

LICENSING NEGOTIATION

Note:

SEMINAR ATTENDEES ARE SUPPOSED TO READ THE FOLLOWING TO FOLLOW
AND UNDERSTAND THE MOCK LICENSE NEGOTIATIONS.

[Background]

Kagura Electronics Co., Ltd., a Japanese company, manufactures special chips for wireless communication. KAGURA's chips are incorporated into wireless electronic devices such as smart phones and tablets in U.S.A. The chips are compliant with a Wi-Fi standards established by the Institute of Electrical and Electronics Engineers (IEEE), and provide devices with a function of internet access anywhere and anytime in wireless environment.

Patent Activation Enterprise, Inc. (PAE), a U.S. patent management company, has acquired a U.S. patent relating to a Wi-Fi standard from a telecommunications company in U.S.A. The prior-owner of the patent has declared to the IEEE that the patent was essential to a Wi-Fi standard and that a license was available on fair, reasonable and non-discriminatory (FRAND) terms.

Before shipping chips to U.S.A., KAGURA made patent searches among US patents.

There were a few Wi-Fi essential patents for which patent clearance was necessary.

KAGURA has therefore obtained licenses from each owner of such essential patents

except for PAE's patent which relates to a different standard type. After review of the

patent, KAGURA decided that no license would be necessary for the PAE's patent

because its chips would not infringe PAE's patent. KAGURA was also confident that

PAE's patent could be invalidated because of a prior art which discloses similar system

configurations claimed in the PAE's patent.

PAE decided to enforce its patent and sent a warning letter to KAGURA. In its letter,

PAE proposed a meeting to discuss an amicable settlement of patent infringement.

KAGURA responded to accept the proposed meeting with PAE but emphasized in its

response that the PAE's patent is vulnerable because of a prior art. KAGURA

intentionally did not disclose the prior art in its response. PAE decided to meet KAGURA

in Tokyo.

On August 31, 2016, the first meeting was held in a meeting room of KAGURA in Tokyo.