

# JAPAN INTELLECTUAL PROPERTY ASSOCIATION

ASAHI SEIMEI OTEMACHI BLDG.18F  
6-1 Otemachi 2-chome  
Chiyoda-ku Tokyo, 100-0004, JAPAN



TEL: 81 3 5205 3321  
FAX: 81 3 5205 3391  
URL: <http://www.jipa.or.jp/>

February 3, 2015

European Commission  
DG Enterprise and Industry  
Unit A4 - Industrial Competitiveness Policy for Growth  
Avenue d'Auderghem 45, 1040 Brussels, Belgium

Re: JIPA Comments on "Questionnaire about Patents and Standards"

(JIPA Docket 2014-75)

Dear Sir or Madam,

We, the Japan Intellectual Property Association, are a private user organization established in Japan in 1938 for the purpose of promoting intellectual protection, with about 930 major Japanese companies as members. When appropriate opportunities arise, we offer our opinions on the intellectual property systems of other countries and make recommendations for more effective implementation of the systems.

(<http://www.jipa.or.jp/english/index.html>)

Having learned that the "Questionnaire about Patents and Standards", published by European Commission on October 14, 2014, we would like to offer our opinions as follows. Your consideration on our opinions would be greatly appreciated.

JIPA again thanks European Commission for this opportunity to provide these comments and welcomes any questions on them.

Sincerely, yours,

Kazushi TAKEMOTO

President

Japan Intellectual Property Association

Asahi Seimei Otemachi Bldg.18F

6-1 Otemachi 2-chome Chiyoda-ku Tokyo, 100-0004,

JAPAN

## JIPA Comments on “Questionnaire about Patents and Standards

JIPA has carefully examined Questionnaire about Patents and Standards and hereby presents our comments on this issue.

**Q 1.1.1 Fields of standardisation involving patents:** To your knowledge, in which technological areas and/or fields of on-going standardisation work are patents likely to play an increasingly important role in the near future? What are the drivers behind this increase in importance?

**A:** In Japan, the main fields of standardization work in which patents play an important role have so far been fields such as mobile communications, memory, security, and data compression technology, image, and audio data. Furthermore, there is also movement toward advancing standardization in the fields of energy management (smart grids), advanced medicine, next-generation vehicles, content media (cloud, digital signage, next-generation browsers, etc.), robots, and so on, and these fields will be also important in the near future.

**Q 2.1.1 Best rules and practices:** A variety of rules and practices govern standardisation involving patents. Which elements of these rules and practices are working well and should be kept and/or expanded? Which elements on the other hand can be improved? Would you consider it helpful if standard setting organizations would be more explicit about the objectives of their patent policies?

**A:** Standard setting organizations should oblige the participants to declare its intention to offer FRAND terms and/or to make a self-declaration of SEP(s) to the SSO, and should set rules of such declarations.

**Q 3.1.1 Scope of transparency issue/Priority areas:** Is there sufficient patent transparency in the fields of standardisation that are of interest to you? In which of these standardisation field(s) is patent transparency particularly good and in which field(s) is it insufficient? Please explain.

**A:** We consider that transparency is insufficient in the fields of optical communications, speech coding, image coding, W-CDMA, and Wi-Fi.  
In addition, by considering the fact that variability of declared patents' essentiality, current situation shall be improved.

**Q 3.1.2 Ex-ante transparency:** In your experience, is there sufficient knowledge about the relevant patent situation during the discussions leading to the setting of standards? Have you experienced a situation where a standard was decided based on significantly incorrect assumptions about the relevant patent situation? What were the causes of such incorrect assumptions and what were the consequences? Could all relevant stakeholders participate in the discussions?

**A:** We consider that only sparse discussions relating to patents have been made in the course of deciding specifications. Discussions are focused on standardization, and standard setting proceeds in a situation where information on the presence/absence of relevant patents is not sufficient.

**Q 3.1.4 Non-transparent aspects:** In those areas where you deem patent transparency insufficient, what aspects of the patent situation are insufficiently transparent: (1) existence of patents, (2) validity of patents, (3) essentiality of the patents for the pertinent standard, (4) ownership of the patents, (5) enforceability of the patents, (6) coverage of patent by existing licences/pass through and (7) others? Please explain.

