

New Challenges in Patent Litigation From Business Perspective: **Is Asian IP Court Feasible and Necessary?**



September 2017

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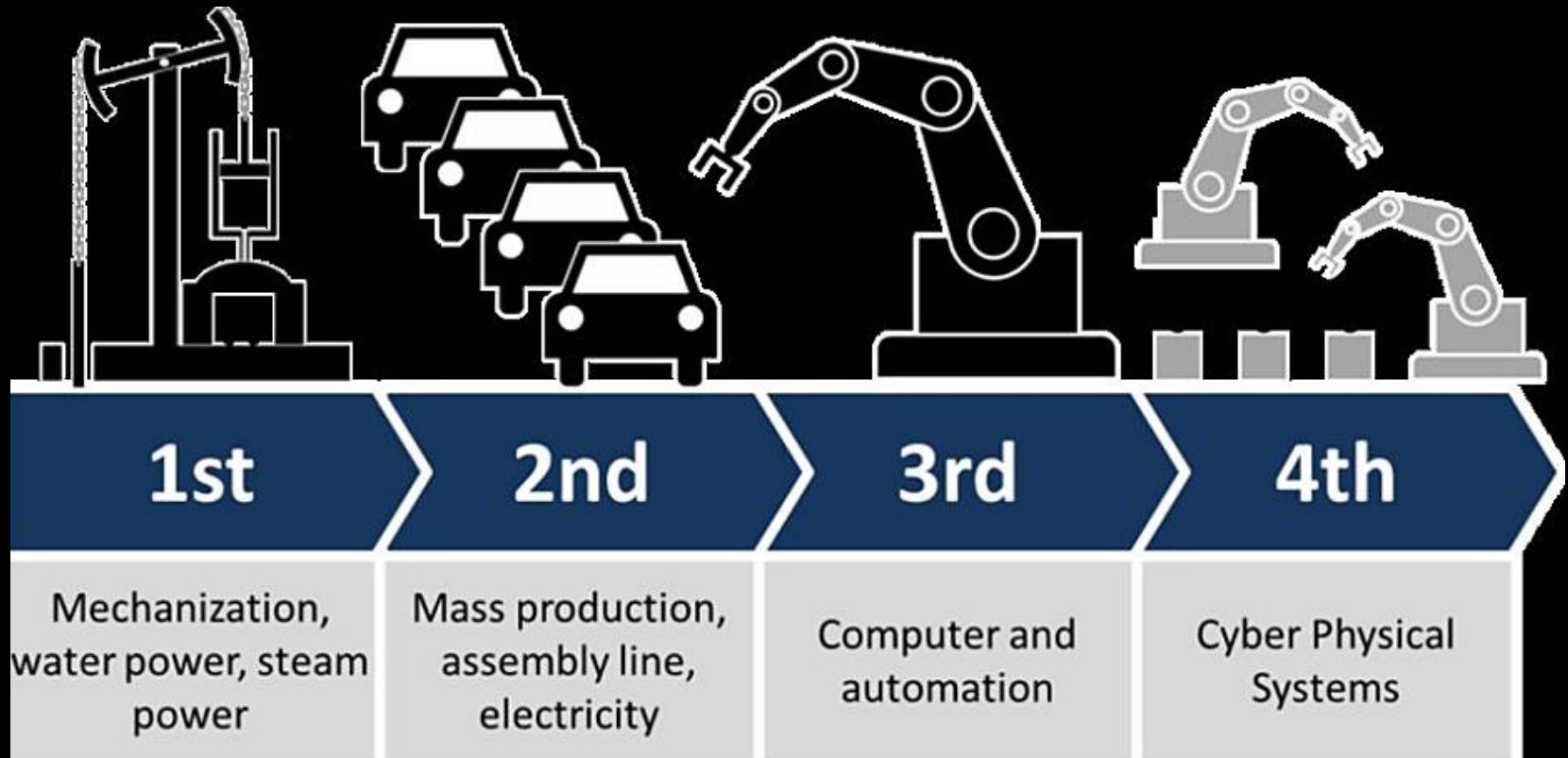
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Weakening of Territorial Principle and New Roles of Courts

