

### 3 Effect of Patent Rights in Light of the Diversification of the Manner of Exercising Rights <sup>(\*)</sup>

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*Amidst the recent rapidly changing environment surrounding patents such as the development of open innovation, diversification of the types of patentees and globalization of the economy, some people say that restrictions should be imposed on the exercise of the right to seek an injunction, if necessary, in order to prevent obstacles to the promotion of innovation. For example, they argue that such restrictions should be imposed on a patentee's right to seek an injunction if the patentee is a patent troll, or if the patent that the patentee holds is a standard-essential patent or a patent that is insignificant in terms of the contribution ratio for the product. In recent years, since the judgment for the eBay case was handed down, there has been an increase in the number of judgments where the court dismisses a claim for an injunction in the U.S. In Japan, a court handed down a judgment for a case where a claim for an injunction was made based on a standard-essential patent. In this way, both in and outside Japan, courts have been handing down judgments for cases involving the issue of the right to seek an injunction.*

*In this research, we collected the latest information in Japan and studied the situations in other countries that have deep relationships with Japan from the perspective of the legal systems and court decisions related to the right to seek an injunction and also from the perspective of international discussions on this issue. The purpose of this research is to provide a basis for further discussions on how to restrict the right to seek an injunction.*

#### I Concise Summary

##### 1 Introduction

Amidst the recent rapidly changing environment surrounding patents such as the development of open innovation, diversification of the types of patentees and globalization of the economy, there has been a call for restrictions on the exercise of the right to seek an injunction, if necessary, in order to prevent obstacles to the promotion of innovation. They argue that such restrictions would become necessary depending on the purpose or manner of exercising the right to seek an injunction, the business type of the holder of such right, etc.

For example, they point out that such restrictions should be imposed on a patentee's right to seek an injunction in the case where the patentee is a patent troll, in the case where such right is exercised based on a patent that is insignificant in terms of the contribution ratio for the product, or in the case where the right is exercised based on any patent that could cause the hold-up problem related to standard technologies. Due to the need for discussions on the appropriateness of the restriction on the right to seek an injunction in the aforementioned cases, research titled "Research on the Effect of Patent Rights in Light of the Diversification of the

Manner of Exercising Rights" was conducted as a part of the FY 2010 Research on the Issues Related to the Industrial Property System. The conclusion of this research is "Currently, there is no domestic need for restrictions on the right to seek an injunction."

However, since the report of this FY2010 research was issued, some judicial decisions have been made in the past several years with regard to the right to seek an injunction. In addition, given the increasingly globalized business activities of Japanese companies, it would be meaningful to examine and analyze such matters as their needs for legal systems related to the right to seek an injunction in other countries that have deep relationships with Japan and the current state of international discussions on this topic.

Based on the results of the FY2010 research, we collected the latest information in and outside Japan and conducted the following research in order to provide a basis for further discussions primarily on the issue of restrictions on the right to seek an injunction.

- We established a committee consisting of a total of 10 persons, namely, four persons with relevant knowledge and experience, four experts from industrial circles, one attorney and one patent attorney. The committee held a meeting three times in order to examine the

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(\*) This is an English summary by Institute of Intellectual Property based on the FY2013 JPO-commissioned research study report on the issues related to the industrial property rights system.

current situation in Japan related to the issue of the right to seek an injunction and the state of discussions in other countries and regions with regard to the issue of restrictions on the right to seek an injunction.

- We conducted a questionnaire survey on 1,092 organizations (911 JIPA member companies, 61 small and midsize companies, 59 foreign-affiliated companies, 11 NPEs, 50 universities and TLOs) in order to collect information concerning the need for restrictions on the right to seek an injunction and the possible effects of imposing such restrictions as well as the need for legal systems related to the exercise of such right. We received responses from 390 organizations.
- In order to collect information on the merits and demerits of restrictions on the right to seek an injunction and the detailed reasons for supporting or opposing the introduction of restrictions on the right to seek an injunction, we conducted an interview survey on 11 organizations selected from the respondents to the domestic questionnaire survey.
- In order to collect information on the latest systems related to the right to seek an injunction and the trend in court decisions in other countries, we conducted an overseas questionnaire survey in nine countries and regions, namely, the U.S., the U.K., Germany, France, the Netherlands, Spain, South Korea, China and Taiwan. We also conducted research on the recent developments related to the European Commission and the system of European patents with unitary effect.
- Using books, academic papers, court precedents, research papers, Council reports, database information, online information, etc., we examined, organized and analyzed information on the systems of major countries including Japan for seeking an injunction, measures against patent trolls especially in the U.S., recent developments in Europe (the European Commission and the system of European patents with unitary effect), and the recent developments related to the IPR ad hoc group of the ITU.