**A:** There are such a large number of standard essential patents (SEPs) that relevant patent searches are difficult even for professionals. Therefore, transparency of the validity and essentiality of patents are insufficient. Furthermore, in the case of a blanket declaration identifying no patents, even the existence of patents is not transparent. Besides, when a patent is transferred, the transparency cannot be maintained unless information on its right holder is updated.

**Q 3.1.5 Consequences/risks:** What are the consequences of insufficient patent transparency? What risks occur, and what are the (financial) impacts if these risks materialize? If appropriate, distinguish between ex-ante/ex-post transparency and between the different aspects of patent transparency above.

**A:** When a standard is adopted while patent transparency is insufficient, there is a litigation risk after business expansion. There is a risk of enforcement of an undeclared patent or a risk of enforcement of an SEP, which has been transferred, by the assignee of the SEP. For example, NPEs who are assignees of SEP(s) often enforce such SEP(s) by just mapping SEP(s) on standardized specifications, not on actual products.

**Q 3.1.6 Cost of coping individually:** How do you deal with situations where you perceive that patent transparency on one or several aspects of interest to you is insufficient? Do you gather information pro-actively or do you wait to be contacted (e.g. by patent holders requesting royalties, by implementers asking for licences)? What costs are involved in dealing with situations of low patent transparency?

**A:** When patent transparency is insufficient, we may be forced to employ a patent research company, which incurs significant costs.

**Q 3.2.1 Trigger of obligation:** Patent declaration obligations could be triggered either by membership of a standard setting organization, or by participating in a specific standardisation project or by having directly suggested a (patented) technology for a draft standard. What are your views on the respective triggers (advantages, disadvantages)?

**A:** We consider that disclosure of SEPs is required at least for participants in a specific standardization project at the stage of discussing specifications of standards. We consider that the duty to disclose SEPs may also be imposed on a member which does not attend the meetings of the standardization project if the member has the possibility of individually demanding consideration of the license.

**Q 3.2.2 Required effort:** What effort should be required from a patent holder in identifying relevant patents in his portfolio? Should these efforts be contingent on the degree to which the patent holder participates in a specific standard setting process (for example whether or not he has actively contributed the technology in question)?

**A:** We consider that the duty to disclose SEPs or declare FRAND should be imposed on entities which are actively engaged in determination of the specifications of the standard.

**Q 3.2.5 Blanket declarations:** Some standard setting organizations require their participants to declare that, in general, they hold essential patents over a standard without requiring that these participants identify each of these patents specifically. Do you believe that such declarations provide for enough transparency? Please justify your answer, where necessary distinguishing situations where you consider that this approach is sufficient from those where you do not.

**A:** In the case of blanket declarations, the transparency is insufficient. There is no problem with a blanket declaration specifying no patents if the patents are provided free; otherwise, we consider that specifying patent numbers is necessary in spite of the problem of the cost.

**Q 3.2.6 Scope/detail:** Where standard setting organizations require that patent holders identify the relevant patents individually, what information about the patent should be transmitted? Only the patent number or other aspects? What are the respective benefits and costs of requiring that the patent holder also (1) specifies to which part of the respective standard the declared patent belongs and/or (2) explains why the patent is relevant for the standard?

**A:** In most cases, only the patent numbers associated with the standard are notified, but the actual relevance to the contents of the standard is not shown. The problem is the significant costs for attorney fees and so on to be incurred for indicating the relevance to the standard.

**Q 3.2.7 Consequence of non-compliance:** What should be the consequences if a patent holder has failed to comply with its declaration obligation (for the standard, for the patent holder, for licensing negotiations)? Should the respective standard setting organizations take action and what should this action be? Are the consequences of non-compliance sufficiently clear in your experience?

**A:** We consider that the standard setting organization should impose some penalty on the patent holder in case of non-compliance with duties of the declaration. Examples of possible penalties include expulsion from the standard setting organization, warning to the non-compliant company, and publication of the non-compliant company's name. Some standard setting organizations (SSOs) seem to have in fact set a penalty of expulsion from the SSO.