The 4th Industrial Revolution



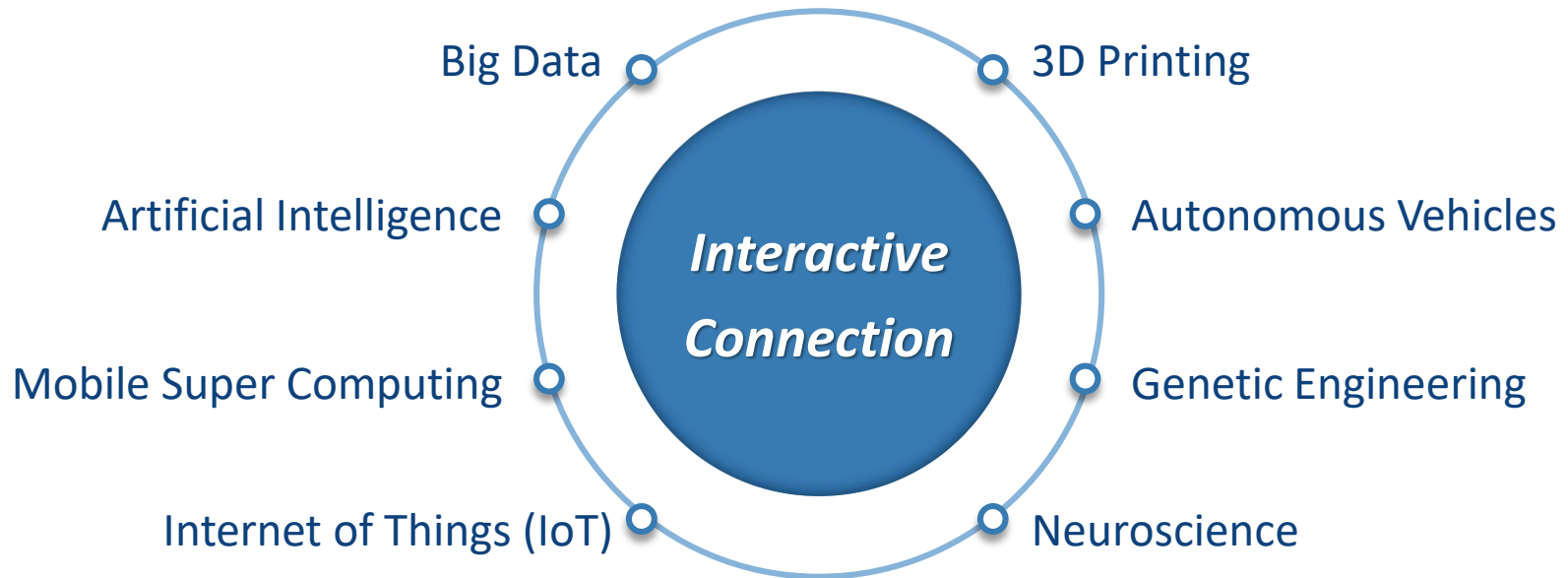
<https://www.forbes.com/sites/bernardmarr/2016/04/05/why-everyone-must-get-ready-for-4th-industrial-revolution/#3f90b78a3f90>

The 4th Industrial Revolution

Help humans do their jobs better

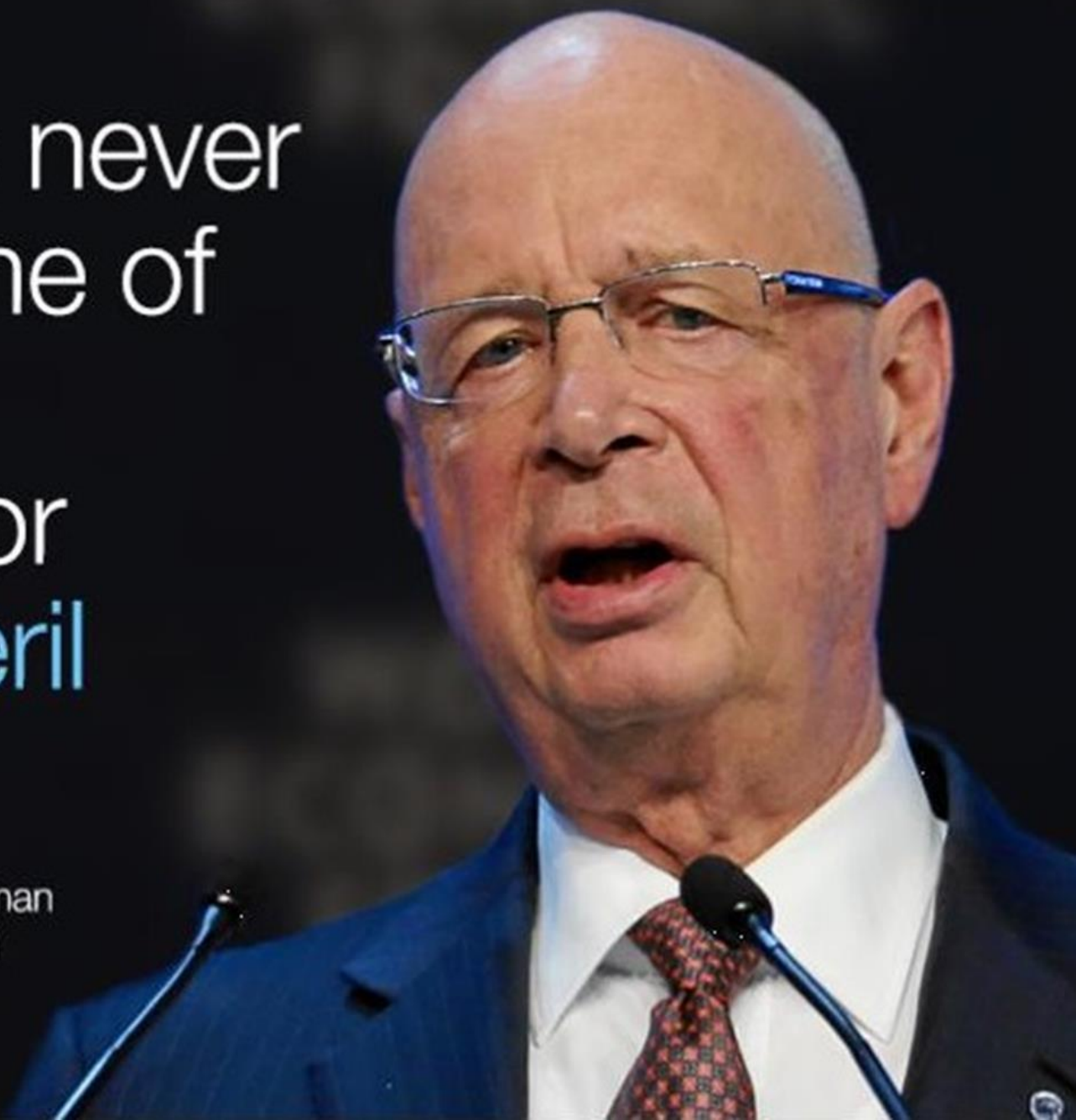


Explosive innovations for human life, relationship, and way of thinking



There has never
been a time of
greater
promise, or
greater peril

Professor Klaus Schwab
Founder and Executive Chairman
of the World Economic Forum



IoT – Standardization Consortia

AllSeen Alliance



Logos for AllSeen Alliance members: Qualcomm, Cisco, Microsoft, HTC, and LG.