## **II Current situation in Japan concerning the right to seek an injunction**

### **1 Injunction issued under the Japanese patent system**

#### **(1) Details of the right to seek an injunction**

The current Patent Act specifies that a patentee or exclusive licensee may demand a person who infringes or is likely to infringe the patent right or exclusive license to stop or prevent such infringement (Article 100, paragraph (1) of the Patent Act). The Patent Act was established as a law to grant rights. As one of the effects of a patent right, the right to seek an injunction is granted. The right to seek an injunction is interpreted as a right of claim based on a real right and may be exercised only if the occurrence of patent infringement can be objectively proved because no subjective requirements, such as "intentional act" or "negligence," is imposed.

#### **(2) Restrictions on the right to seek an injunction**

Restrictions are imposed in some cases such as the case where the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (hereinafter referred to as the "Antimonopoly Act") is applied, the case where the "abuse of right" defense is raised, the case where the patent invalidity defense is raised, or the case where a compulsory license is granted. Each case is briefly explained below.

The Antimonopoly Act specifies that "The provisions of this Act do not apply to acts found to constitute an exercise of rights under the (omitted) Patent Act (omitted)" (Article 21 of the Antimonopoly Act). However, the Antimonopoly Act may be applied to any case that is not in line with the objectives of the IP system or that is against the purpose of said system in consideration of the purpose and manner of the act in question and the significance of its effect on competition.

Regarding the case of Apple v. Samsung, the Tokyo District Court decided not to accept a request for a preliminary injunction by holding that the act of exercising the right to seek an injunction based on the patent right in question without fulfilling the obligation to conduct a good faith negotiation for a patent subject to a FRAND declaration constitutes an abuse of right (February 28, 2013).<sup>1</sup> This case is regarded as a court precedent where the court recognized the occurrence of patent infringement and the validity of the patent right in question, but did not accept a claim for an injunction on the grounds that the act of making such a claim constitutes an abuse of right.

Article 104-3 of the Patent Act specifies that

a suspected infringer may make an allegation of patent invalidity and that restrictions shall be imposed on the right to seek an injunction if "said patent is recognized as one that should be invalidated by a trial for patent invalidation."

A non-exclusive license may be granted for a third party's invention based on an award rendered by the JPO Commissioner or the Minister of Economy, Trade and Industry in the cases where (a) the invention has not been worked for three years or longer (Article 83 of the Patent Act), (b) a patented invention uses another person's patented invention (Article 92 of the Patent Act), or (c) the working of a patented invention is particularly necessary for the public interest (Article 93 of the Patent Act). If a non-exclusive license is granted based on an award, the patentee would be prohibited from exercising the right to seek an injunction.

### **(3) Countermeasures that may be taken in lieu of an injunction for future infringement**

If restrictions are imposed on the exercise of the right to seek an injunction, the patent infringement by a third party would continue even after a trial. For this reason, restrictions on the right to seek an injunction would raise the issue of whether it is necessary to provide monetary compensation for the damage caused by the continuation of the act of infringement in addition to the compensation for the damage that incurred in the past. Regarding this issue, according to the Supreme Court judgment for the case concerning the noise pollution of US Yokota Air Base (Judgment of the Third Petty Bench of the Supreme Court of May 29, 2007)<sup>2</sup>, it is considered difficult to file an action for future performance against a continuing act of tort. It has been pointed out that it would be almost impossible in practice to receive damages for a future act of patent infringement.

### **(4) Injunction-issuing organizations other than courts**

One of the injunction-issuing organizations other than courts is customs. There is a procedure to determine whether the suspected infringing goods that are regarded as IP infringing goods by customs are actually infringing goods or not. If customs follows this procedure and recognize some suspected infringing goods as infringing goods, customs would seize and dispose of those infringing goods.

