

Closing the investigation on the suspected violation by One-Blue, LLC of the Antimonopoly Act

November 18, 2016

The Japan Fair Trade Commission

The Japan Fair Trade Commission (hereinafter referred to as “JFTC”) has investigated One-Blue, LLC (hereinafter referred to as “One-Blue”) in accordance with the provisions of the Antimonopoly Act (hereinafter referred to as “AMA”). The commission has found that the relevant conduct committed by One-Blue falls under Paragraph 14 (Interference with a Competitor's Transactions) of the “Designation of Unfair Trade Practices,” consequently being in violation of Article 19 of the AMA. However, because the relevant violation has already ceased to exist, there being no necessity to issue a cease-and-desist order. Therefore the JFTC has decided to close the investigation on the case.

1. Overview of One-Blue

Corporate Name	One-Blue, LLC
Address	1350 Broadway, New York, NY 10018, U.S.A.
Representative	Roelof Pieter Kramer

(1) One-Blue is a patent pool that manages many patents, which are essential for the use of Blu-ray Disc (hereinafter referred to as “BD”) standard (hereinafter referred to as the “BD Standard Essential Patents”), and is granted rights to conclude the BD Standard Essential Patents under the contracts with certain holders of the BD Standard Essential Patents (hereinafter referred to as “One-Blue Licensors”).

(2) One-Blue Licensors have declared that they will license the BD Standard Essential Patents on FRAND (fair, reasonable and non-discriminatory) terms. Found among such One-Blue Licensors are some who are engaged in the manufacture and sales of recordable BDs^(Note) whose sales of recordable BDs account for a majority market share of recordable BDs sold in Japan.

(Note): Recordable BDs mean BDs on which the users can record data.

(3) One-Blue offers licenses of the BD Standard Essential Patents based on product categories such as recordable BDs, BD players, and BD recorders.

A person or entity that wishes to be granted by One-Blue the license of the BD Standard

Essential Patents may enter into an agreement with One-Blue for being registered in the license program established by One-Blue for each of such product categories. This agreement allows the person or entity to be granted on one stop the license of the BD Standard Essential Patents for the manufacture and sales of such products. The person or entity may also negotiate with each of the One-Blue Licensors for being granted the license of the BD Standard Essential Patents.

2. Conduct in Violation etc.

- (1) Since around 2012, One-Blue had been engaged in negotiations regarding license of the BD Standard Essential Patents for recordable BDs with Imation Corporation Japan (hereinafter referred to as “Imation”) that has been located in Japan and engaged in the manufacture and sales of recordable BDs and its parent company located in the United States, Imation Corporation (hereinafter referred to as “Imation U.S.”). However, One-Blue had been unable to reach an agreement with Imation and Imation U.S. on the license fee.

During the negotiations, Imation and Imation U.S. represented to One-Blue that they were willing to pay One-Blue a fair and reasonable license fee, and proposed a license fee which they considered fair and reasonable, requesting One-Blue at the same time to explain the grounds for the license fee as presented by One-Blue. However, One-Blue gave no explanation about the ground for its presented license fee for the reason that One-Blue was unable to negotiate the license fee in order to provide non-discriminatory terms.

- (2) In order to advance negotiations regarding the license referred to in (1) above, around June 2013, One-Blue sent notice (hereinafter referred to as “Notice”) to three of major customers of Imation in Japan who were engaged in the sales of recordable BDs that were manufactured and sold by Imation. This Notice informed them that One-Blue Licensors had the right to seek injunction against their conduct of infringement on the relevant patent right.
- (3) Upon receipt of such notice, one of the three customer retailers suspended the sale of the recordable BDs manufactured and sold by Imation, for the period of about one year and nine months from mid-June 2013 through March 2015.
- (4) In August 2013, Imation filed a lawsuit to the Tokyo District Court seeking injunction against a conduct similar to the Notice. In light of the legal opinion shown in the decision taken on May 16, 2014 by the Intellectual Property High Court’s grand panel on an intellectual property case, the Tokyo District Court ruled on February 18, 2015 that One-Blue Licensors were not allowed to exercise the right to seek injunction under (2) above because it

constituted an “abuse of rights.” Therefore, notifying the retailers that the One-Blue Licensors were entitled to exercise such right should be deemed to be making false allegation, which falls under unfair competition set forth in the Unfair Competition Prevention Act. At a later date, the judgment became final and binding.

(5) Subsequent to the final and binding judgment under (4) above, the customer retailer referred to in (3) above who had suspended the sale of recordable BDs manufactured and sold by Imation resumed the sales of the same around April 2015.

(6) Around December 2015, Imation withdrew from the manufacture and sales of recordable BDs for the reason that they had difficulty in expecting future growth of the recordable BDs market.

3. The action taken by the Japan Fair Trade Commission

(1) Judging from the fact described in 2(1) above the JFTC found Imation was willing to take a license of the BD Standard Essential Patent for recordable BDs on the FRAND terms; moreover, judging also from the facts stated in 1 and 2 (1) through (3) above, the JFTC found One-Blue unjustly interfered with the recordable BD transaction between another entity who was in a domestic competitive relationship which falls under Paragraph 14 of the Designation of Unfair Trade Practices (Interference with a Competitor's Transactions) and consequently is in violation of Article 19 of the Antimonopoly Act.

(2) As stated in 2 (5) above, the retailer who had suspended the sales of recordable BDs that were manufactured and distributed by Imation resumed sales of such BDs around April 2015. Therefore, the JFTC found One-Blue has not been engaged in the conduct of violation at issue since the said month at latest.

(3) As stated in (1) above, the conduct committed by One-Blue falls under Paragraph 14 of the “ Designation of Unfair trade practices” (Interference with a Competitor’s Transactions) and consequently is in violation of Article 19 of the Antimonopoly Act; however, when comprehensively considering the situations given below One-Blue is unlikely to repeat such an conduct in violation, and given the remaining result of the violation committed by One-Blue and the recovery of competitive order which should be deemed not to be insufficient, the JFTC found there to be no necessity to issue a cease and desist order. Consequently, the JFTC has decided to close the investigation on the present case.

a) The facts stated in 2(4) through (6) above and the fact that One-Blue has not been engaged

in the similar conduct after the Notice;

- b) Judging from the fact that One-Blue has confirmed that it has complied with the judgment referred to in 2(4) above, the Antimonopoly Act, and the Guidelines for the Use of Intellectual Property (guidance about bringing an action for injunction against a party who is willing to take a license on the FRAND terms), that it will never be engaged in a conduct similar to the Notice, and further that the business decision such as the Notice had been taken and enforced by several staff members, the JFTC is assured that One-Blue has appropriately in place a legal compliance system; and
- c) Over the recent years, the size of recordable BDs market has remained flat and some entities have withdrawn from the manufacture and sales of recordable BDs, there being a low possibility for new entities to actively enter the market in the future. In such market situations, almost all of the manufacturers and sellers of the recordable BDs currently on sale in Japan already have entered into the license agreement of the BD Standard Essential Patents for recordable BDs with One-Blue.

(4) The JFTC will continue to closely watch in the future years competition situation in the field of technology and products relating to intellectual property from the viewpoint of promoting fair and free competition in the use of intellectual property. Moreover, the JFTC will strictly address any problematical issue occurring in relation to the AMA in connection with the use of intellectual property by entities or trade associations.

*Every announcement is tentative translation. Please refer to the original text written in Japanese.