Industrial Internet Consortium



Logos for Industrial Internet Consortium members: IBM, Intel, AT&T, Cisco, and GE.

Open Interconnect Consortium



Logos for Open Interconnect Consortium members: Atmel, Dell, Intel, Wind River, Samsung, and Broadcom.

Thread

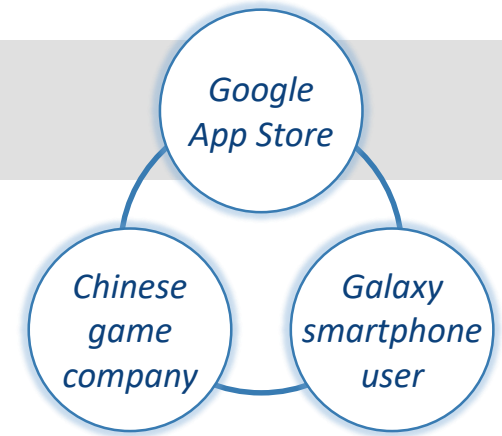


Logos for Thread members: Samsung, ARM, Freescale Semiconductor, Silicon Labs, Yale, and Big Ass Fans.

Cross-border IP Issues

Platform-providing servers, application-providing servers and terminal users located in different countries

- Information flow across borders
- Need for a reasonable defensive measure against joint infringement



Technical standard

- Software platform
- SEP Issues

In the 4th Industrial Revolution, the role of IP, particularly with regard to software, will be very important

- There is a limitation in resolving disputes only through laws
- Robust and flexible IP system is important
- Robust and flexible interpretation by courts is very important

Changes in Patent Strategy



Nobuhiro Nakayama

Professor Emeritus, The University of Tokyo.
Author of many books on IP laws, e.g., *Patent Rights, Copyrights*.

Open-Close Strategy

Disclosing or licensing IP rights or standardizing technologies in an effort to expand the market

OPEN

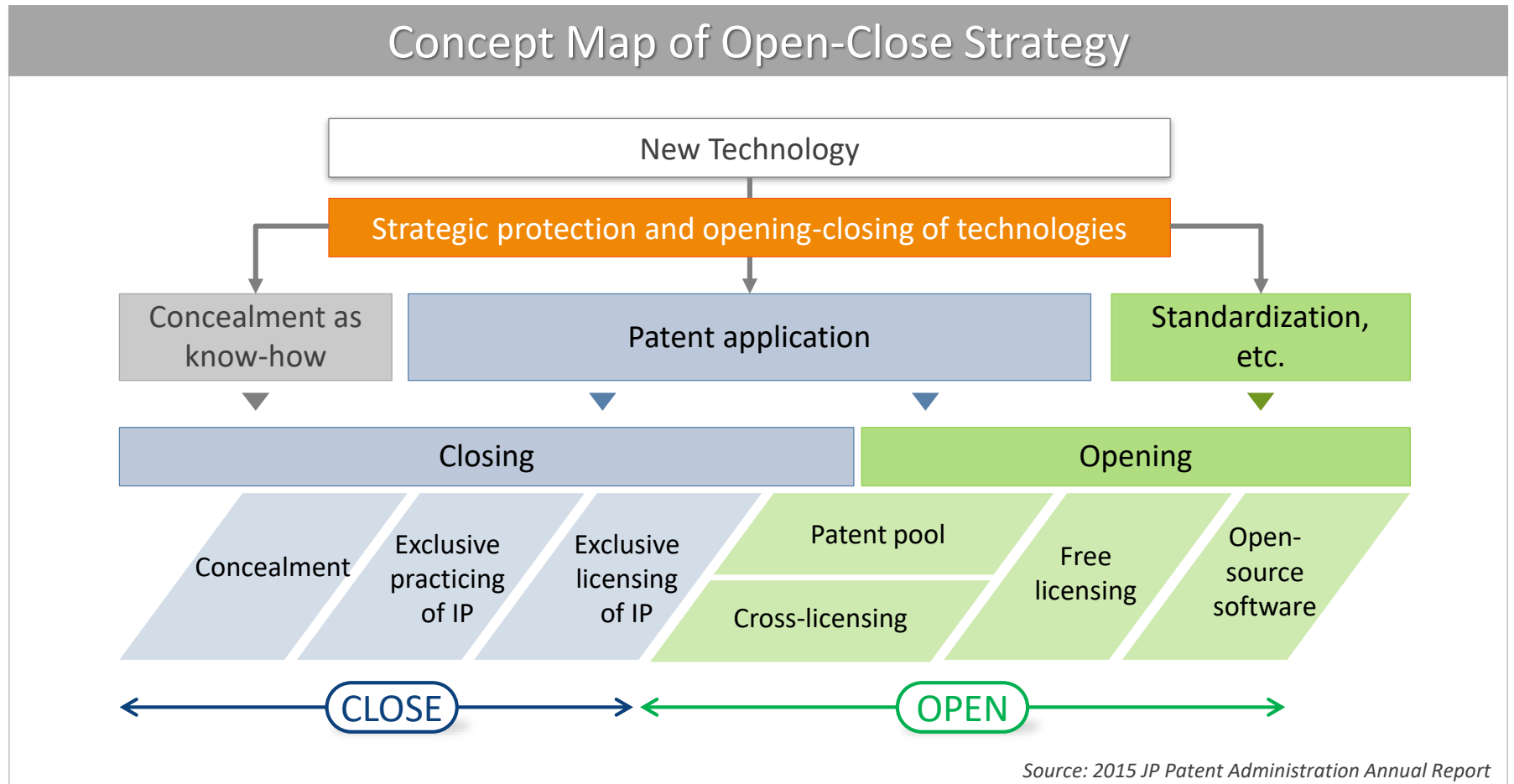
Concealing IP rights as trade secrets or monopolizing core technologies based on patent rights