### **(5) Court decisions**

In the case of Apple v. Samsung concerning a patent subject to a FRAND declaration (2011 (Yo) 22027, 22098, the case where a request was filed to seek a court order for provisional disposition based on a patent right), the court found that the act of exercising the right to seek an injunction based on the patent right in question without fulfilling the good faith negotiation obligation constitutes an abuse of right.

### **2 Judicial system (Payment of court costs and attorneys' fees)**

In principle, the losing party must pay the court costs (Article 61 of the Code of Civil Procedure), provided, however, that the winning party bears the court costs in certain cases (Articles 62, 63 and 64 of the Code of Civil Procedure).

According to the respective items of Article 2 of the Act on Costs of Civil Procedure, each party must bear the attorneys' fees, which are not included in the aforementioned court costs.

### **3 Discussions on the right to seek an injunction**

If any act of IP infringement is subject to an injunction, it would have an excessive effect on practicing entities such as companies. Ironically, however, it could hinder "industrial development," which is the purpose of the Patent Act (Article 1 of the Patent Act). It has been pointed out that restrictions should be imposed on the exercise of the right to seek an injunction depending on the purpose or manner of exercising the right to seek an injunction, the business type of the holder of such right, etc. Specifically, the following opinions are presented in the domestic discussions on the right to seek an injunction and also in research reports.

#### **● Claim for an injunction by patent trolls**

(Opinions of those who support restrictions)

- The right to seek an injunction would be unnecessary for non-practicing entities.
- Industrial development could be hindered.
- The judgment for the eBay case was reasonable.
- Greater burdens would be imposed on companies.
- Since the amount of damages determined by Japanese courts is usually smaller than the amount determined by U.S. courts, an

injunction is an important tool for patent trolls)

(Opinions of those who oppose restrictions)

- Due to the difference between Japan and the U.S. in terms of legal systems, the criteria adopted by the eBay judgment would be difficult to introduce to Japan. The introduction of these criteria may not be considered to have solved the problem in the U.S.
- It would be impossible to solve the problem through legal revisions.
- In Japan, there are only a few means to deter infringement.
- Patent rights would be weakened.
- It is difficult to define patent trolls.
- Such restrictions on the right to seek an injunction in Japan would provide grounds for obtaining weak patent rights in emerging countries.

- Claim for an injunction based on a standard-essential patent

(Opinions of those who support restrictions)

- Such a claim would cause damage not only to the participants in the technical standardization process but also to the society as a whole.
- The "hold-up" problem caused by outsiders would have a great effect.

(Opinions of those who oppose restrictions)

- Since an injunction would be issued in another country, it would be useless to make efforts only in Japan.
- Practicing entities would refuse to participate in licensing negotiations.

- Claim for an injunction based on a patent that is insignificant in terms of the contribution ratio

(Opinions of those who support restrictions)

- If an injunction is sought for the whole product based on a patent that is insignificant in terms of the contribution ratio, it would have a great effect.

(Opinions of those who oppose restrictions)

- If an injunction is sought based on a patent that is extremely insignificant in terms of the contribution ratio, the principle of abuse of right would become applicable.
- In the case of a patent that is insignificant in terms of the contribution ratio, it would be easy

to prevent infringement.

- This has not caused any problem in Japan.

### III The right to seek an injunction in other countries and regions

In this research, we requested law firms, etc. in the countries and regions covered by this research (the U.S., the U.K., Germany, France, the Netherlands, Spain, South Korea, China and Taiwan) to gather information. Based on the findings of this research, we examined the systems, court decisions and the discussions in those countries and regions concerning injunctions from the following perspectives.

- Injunction issued under the patent system
  - The details of the right to seek an injunction
    - ◇ The grounds for the right to seek an injunction
    - ◇ The requirements for accepting a claim for an injunction
    - ◇ The existence or absence of discretionary power of a court in determining whether to accept a claim for an injunction
    - ◇ The effect of a claim for an injunction
    - ◇ The procedure for enforcing an injunction
  - Restrictions on the right to seek an injunction
    - ◇ Restrictions based on the competition law
    - ◇ Other restrictions on the right to seek an injunction
    - ◇ Systems that could restrict the right to seek an injunction
    - ◇ Existence or absence of difference in the placement of restrictions depending on the type of holder of the right
  - Countermeasures taken in lieu of an injunction against future infringement
  - Organizations other than courts that can issue an injunction
  - Court cases
- Judicial system
- Discussions on the right to seek an injunction

The following section describes the situations in other countries mainly from the perspective of the uniqueness of their systems and the trend in court decisions and discussions.