**Q 3.3.1 Initial accuracy:** In your experience, what is the reliability of patent declarations at the time when they are made? In which fields of standardisation and on which aspects of the declaration would initial accuracy need to be improved? What causes of initial inaccuracy are particularly detrimental to the usefulness of patent declarations?

**A:** Since the initial declaration is made only to notify that a patent holder considers its patents as essential patents, its reliability is low.

**Q 3.3.2 Updating requirement:** Should declarants be asked to update their patent declarations at key events such as those mentioned above? What would be the respective advantages and disadvantages?

**A:** Declarants should be obliged to update their declarations. This enables provision of a highly reliable declaration for those who carry out the patent(s), and we consider it possible to publish and update them at the patent number level. At least, for example when the final decision of the standard is made or when the patent is registered, they should update their declarations.

**Q 3.3.3 Check of declarations:** Should the quality of patent declarations be submitted to a check by someone other than the declarant? Who should perform this check (peer review by members of the standard setting organization; standard setting organizations themselves; third parties on behalf of the standard setting organizations; patent offices; etc.)? What should be the scope of the check (essentiality for the standard; validity; enforceability; other)? Who should bear the cost of such a check? If you think the declarant should bear (part of) the cost, how can it be prevented that this creates an incentive to disrespect the declaration obligation?

**A:** The lack of an evaluation system for declarations is problematic. Since the quality of the declaration varies depending on the declarant, it is preferable that a check by a third party be carried out. It may be sufficient that the check is mainly carried out on the issue of essentiality. The problem is who should bear the cost of the check.

**Q 3.3.4 Essentiality check (in particular):** Depending on your answer to the above question, how can the essentiality check be performed in practice? What are the average cost of checking essentiality (for third parties) and what could be done to minimize these costs? Do you see a set-up of such a check that is particularly cost and time efficient? How can it be avoided that this check creates incentives for not respecting the declaration obligation?

**A:** Actually, a check on essentiality is often difficult, since it is costly and time consuming.

**Q 3.4.1 Publication:** Should standard setting organizations make the declared patent information publicly available? Do you see any impacts on the protection of personal data? Under what conditions would it be justifiable to restrict access or to charge for access?

**A:** In the case of de-jure standards, declarations should be made publicly available. In the case of forum standards, declarations should be made publicly available at a certain stage, for example, at the stage where specifications have been determined. Doing so enables an implementer to estimate necessary royalty expenses.

**Q 3.4.2 Ease of access:** What are your views about the various methods used by standard setting organizations to make the declared information available? Which methods do you find particularly useful and why?

**A:** It is desirable to make declaration documents as mentioned above publicly available on the web from the viewpoint of ease of access.

**Q 3.5.1 General question:** What can be done to increase standardisation-related patent transparency other than to strengthen the system of patent declarations used by standard setting organizations?

**A:** We consider that disclosure of information on contributions (standard proposal documents) along with information on declared patents will improve the transparency.

**Q 3.5.2 Public patent landscaping:** Public patent landscaping in the context of standardisation would be an exercise where (1) patents that are relevant to the particular technological/product area to which the standard relates are identified and (2) this information is then shared with all interested parties. Do you see benefits of such public patent landscaping and in which areas would this be particularly useful? Who should perform this exercise (e.g. patent offices, commercial service providers, public authorities) and how could this exercise be financed?

**A:** We consider that landscaping is useful and should desirably be performed by public authorities.

**Q 4.1.1 Prevalence:** How common is it, in your area of activity or interest, that standard essential patents are transferred? Are standard essential patents transferred more, or less, often than other patents? Do you see any trend in the transfer rate? Do transfers usually concern individual patents or larger patent portfolios?

**A:** It is not very special for standard essential patents (SEPs) to be transferred in Japan. There are, for example, transfers of patents due to corporate takeovers or corporate insolvency, and sale of patents due to withdrawal from a certain business. Obligation of declarations should also be transferred to the successor along with the SEP.