CLOSE

- Controlling the overall technology using the open-close strategy
By securing IPs primarily in the fields where the core area and the public domain are connected, taking a predominant position in the global business ecosystem
- The greater the controlling power on the global business, the more it is possible to link the vitality of the businesses in emerging countries with the company's employment/profits

Source: 2016 KIPLA presentation by Nobuhiro Nakayama

Open-Close Strategy



Open-Close Strategy of US Enterprises

<p>Case 1</p>  <p>Apple</p>	<p>Non-core Technology</p> <p>Core Technology</p> <p>Strategy</p>	<p>Peripheral technologies relating to manufacturing of smartphones</p> <p>Core technologies and designs</p> <p>Generating profits by expanding the smartphone market while monopolizing designs</p>
<p>Case 2</p>  <p>Tesla</p>	<p>Core/Non-core Technology</p> <p>Strategy</p>	<p>Declaring to open-source its own patents / promised not to exercise patent rights</p> <p>Generating profits by expanding the market size for electric vehicles</p>
<p>Case 3</p>  <p>Intel</p>	<p>Non-core Technology</p> <p>Core Technology</p> <p>Strategy</p>	<p>Disclosing motherboard (peripheral device to PC) patents to the world</p> <p>Monopolizing MPU technology frame</p> <p>Globally increasing the number of PC units sold owing to the decrease in the set prices. Realizing higher profits based on relatively unchanged MPU price (MPU is in the area of black box)</p>

Source: 2016 KIPLA presentation by Nobuhiro Nakayama

Representative SEP Lawsuits in Europe: Huawei v. ZTE

Prohibition of SEP Infringement - Huawei v. ZTE (CJEU 2015)

<i>Licensor</i>	Provided notice of infringement and patents
<i>Licensee</i>	Expressed willingness to license
<i>Licensor</i>	Made a FRAND offer in writing
<i>Licensee</i>	Made a FRAND counter-offer with a statement that if the licensor refuses the counter offer, the licensee would provide security

- If the parties fail to reach an agreement, the dispute will be resolved by arbitration/lawsuit.

Active Exercise of Rights by PAE (Patent Assertion Entity)

<i>St Lawrence Communication</i>	Subsidiary of Acacia
<i>Unwired Planet</i>	Entity exercising Ericsson patent rights

Representative SEP Lawsuits in Europe :

Saint Lawrence Communication v. Vodafone & HTC

Saint Lawrence Communication v. Vodafone & HTC (Düsseldorf District Court, March 2016)

- By submitting the existing agreement to the court, Saint Lawrence Communication demonstrated that the license offer was not beyond the commercial practice in the telecommunication industry
- The license offer covered not only German SEPs but worldwide patent portfolio
- The court ruled that if the worldwide license offer had been consistent with the licensing practice in the applicable technology sector, the counter offer limiting the licensing scope geographically to Germany should not be deemed as FRAND
- Saint Lawrence Communication refused the counter-offer made by Vodafone. However, Vodafone did not provide security.
- The court issued a decision that infringement should be prohibited and the Appellate Court also upheld the decision

Representative SEP Lawsuits in Europe :

Unwired Planet v. Huawei

Unwired Planet v. Huawei (UK High Court of Justice 2017)

- The UK court may determine whether certain licensing terms are FRAND and also set the terms of worldwide license
- FRAND undertaking is enforceable by a third-party licensee under the French law (even without a claim based on the violation of the Fair Trade Law)
- A petition seeking prohibition of SEP infringement may be filed against a licensee refusing to take a license
- Significance of Overstep: If the SEP holder's offer is not significantly higher than the FRAND royalty rate, it would not constitute a violation of the Fair Trade Law on the basis of a contractual breach or abuse of a market-dominance position

Change in Roles of Courts

Injunction

- US Court's criteria in eBay case v. EU Court's criteria in Huawei v. ZTE case
- Prohibiting infringement based on the licensing terms set by the court (UP v. Huawei case)

Compensation for Damages

- Licensing terms covering individual countries v. worldwide licensing terms
- Calculating worldwide royalty terms and conditions