## 1 U.S.

In the case of a patent infringement lawsuit, the basic remedy (remedy under law) is damages, and there is a provision that specifies that courts shall be given no discretionary power. On the other hand, a provision concerning a claim for an injunction is a discretionary provision. An injunction may be issued as an equitable remedy at the discretion of a judge.

Until the Supreme Court handed down the eBay judgment, while courts took into consideration the following four factors listed in (a) to (d) when determining whether to issue an injunction, they would almost automatically issue a permanent injunction if infringement and validity have been adjudged as long as special circumstances do not exist.

However, in the eBay judgment, the U.S. Supreme Court held that a decision as to whether to issue an injunction should be made in consideration of the following four factors:

- (a) the plaintiff has suffered irreparable damage;
- (b) any remedy, such as monetary damages, available under law is considered to be inappropriate as compensation for the damage;
- (c) the equitable remedy can be justified in consideration of the balance of harms between the parties concerned; and
- (d) the grant of an injunction would serve the public interest.

Consequently, courts are currently required to take all of the four factors stated in the eBay judgment, especially the factors (a) and (c), into consideration. An increasing number of courts hand down judgments where the court recognizes patent infringement, while not issuing a permanent injunction. As far as an injunction issued through the ITC (International Trade Commission) procedure, the CAFC handed down a judgment that the four equitable factors need not be taken into consideration. However, the "White House Task Force on High-Tech Patent Issues"<sup>3</sup> announced by the U.S. government in June 2013 as measures against patent trolls recommended a change in the ITC standard for issuing an injunction in order to better align it with the traditional four-factor test stated in the eBay judgment. There was a case where, in response to the ITC's decision to prohibit import, the USTR (United States Trade Representative) refused to accept this decision.<sup>4</sup>

Moreover, with regard to a patent subject to a

RAND declaration, a judgment was handed down for the case of *Microsoft v. Motorola* (W.D. Wash, Case No. C10-1823-JLR). In the judgment, the court approved a royalty rate much lower than the amount claimed by the patentee by applying the traditional Georgia-Pacific Factors after modifying those factors and ordered the payment thereof.

Furthermore, a law named the Innovation Act was submitted to the House of Representatives of the U.S on October 23, 2013. The Act passed the House of Representatives on December 5, 2013.

## 2 U.K.

Like in the U.S., an injunction is an equitable remedy in the U.K.. Courts are always given discretionary power to consider issuing an injunction. In the case where a court determines whether to make a decision not to issue an injunction against the defendant as an exception in the case where infringement of an effective patent has been proved, it is currently widely accepted to apply the guideline presented in the case of *Shelfer v. City of London Electric Lighting Co* (No.1).

In the U.K., there is an academic paper stating that PAEs (Patent Assertion Entities) are not common in the U.K. due to the facts that the U.K. charging system would request the PAE who lost a trial to bear not only its own costs but also those of the defendant and that it is difficult to obtain a software patent or business model patent in Europe.

## 3 Germany

Article 139 (1) of the German Patent Act permits the grant of an injunction. In any lawsuit on the merits, the court is not given discretionary power. However, the court is given some discretionary power to issue a preliminary injunction.

Furthermore, in Germany, a FRAND declaration is considered to be "pactum de non petendo" (agreement not to sue). There is a precedent that any patentee who has made a FAND declaration shall be considered to have agreed not to sue (LG Mannheim, InstGE 13, 65). However, as this is a judgment handed down by a district court, the legal status of a FAND declaration is still highly debatable under German law.

#### 4 France

It is permitted to seek an injunction under Article L. 611-1, 613-3 and 613-4 of the French patent law as long as the objective fact that patent infringement occurred may be proved. No requirements other than the recognition of patent infringement are imposed. While judges have no legal obligation whatsoever to issue an injunction, courts almost automatically issue an injunction in practice if the court recognizes infringement.

