No. 38969)***

Dear Counsel to Apple:

The American Intellectual Property Law Association ("AIPLA") provides these comments in response to the Notice of the Intellectual Property High Court of Japan inviting Public Comments on the Grand Panel Case referenced above.

AIPLA is a United States-based national bar association with approximately 15,000 members who are primarily lawyers in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property.

1. Introduction

AIPLA takes very seriously, and regularly comments on, issues concerning the development, protection, commercialization, and licensing of intellectual property rights ("IPR"). This includes when such issues arise in the standards-setting context. AIPLA's views on standards-setting generally, and standard-setting organizations' ("SSOs") IPR policies specifically, have supported and emphasized the need for transparency, flexibility, and incentives for broad participation in standards-setting activities by all stakeholders - *i.e.*, users of standards and also owners of intellectual property whose technology may be included in standards based on the consensus of interested stakeholders. Consistent with this position, AIPLA has explained the importance of strong IPR protection in connection with standards-setting, so innovators will have the incentives to invest in the development of technologies and contribute such technologies to standards-setting efforts. To ensure that such incentives remain strong, SSO IPR policies should not impose, or be interpreted as imposing, constraints on patent owners' rights, except to the extent specifically set forth in a particular SSO policy.

As an initial matter, a fair, reasonable, and non-discriminatory ("FRAND") commitment, unless expressly stated otherwise, does not limit or eliminate a standard-essential patent ("SEP") holder's rights that arise under the patent laws of the relevant jurisdiction. This includes the ability to seek and obtain injunctive relief against an infringing product where that relief is otherwise justified by law. This also includes the ability of SEP holders to recover damages from an infringer who fails to obtain a FRAND license from the SEP holder.

It is in this context that AIPLA offers these comments regarding the Court's inquiry about commitments by holders of SEPs to license those patents on FRAND terms, and in particular to respond to the Court's request for comments concerning "[w]hether there is any restriction on practice of rights to seek an injunction or damages based on a patent that is essential to the standard set by a standard setting organization when so-called (F)RAND declaration . . . is made."

2. *Participation In SSO Activities Should Not Limit The Legal Or Equitable Remedies Available To SEP Holders Who Comply With Applicable Law And SSO Policies*

To best encourage invention and competition, IPR owners *and* users -- *i.e.*, licensees -- of patented technology must generally remain free to negotiate all the terms of their licenses. This allows the parties to strike the right balance and advance their respective business goals in particular circumstances. For example, freely negotiated terms enable IPR owners to realize market-driven financial rewards for their inventive investments. They also allow licensees to enjoy similarly market-driven financial rewards from the use of IPR-protected technology in the development and sale of their own products and services, and in their own development of follow-on technology, which may depend upon or complement the invention made available through such licensing. Such licensing freedom is key to the evolution of technology and for facilitating competition.

SSO IPR policies which leave the negotiation of FRAND terms to the SEP holder and each potential licensee, an approach AIPLA supports, facilitate licensing freedom. The specific SSO IPR policy at issue here, that of the European Telecommunications Standards Institute ("ETSI"), does so expressly.[1]

The traditional SSO approach of leaving the definition of FRAND terms to bilateral negotiations has been enormously successful. Thousands of FRAND license agreements have been reached through such a process. Of course, however, it is possible that an SEP owner and a potential licensee may not be able to come to agreement through their bilateral negotiations, and in such circumstances, and in the case before the Court, the issue of each party's rights and remedies arises. We offer our comments below on the specific questions raised by the Court's Notice.

a. Availability of Injunctive Relief

Absent an express waiver by an SEP holder, SEP holders should have the ability to seek and obtain injunctive or other exclusionary or equitable relief against an infringing product, where that relief is available and justified by the law of the relevant jurisdiction. AIPLA believesthere is no basis for treating SEP holders differently by preventing them from seeking exclusion orders (which are analogous to injunctive relief) from the U.S. International Trade

[1] *See* ETSI Guide on IPRs, §4. 4.1 (September 19, 2013). "Specific licensing terms and negotiations are commercial issues between the companies and shall not be addressed within ETSI. Technical Bodies are not the appropriate place to discuss IPR Issues. Technical Bodies do not have the competence to deal with commercial issues…"