Role as an arbitration institution



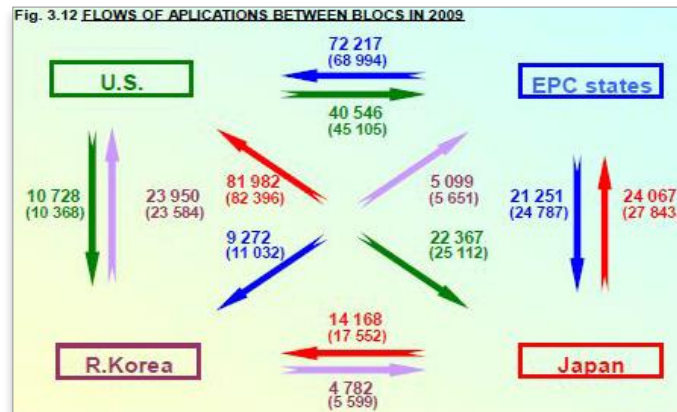
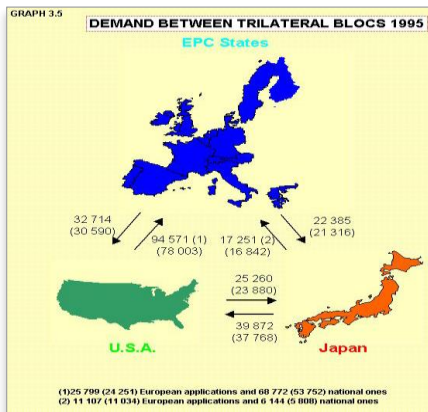
IP5's Efforts to Harmonize Patent Systems

History and Development of IP5

Establishment of IP5 and Member States

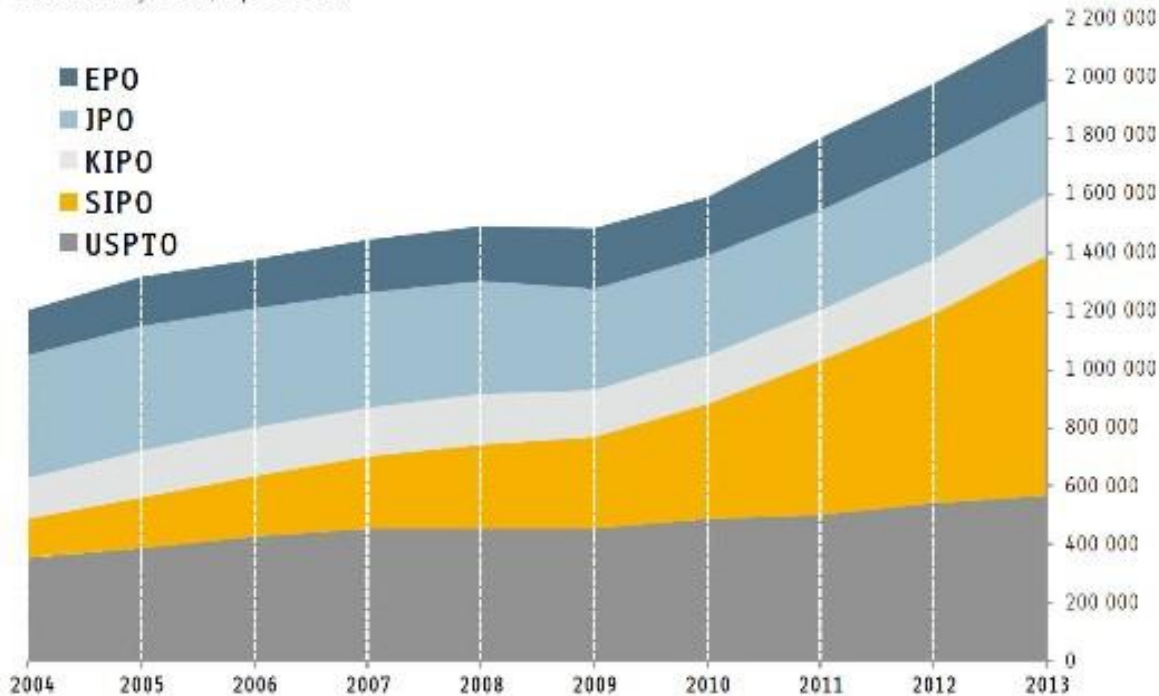
- The name IP5 originates from the world's 5 largest IP offices' forum
- Established to enhance efficiency in patent examination process worldwide
- Member States: KIPO (Korea), USPTO (US), JPO (Japan), SIPO (China) and EPO (EU)

Developments



Increase in Patent Filings of IP5

Patent filings at IP5 Offices
Preliminary data, April 2014



▶ Accounting for about 80% of the worldwide patent filings

IP5 – Meeting of Heads of IP5 in Malta (May 30, 2017)

Major Agenda

- Discussions over how to protect IPs in the 4th industrial revolution era
- Collaborative Search & Examination (CS&E)
 - Examiners from IP5 offices examine jointly the patentability of PCT applications
 - Expected to be implemented from May 1, 2018

Tasks to be Solved

- Striving to establish harmonized patent practices and procedures
- Optimization of quality control
- Maximization of the possibility of work-sharing within IP5
- Enhancement of patent information services



EU-UPC

Future Of EU Patent System – Planned Introduction of Unitary Patent & Co-existence with Previous System



Patents of Individual Countries



European Patent (EP)



Unitary Patent (UP)

Expected Time of Adoption of UP

Effective upon ratification by the congress in at least 13 countries, including Germany, France and the UK

- Currently, France and Austria have completed ratification



* http://ec.europa.eu/internal_market/indprop/patent/ratification/index_en.htm

Unified Patent Court

What is UPC?

- Being pursued in parallel with the adoption of EU Unitary Patent System*
- As a patent court dedicated to the resolution of cases involving infringement and invalidation of the existing EP and EU UP (to be newly introduced), it is expected to be established in Paris, Munich and London.