#### 5 Netherlands

No requirements are imposed other than the fulfillment of the requirement specified in Article 53(1) of the patent law of the Netherlands. Courts have discretionary power to decide not to issue an injunction even if a claim for an injunction satisfies the necessary requirements.

In the case of *Samsung v. Apple* (ECLI:NL:RBSGR:2011:BT7610, District Court of the Hague), the court stated that the FRAND declaration obliged Samsung to conduct negotiations concerning the conclusion of a FRAND license agreement and that, in view of the fact that Samsung refused Apple's request, Samsung's act of filing a claim for an injunction with a court based on its patent right may be considered to constitute an abuse of right.

#### 6 Spain

Article 63-1 of the patent law of Spain permits the issuance of an injunction.

The requirements for issuing an injunction differ depending on the purpose of injunction. For example, if the purpose of an injunction is to stop the act of infringement, an injunction may be issued if infringement and patent validity have been adjudged. If the purpose of an injunction is to remove the means for producing infringing goods, the court may issue an injunction upon fulfillment of the requirement that such removal is indispensable for prevention of the continuation of the act of infringement.

#### 7 South Korea

The issuance of an injunction under Article 126 of the patent law of South Korea would require the facts that an injunction has been claimed by "a person entitled to make a claim for an injunction" and that "the fact of infringement has been proved."

Regarding a case where an injunction was sought based on a standard-essential patent subject to a FRAND declaration, a court handed down a judgment that "it may be considered that, in light of the purpose, spirit, etc. of the patent law, there is a need to restrict the exercise of the rights of the patentee of the standard-essential patent in question" (Judgment for the case of *Samsung v. Apple* concerning prohibition of patent infringement handed down by the Seoul Central District Court on August 24, 2012).

#### 8 China

Chinese laws have multiple provisions that permit a claim for an injunction. More specifically, it is common to consider Articles 11 and 60 of the Chinese Patent Law and Articles 118 and 134 of the General Rules of the Civil Law as the legal grounds for permitting a claim for an injunction. There are no requirements that must be met before a court issues an injunction as long as the court has found that the patent is effective and that the infringement has actually occurred. Even if an act of infringement is recognized, there are some cases where, based on a Guiding Opinion from the Supreme People's Court of the People's Republic of China, a court does not order discontinuation of the infringement or gives an order for the payment of royalties in lieu of an order for discontinuation of the infringement from the following perspectives.

- (a) public interest or the balance between public interest and patentee's interests
- (b) prevention of an abuse of a patent right
- (c) practical impossibility of the discontinuation of the infringement
- (d) The existence of the grounds for the belief that the patentee would not take any action against patent infringement and would not exercise the right against the practicing entity (laches)

Furthermore, there are some cases where restrictions are imposed on the exercise of the right to seek an injunction based on a standard-essential patent. The grounds for these restrictions is the statement contained in 2008 Minshantazi No. 4 that "(omitted) if a patentee finds his/her patent adopted as a standard of the nation, industry or region as a result of his/her participation in the process of establishing a standard or based on his/her consent, the patentee would be deemed to have allowed other

persons to work the standard technology and to work the patented invention. Therefore, another person's act of working the patented invention would not constitute an act of patent infringement specified in Article 11 of the Patent Act. The patentee may demand certain royalties from any person working the patented invention. However, the amount of payment shall be lower than the regular royalties. If the patentee agrees to waive his/her rights for royalties, necessary action should be taken accordingly." In addition, there is a court case where the court imposed restrictions on the patentee's exercise of rights based on the aforementioned document (Hebei High Court (2011) Yiminshanzhongzi No. 15).

## **9 Taiwan**

An injunction may be issued under Article 96 of the Patent Act of Taiwan. Under law, the right to seek an injunction is regarded as an exclusive right of the patentee. As long as a certain product falls within the scope of a patent right, a court is required to issue an injunction unless an injunction violates Article 148 of the Civil Code of Taiwan (the primary purpose of exercising a right shall not be to damage public interests or cause damage to others).