Commission against infringing products; rather, like all patent owners, SEP owners should have the right to protect their intellectual property from infringement, including by seeking exclusion orders against infringing products. Failing to preserve such enforcement options would be harmful to the rapidly growing IT and telecommunications industries that often participate in the SSOs, and would encourage the importation of infringing products. In addition, it cannot be assumed that all instances of infringement subject to potential exclusion orders, or injunctive relief, arise from an SEP holder's breach of an agreement to license its patents under FRAND terms. There are legitimate circumstances under which SEP owners may be justified in not agreeing to license terms demanded by a potential licensee (*e.g.*, where the potential licensee expressly or constructively refuses to accept FRAND terms), and it is against good public policy to deny them enforcement options in such circumstances. Finally, a blanket removal of exclusionary or injunctive relief as an enforcement option would discourage SEP owners from participating in an SSO if such participation would cause them to lose their enforcement rights. This would in turn harm the public interest by discouraging collaborative innovation.

AIPLA also believes that precluding an SEP owner from seeking injunctive relief under its SEPs is contrary to a patent owner's fundamental right to seek such relief under governing U.S. law. Whether a patent owner refuses to make a FRAND offer, or refuses a FRAND offer by a licensee, might be relevant to a court's consideration whether to *grant* injunctive relief, but such refusals should not limit a patent owner's right to *seek* such relief when it is otherwise available under governing law.

In addition, merely participating in SSO activities should not affect licensing freedom or limit the equitable remedies available to IPR holders that comply with applicable law and SSO IPR policies. This includes the right to seek injunctive relief when such relief is available under applicable law. If SSO participants, however, wish to limit the rights of holders of FRAND-committed patents to seek injunctive relief, they could clearly provide for such limitations in their policies and in the language of their licensing commitments. To the extent no such limitations are included in the relevant commitments and policies, however, it must be assumed that no such limitations are intended and the remedy should be determined under generally applicable law.

b. Availability of Monetary Damages

AIPLA also respectfully submits that artificial and arbitrary limitations on SEP holders' ability to receive adequate compensation for their inventions risks harming effective standards development. Moreover, it would undermine the incentives that patent holders generally, and SEP holders specifically, must have to make the risky investments necessary to create new technologies that can then be made available for standardization to the benefit of users of such technology and consumers.

The importance of maintaining such incentives does not change simply because the patent owner has made a FRAND commitment with respect to SEPs. Rather, even when patented technology is included in a standard, the negotiation of a reasonable royalty should be left to the parties.

If the parties cannot reach an agreement concerning reasonable terms, courts are already equipped to determine reasonable royalties as damages for infringement using accepted legal standards. Attempts to place artificial limitations on an SEP owner's ability to seek reasonable royalties as damages would upset the critical balance between SSO participants by redefining the FRAND commitment to favor only the interests of potential licensees, without giving due regard to the interests of innovators. Even if a consensus of all stakeholders (including potential licensees) determines that a patented technology offers the technical solution desired, it does not mean that the SEP owner (*i.e.,* the owner of patents covering such desired technology) can be compelled to forego adequate compensation for making the technology available. Doing so would be tantamount to compulsory licensing, unless such an agreement had been expressly stated in the relevant SSO patent policy and the SEP owner had agreed to that policy. A contrary approach would devalue SEPs, undermine the bargain struck by innovators in consideration for their contribution of patented technology for inclusion in standards, and disrupt the incentive scheme critical to ensuring successful standards development.

A determination of what constitutes a FRAND rate depends not only on all of the other terms and conditions that the relevant parties must negotiate as part of a license or cross-license involving SEPs, but also on whether SEPs alone are to be licensed, or whether they are to be licensed by the SEP owner along with its other patents or IPRs. Indeed, AIPLA is unaware of a formula or other detailed framework that can value an SEP outside of the specific transaction at issue.

3. Conclusion

The current voluntary consensus-based standards system has been—and continues to be—successful because of its ability to adapt and respond to market needs. SEP holders' agreements to license their patents on FRAND terms should not be read to eliminate the ability of such firms to seek and obtain injunctive relief against an infringing product where that relief is otherwise justified by law. Nor is a FRAND commitment an automatic waiver of the ability to receive adequate compensation in return for the investment required to develop patentable technologies that might be included in standards. The terms of the FRAND commitment and the reasonable expectations of the parties thereto should define any limitations on an SEP holder's ability to enforce its rights.

AIPLA appreciates the opportunity to provide these comments and would be pleased to answer any question these comments may raise. We thank you in advance for your consideration of these views.

Sincerely,

Wayne P. Sobon
President
American Intellectual Property Law Association