**"Future European Patent System" by Dr. Alexander Wyrwoll at Patent and Law Firm, Winter, Brandl et al (2014.4.)*



Establishment of Asian Patent Office and Asian IP Court

Scope of Discussions

– Focusing on Integration of Korea, China and Japan

Country that would establish and operate the Asian Patent Office and the Asian IP Court

By Korea, China and Japan - *Integration is easy*

- Geographical advantage
- Share similar need for improvement in connection with their own patent systems
 - Similarity between Japan's contemplated IP system reorganization and Korea's discussions on the improvement of IP system
 - China's punitive damage system and Korea's discussions on expansion of scope of damages and adoption of punitive damage system
 - Similarity in the patent systems currently in effect

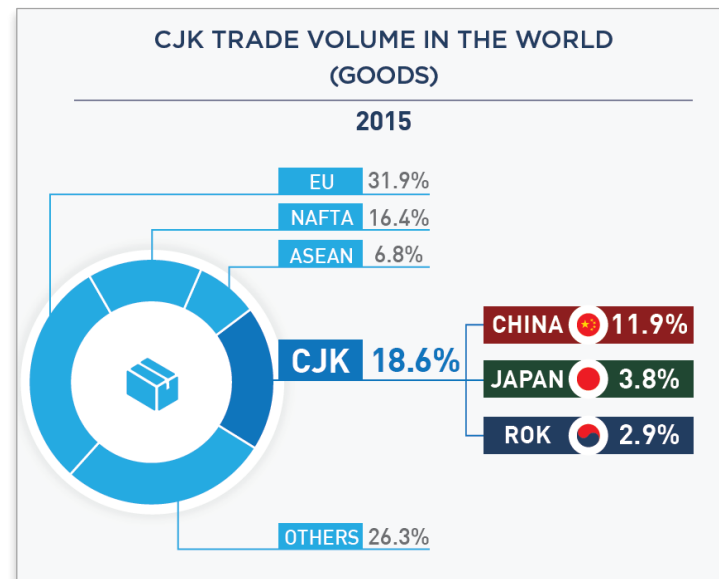
Scope of Discussions

– Focusing on Integration of Korea, China and Japan

Country that would establish and operate the Asian Patent Office and the Asian IP Court

Primarily by Korea, China and Japan - *Integration is beneficial*

- Large trade volume among the 3 countries
 - 18% of the world's total trade volume
- Need for integration and cooperation
 - Size of the 3 countries' markets
 - Synergy between advanced technology of Korea and Japan , and China as a manufacturing hub of international enterprises



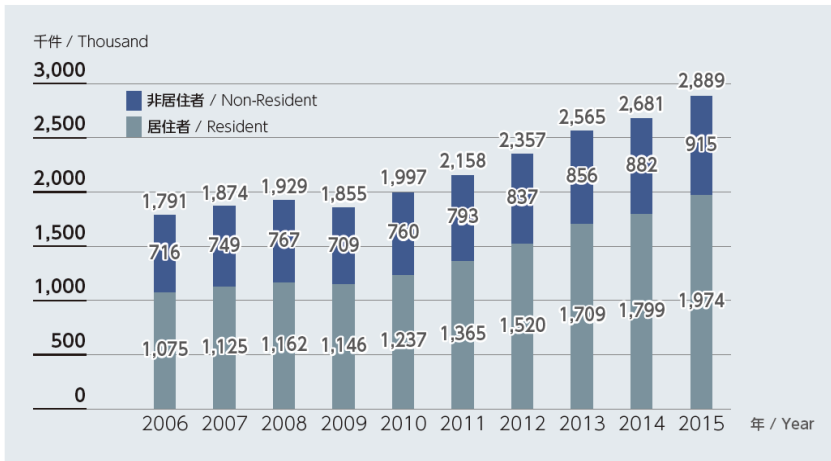
Portion of Patent Applications by KR, CN, JP in the Worldwide Market

Number of applications in Korea, China and Japan

→ More than 50% of the total number of worldwide applications

Sharp increase in the number of filings in China

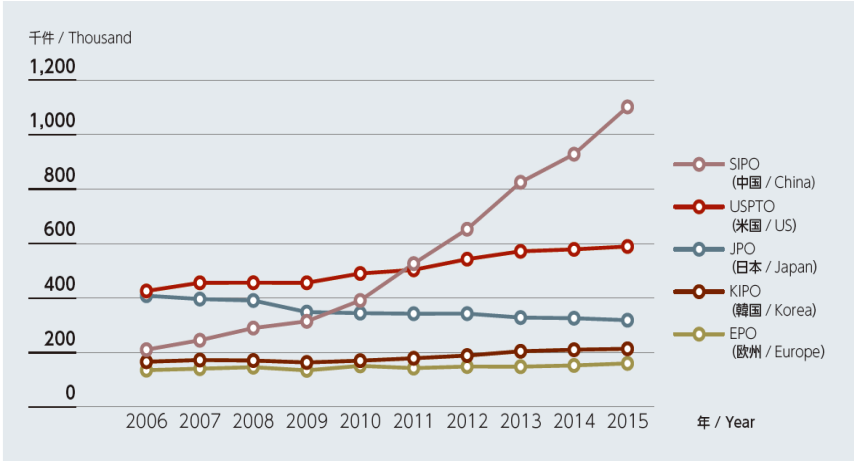
Chart 1-2-1 : Changes in the Number of Patent Applications in the World



(資料)
WIPO Intellectual Property Statisticsを基に
特許庁作成

(Source)
Prepared by the JPO based on the WIPO Intellectual Property
Statistics.