## **10 International discussions**

### **(1) Discussions at the ITU-T**

At the ITU (International Telecommunication Union), discussions are held with regard to the issue of whether to permit a claim for an injunction against infringement of a standard-essential patent, clarification of the RAND requirements, transfer of a standard-essential patent, and the effect of a RAND declaration after an assignment. The ITU-T is considering reflecting the results of the discussions in its patent policy, etc.

### **(2) Discussions in Europe**

Regarding the case where both Samsung and Motorola Mobility sought injunctions from courts based on their respective standard-essential patents for cell phones, the European Commission has given preliminary opinions (to Samsung on December 21, 2012, and to Motorola on May 6, 2013) that their act constitutes an abuse of dominant market position, which is prohibited by Article 102 of the Treaty on the Function of the European Union (TFEU).

### **(3) Evaluation of the eBay judgment in other countries**

In the U.S., during the period from the day of the eBay judgment to November 2012, District Courts handed down 222 judgments and ordered an injunction in 165 judgments out of the 222 judgments, which accounted for about one-fourth of the total number.

There is a paper stating that a comparison between the period from 2001 to 2006 and the period from 2007 to 2012 with regard to the win rate and the amount of damages has shown that the win rate of practicing entities was higher during the period 2007 to 2012, whereas the win rate of NPEs was lower during the same period.

## **IV Statistics of major countries regarding patent infringement lawsuits**

We conducted research on the number of patent infringement lawsuits during the period from 2008 to 2012 in the U.S., China, South Korea, Taiwan and Japan and also on the number of patent infringement lawsuits during the period from 1997 to 2009 in the U.K., Germany, France and the Netherlands.

## **V Results of the domestic questionnaire survey**

We conducted a domestic questionnaire survey in order to collect information about domestic users' experience in infringement lawsuits, the need for restrictions on the right to seek an injunction, the possible effect of such restrictions, and the need for legal systems related to the exercise of rights.

The results of this domestic questionnaire survey will be explained in detail in the section titled "VIII. Conclusion."

## **VI Results of the domestic interview survey**

We conducted a domestic interview survey in order to collect information about specific court cases in the past over the issue of the right to seek an injunction, the merits and demerits of the restrictions on the right to seek an injunction and the detailed reasons for supporting or opposing the restrictions on the right to seek an injunction.

The results of this domestic interview survey will be explained in detail in the section titled "VIII. Conclusion."

## **VII Opinion of each committee member on the exercise of rights**

### **1 Discussions at the committee**

At the committee established for this research, the committee members exchanged opinions about "restrictions on an injunction in general," "a claim for an injunction made by a so-called patent troll," "a claim for an injunction made based on a standard-essential patent," "a claim for an injunction made based on a patent that is insignificant in terms of the contribution ratio" and "the issues for further discussions." Their opinions about "the issues for further discussions" are presented in the following section.

(The issues for further discussions)

- In the domestic questionnaire survey, a question was asked as to whether the merits of the restrictions on an injunction would outweigh the demerits. However, such a question would oversimplify the issue to be discussed. Discussions should be made on how to maximize the merits of the injunction system, while controlling the demerits caused by the abusive use of the system.
- The issue of an injunction needs to be discussed from broader perspectives such as the issue of raising the level of the inventive step requirement for a patent and the need for a mechanism for industrial development to be achieved through it.
- Discussions from the perspective of whether to impose restrictions in the case of a patent subject to a FRAND declaration would be oversimplifying the issue. Discussions should be made from the perspective of when to impose restrictions such as how to determine the existence or absence of good-faith negotiations.
- A litigation system could have an effect on the activities of patent trolls. From the perspective of restrictions on an injunction, it is desirable to design a patent system in such a way that the system will not motivate any person to seek an injunction. For example, the losing party should be required to bear the litigation costs. It would be beneficial to study the litigation systems of other countries and analyze them from this perspective.
- It is important to identify a consistent rule to distinguish the circumstances where the exercise of the right to seek an injunction is permissible from the circumstances where

restrictions should be imposed thereon.

- In the pharmaceutical industry, there might be an international standard for iPS cells. In that case, the industry could face the same issue as the issue of standard-essential patents.
- Discussions should be expedited in order to reach a conclusion concerning the issue of restrictions on the exercise of the right to seek an injunction by a so-called patent troll and the issue of restrictions on the exercise of the right to seek an injunction based on a standard-essential patent at an early date.