Chart 1-2-2 : Changes in the Number of Patent Applications Filed with the IP5 Offices



KR, CN and JP's Concerns for Patent Systems and Integrated Patent System

 **Japan**

 China

 Korea

2016 “Plan for IP”

- “Reorganization of IP System” as one of the 4 strategic objectives
 - Reinforce functions of the IP dispute resolution system
 - Improving the evidence collection procedures for IP disputes
 - Realization of the amount of damages
 - Enhancing the stability of patent rights
 - Reinforce assistance to the global development by realizing world’s leading examination system
 - Efforts to reduce patent examination period and improve quality of examination
 - Consistently pursuing cooperation with foreign patent offices for patent examination, etc. (e.g., US-Japan pilot program for cooperative investigation for patent examination)
 - Enhancing quality of patent administrative services
- Heading in the same direction as Korea’s intended patent system improvement solutions

KR, CN and JP's Concerns for Patent Systems and Integrated Patent System (cont'd)



Japan



China



Korea

Very active efforts to correct patent system

- Late runner in the field of IP
 - Started very late upon legislation of the modern patent law in 1985
 - Passive first and second amendments
- 2008 Third Amendments to the Patent Law aimed at actively increasing protection of patent rights
- Characteristics of Chinese patent practice after the Third Amendment
 - Concentrating jurisdiction over patent actions
 - Patent dispute cases have increased sharply
 - 2,232 cases (2012) / 4,684 cases (2013) / 7,671 cases (2014) / 14,202 cases (2015)
 - A number of decisions were rendered in favor of foreign patentees

(Source : https://www.wto.org/english/tratop_e/tpr_e/s342_e.pdf)

KR, CN and JP's Concerns for Patent Systems and Integrated Patent System (cont'd)

 Japan

 China

 **Korea**

Comprehensive efforts by government bodies

- National Assembly's Committee for Worldwide Patent Hub Country
 - Holding active discussions, including symposium for future strategy for worldwide patent hub
 - Suggestions for modification of IP system
 - Realization of the amount of damages
 - Strategy to obtain a dominant position in forum shopping
- Court's Committee for IP International Hub Court
 - Reinforce international networks centering on the Patent Court
 - Trial Manuals for patent litigations for the first time in Asia

KR, CN and JP's Concerns for Patent Systems and Integrated Patent System (cont'd)

 Japan

 China

 **Korea**

Discussions over the establishment of International Tribunal

- A relevant legislative proposal has been submitted to the National Assembly (pending)
 - Patent Court conducted trial in English as a pilot program



(Pic. Source : Patent Court of Korea
http://patent.scourt.go.kr/dcboard/new/DcNewsViewAction.work?seqnum=666&gubun=41&cbub_code=&scode_kname=특허법원&searchWord=¤tPage=0)

Suggested Solutions for KR, CN and JP's Concerns for Patent System

Need for Integration of Patent System

Competition by and among each country to take the leading role as IP Hub

- Background of competition: Worldwide IP dispute market amounts to about US \$500 billion

Stepping-stone for an integrated patent system which may transform Asia as the center of IP system

- Establish the Asian Patent Office and the Asian IP Court for 3 countries
 - Establish a system ensuring exercise and protection of rights adapted for qualitative and quantitative aspects of patent inventions of 3 countries
 - Establish a system where each of the 3 countries accept the examination results of the other countries
 - Description of the integrated patent system
 - Asian Patent Office / Asian Patents / Asian IP Court
 - On the assumption that the patent system is harmonized and the standards for interpretation are consistent

Suggestion for Launching TFT for Establishment of the Asian IP Court

TFT for the Asian Integrated Patent System

Objective of TFT

- Function as a center of discussions and practice for establishing a stable integrated patent system

Members and Form of TFT

- Members - IP judges, lawyers and scholars of the 3 countries
- Form of incorporation - Permanent organization including standing committee members

Description of TFT's duties

- Intermediate among the 3 countries for harmonization of patent systems
- Review individual countries' patent practices and holding discussions to draft a proposal for harmonization of the practices of the 3 countries
- Establish a substantive framework for the integrated patent system of the 3 countries

Discussions for the Asian IP Court – Korea's Suggestions

Korean Hearing

Purpose of the system

- System for avoiding hindsight bias
 - Aimed at securing objectivity in judging an inventive step

Brief description

- Holding a separate hearing for the obviousness issue of patents. The discussion should be focused on the prior arts at the time of invention without mentioning the invention.
- Judging objectively whether the invention at issue was obvious to an ordinary person in the art at the time of invention.

Implications

- Need to secure objective standards for judgment (e.g., Trial Manuals)

Discussions for the Asian IP Court – Korea's Suggestions

Korean Discovery

Purpose of the system

- Remove unreasonableness in fact-finding trials due to structural inequality in the possession of evidence and reinforce fact-finding courts' capabilities for examination

Brief description

- Expand scope of written submissions by imposing a general obligation to submit certain documents
- Expand the parties' rights to collection of evidence by newly establishing a procedure for pre-petition discovery
- Adopt an evidence maintenance order system to secure effectiveness of procedures

Discussions for the Asian IP Court – Korea's Suggestions

Korean Discovery

Implications

- Establishment of independent evidence collection procedures suitable for Korea's own circumstances with reference to advanced countries' legislation
- Successful implementation of other countries' legal systems with different background

Discussions for the Asian IP Court – Korea's Suggestions

Organization of International Tribunal

Background surrounding discussions in Korea

- Fierce competition by and among the countries to take the leading role in the field of IP
 - 42% of the cases tried by the Patent Court in 2016 had foreign entities or persons involved as parties to the actions
 - 260 out of a total 611 cases
 - Need for an international tribunal (where pleadings may take place in foreign languages) is continuously increasing