### **2 Opinion of each committee member concerning the exercise of rights**

Each industry is expected to have a different opinion regarding the exercise of rights. Various opinions were presented mainly from the committee members from legal circles and from industrial circles such as "Restrictions on the right to seek an injunction based on the patent right and problems related to legal proceedings and future issues" from Mr. Seiji Ono, "The practice and principle of the exercise of rights in the Japanese auto industry" from Mr. Takeshi Sasaki, "The principle of the restrictions on the right to seek an injunction in the pharmaceutical industry" from Mr. Hirotsugu Takayama, "Overview of the right to seek an injunction" from Mr. Kenichi Nagasawa and "Restrictions on the right to seek an injunction" from Mr. Shigeto Hatae.

## **VIII Conclusion**

### **1 Domestic trend in the exercise of the right to seek an injunction by so-called patent trolls and opinions of industrial circles, etc.**

#### **(1) Current activities of so-called patent trolls and the effect thereof**

The results of the domestic questionnaire survey have shown that, in Japan, 40 (11.4%) out of the 351 respondents said they had received warnings from patent trolls.

Also, the results of said survey have shown that 60 (15.6%) out of the 384 respondents said they were currently concerned about patent trolls taking advantage of patent rights granted in Japan.



## **(2) Future activities of so-called patent trolls**

The results of the domestic questionnaire survey have shown that 210 (54.7%) out of the 384 respondents said that patent trolls would become problematic in Japan in the future.

Next, we conducted a domestic interview survey and asked whether the activities of patent trolls would be intensified in the future. Some respondents said that they would become problematic in Japan in the future. Asked about the reasons for their outlook, some of those respondents pointed out the recent development where patent were transferred from companies that went out of business to non-practicing entities (NPEs) and their experience of suffering from the exercise of rights by NPEs, while other respondents pointed out that, although no problems had emerged in their field of business yet, they could face the problem of patent trolls if the scope of their business expands into other fields. On the other hand, some respondents said that patent trolls would not intensify their activities in Japan. They attributed their outlook to the difference between Japan and the U.S. in terms of the litigation system by saying that, in Japan, in comparison with the U.S., it is difficult for the plaintiff (patentee) to prove infringement due to the lack of a discovery system in the judicial proceedings and that the court costs (including attorneys' fees) that the defendant (suspected infringer) is required to pay are relatively small, which has created a judicial environment advantageous for defendants, and also that such an environment gives little incentive for a settlement with patent trolls and that the amount of damages approved by a court would be small even if the plaintiff wins the case.

## **(3) Restrictions on an injunction sought by a so-called patent troll**

Asked about the merit of imposing restrictions on the right to seek an injunction of patent trolls, about 70% of the respondents said "stable continuation of their business." About one-fourth of the respondents replied that the demerit would be "the resulting restrictions on an injunction sought by any person other than patent trolls." Having said that, about 70% of the respondents said the merits would outweigh the demerits. Some respondents pointed out the need for proper definitions of the types and acts of patent trolls that should be subject to restrictions.

## **2 Domestic trend in the exercise of the right to seek an injunction based on standard-essential patents and opinions of industrial circles, etc.**

### **(1) The exercise of the right to seek an injunction based on standard-essential patents and evaluation thereof**

The results of the domestic questionnaire survey have revealed that, regarding the act of exercising the right to seek an injunction based on a standard-essential patent, 35 (35.0%) out of 100 respondents replied that such an act had already become problematic. 32 (32%) out of 100 respondents considered that "such an act would become problematic in the future." Three respondents (3.0%) said that such an act had not and would not become problematic.

### **(2) Restrictions on an injunction sought based on standard-essential patents**

70% of the respondents said that the merit of imposing restrictions on the exercise of the right to seek an injunction based on standard-essential patents would be "the prevention of a claim for an unreasonably high amount of damages." 50% of the respondents said that the demerit would be "the suspected infringer's refusal to have licensing negotiations or longer negotiations." Having said that, slightly more than 60% of the respondents said that the merits of the introduction of restrictions would outweigh the demerits. 49 (55.1%) out of 89 respondents said that the effect of a FRAND declaration is "the good-faith negotiation obligation of the patentee." In the domestic interview survey, many respondents said that, regarding the right to seek an injunction based on a patent subject to a FRAND declaration, restrictions may be imposed on the exercise of the right to seek an injunction against any licensee who has been taking part in negotiations in good faith.