Korea's efforts to improve international competitiveness of trials

- The amendment to the Court Organization Act, which incorporates newly establishing the International Tribunal, has been submitted to the National Assembly (pending)
- Publication of 2016 Trial Manual to enhance foreigners' confidence in courts
- Conducting trial in English as a pilot program

Discussions for the Asian IP Court – Korea's Suggestions

Organization of International Tribunal

Importance of language in implementing the system

- Need to adopt trials in English for the competitiveness of the Asian Patent Office and the Asian IP Court
 - Considering difficulty to reach an agreement to use the native language of any one of the 3 countries and reinforcing access by foreign patentees

Proposal for TFT of Integrated Patent System

Regular Bench & Bar Conference

As a forum for continuous communications, compromise and creative suggestions

- The most effective solution for cooperation
- Possible to harmonize individual countries' interests and facilitate mutual cooperation

Joint meetings of IP judges and lawyers of 3 countries

- Realistic discussions led by IP judges and lawyers having different interests, instead of the government bodies
- Facilitating research in and suggestions for patent system
- Holding discussions and agreeing on the order of adoption of the harmonized system

Proposal for TFT of Integrated Patent System (cont'd)

Harmonization of Trial Manuals

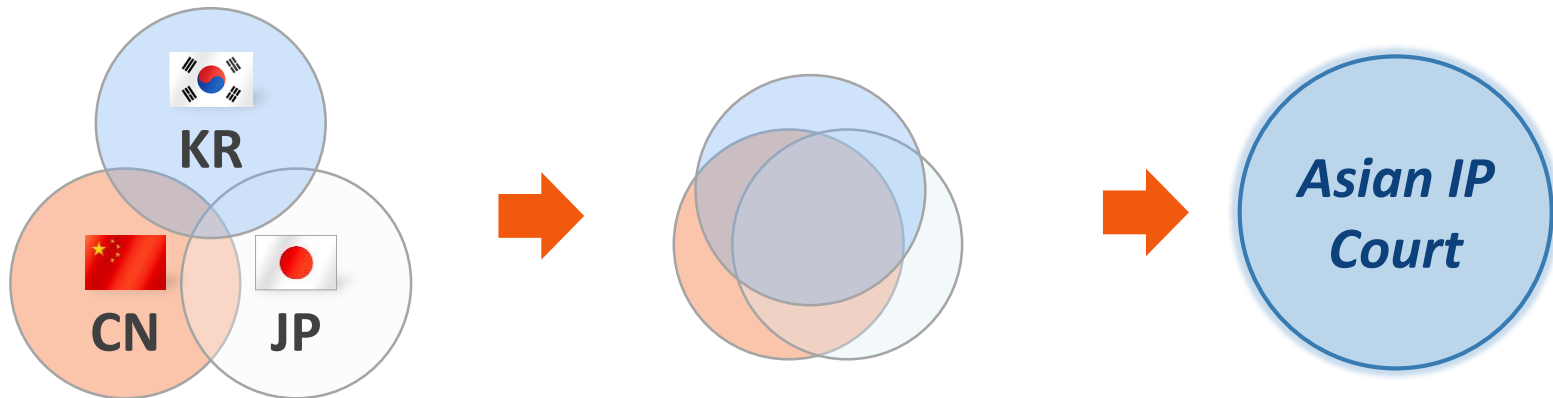
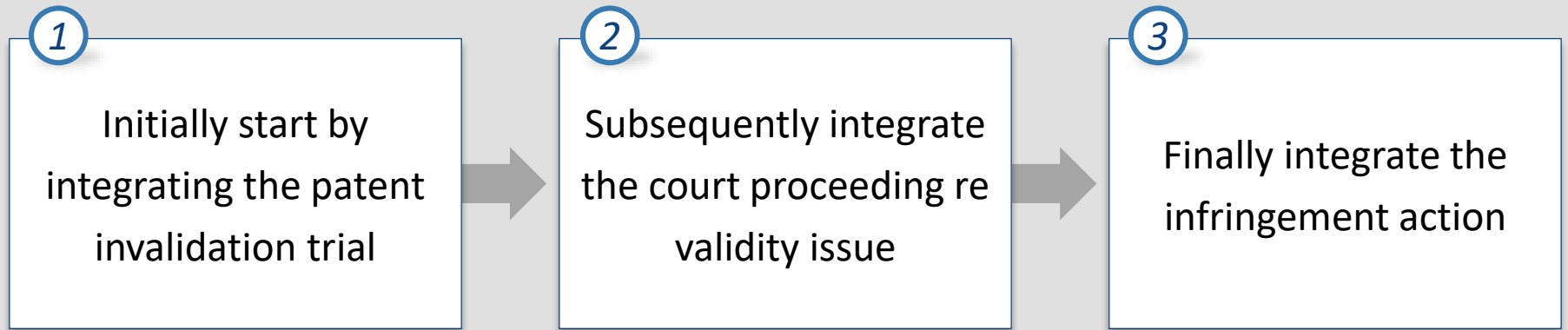
Usefulness of Trial Manual

- May integrate trial practices as an assumption for mutual acceptance of the results
- The most basic agreement that should be reached as a top priority

Agreement on the parties' understanding during integration of trial manuals

- Understanding on substantive aspects
 - Interpretation of claims
 - Doctrine of equivalents, etc.
- Understanding on procedural aspects in relation to actions and trials
 - Protection of confidential information
 - Avoidance of hindsight bias
 - Discovery, etc.

Methodology: Step-by-Step Integration



Thank you

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