## **3 Domestic trend in the exercise of the right to seek an injunction based on a patent that is insignificant in terms of the ratio of contribution to a product and opinions of industrial circles, etc.**

### **(1) Evaluation of the exercise of the right to seek an injunction based on a patent that is insignificant in terms of the ratio of contribution to a product**

According to the results of the domestic questionnaire survey, with regard to the act of

seeking an injunction against the manufacturing or sale of the whole product despite the low ratio of contribution to the whole product, 107 (49.8%) out of 215 respondents considered that such an act would be problematic in the future. 39 (18.1%) respondents said such an act had not and would not become problematic. 37 respondents (17.2%) said that it had already become problematic.

## **(2) Restrictions on an injunction sought based on a patent that is insignificant in terms of the ratio of contribution to a product**

In the case of a patent that is insignificant in terms of the ratio of contribution to a patented product, to the question as to which is more significant, the merits or the demerits of the restrictions on the right to seek an injunction, 91 (42.7%) out of the 213 respondents said they were not sure. 89 respondents (41.8%) said the merits outweigh the demerits. 33 respondents (15.5%) said the demerits outweigh the merits. In the domestic interview survey, we asked a question as to whether to impose restrictions on the exercise of the right to seek an injunction based on a patent that is insignificant in terms of the ratio of contribution to a product. The opinions of the respondents were divided. Some respondents who supported such restrictions said that restrictions should be imposed only on the exercise of the right to seek an injunction in bad faith. On the other hand, other respondents who opposed such restrictions said that it would be difficult to define "contribution ratio."

## **4 Opinions of industrial circles with regard to the need for legal systems related to the exercise of rights**

In the domestic questionnaire survey, we asked respondents' opinions about the existing system to restrict the right to seek an injunction based on a patent right (the provisions (on licenses, etc.) of the Patent Act, the doctrine of abuse of rights, the anti-monopoly act). 93 (26.3%) out of 353 respondents said that the existing system was sufficient. 80 respondents (22.7%) said that the existing system was insufficient. 180 respondents (51.0%) said they were not sure.

## **5 Trends in the U.S. and Europe with regard to injunctions**

In June 2013, the U.S. government

announced the "White House Task Force on High-Tech Patent Issues." In this announcement, the U.S. recommended that the ITC's criteria for permitting a claim for an injunction should be modified in such a way that they come into line with the four factors mentioned in the eBay judgment. Consequently, the Office of the United States Trade Representative decided to overturn the decision to prohibit the import of Apple products made by the ITC in August 2013.

Many of the European countries covered by this research require the losing party to bear court costs including attorneys' fees. For this reason, some people said that, currently, they were not concerned about the "patent troll" problem so much (probably because the rule that requires the losing party to bear the costs makes it difficult for any person to file an infringement lawsuit based on a patent that is likely to be recognized as invalid.). Moreover, some people point out that another reason would be the absence of pure software patents and pure business model patents in Europe.

In Europe, the establishment of the Integrated European Patent Litigation System has significantly enlarged the geographic scope of an injunction. Some industrial circles expressed concerns about the abuse of the system (the Integrated European Court has discretionary power). The European Commission presented a preliminary opinion that Samsung's and Motorola's acts of exercising their rights based on standard-essential patents constitute abuses of their dominant market positions (December 2012 and May 2013).

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<sup>1</sup> 2011 (Yo) 22027, 22098, the case where a request was filed to seek a court order for provisional disposition based on a patent right.

<sup>2</sup> Judgment 2006 (Ju) 882 of the Third Petty Bench of the Supreme Court of May 29, 2007, Hanji No. 1978, at 7

<sup>3</sup> "FACT SHEET: White House Task Force on High-Tech Patent Issues"  
<http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-white-house-task-force-high-tech-patent-issues>

<sup>4</sup> The document sent from the USTR to the ITC.  
[http://www.ustr.gov/sites/default/files/08032013%20Letter\\_1.PDF](http://www.ustr.gov/sites/default/files/08032013%20Letter_1.PDF)