**Q 4.1.2 Issues and consequences:** In your experience, what are the typical issues that arise in the context of transfers of standard essential patents? Are such transfers leading to more or less fragmentation of SEP ownership? Are these transfers leading to more or less disputes/litigation? What is their impact on royalty rates for the transferred patents and on the total royalty rate for all patents essential for a standard?

**A:** We consider that the question of whether or not the assignee of a patent for which FRAND has been declared takes over the obligation is a significant problem. When obligation of a FRAND license is not taken over by the assignee, the risk of disputes/litigation arising increases. Besides, necessary royalty expenses tend to increase as a whole if patents originally owned by a single company are fragmented and transferred.

**Q 4.1.3 Non-practising entities:** Have you encountered transfers of standard essential patents to entities that do not produce or market products including the technologies covered by these standard essential patents? What particular consequences have you observed?

**A:** NPEs sometimes exercise the right based on SEPs, only insisting that they are standardized techniques without any comparison with the products. In addition, NPEs may demand a relatively high royalty rate even under FRAND obligation. We consider that such behavior increases the risk of disputes/litigation arising.

**Q 4.2.1 Impact on effectiveness:** Is there a risk that SEP transfers circumvent existing patent policy rules of standard setting organizations or render them less effective? Please explain and if possible cite specific examples.

**A:** As long as the obligation of declarations is not taken over by the assignee, there is a risk that the transfer may be exploited for the purpose of circumventing the IPR policy. We have not seen such circumvention by Japanese business companies but we believe that the behavior of NPEs should be watched carefully.

**Q 4.2.2 Specific rules:** In your area of interest, are there specific rules governing SEP transfers and what is your experience with them? Where there are no specific rules, would you see a need for such rules? What should be their objectives (achieving transparency about ownership, providing legal/business certainty, reducing litigation risks, facilitating smooth licensing process, fostering research and innovation activity, etc.)?

**A:** In Japan, there are no clear specific rules governing SEP transfers. In order to avoid an unexpected risk that the assignee of an SEP enforces the right, we consider that rules such as case laws, the authority's guidelines, and so on should be established.

**Q 4.2.3 Transfer of FRAND commitment:** How can it be ensured that the new owner of the transferred SEP is bound by the FRAND licencing commitment given by the initial owner? What can standard setting organizations do in this regard? What do the sellers of the SEPs need to do? Should the licencing terms (including royalty rates) practiced by the initial owner influence the interpretation of the concept of "FRAND" for the new owner?

**A:** The obligation of declarations should also be transferred to the assignee along with transfer of an SEP. We suggest that such obligation upon transfer of an SEP should be explicitly defined by rules presented when an entity participates in the SSO, or that a rule should require that the declarant state that the declarant accepts such obligation in the description of a declaration.

**Q 4.2.4 License of right:** Have you been involved in the use of a License-of-Right system? What benefits and risks are, in your opinion and experience, linked with this? Are there important differences across national jurisdictions that reduce the reliability of License-of-Right provisions?

**A:** Few Japanese companies have used the License-of-Right system and the system is not very familiar to Japanese companies.

**Q 5.1.1 Target areas:** What are the situations/external factors which render a patent pool useful? Are you aware of specific standards for which a patent pool would be useful but where there has been a failure to create one?

**A:** We consider that creating a patent pool with a high coverage of essential patents is useful in a situation where both the number of patentees and implementers are large. On the other hand, if the coverage of essential patents per patent pool is low and plural patent pools are created, the usefulness of this is reduced, and therefore we consider that a system for creating patent pools is required.

**Q 5.1.2 Benefits of patent pools:** What are the benefits of patent pools in the above situations (Q 5.1.1) respectively for patent holders and/or patent users? What aspects in patent pool governance are particularly relevant in practice to ensure the realization of these benefits?

**A:** Licensors do not need to negotiate with numerous licensees individually, whereas the licensees do not need to negotiate with numerous right holders individually. The problem of royalty stacking can be avoided. An objective evaluation system of essentiality (such as evaluation by outside counsel) is built into the patent pool; thereby, the problem of cost is resolved in this regard to a certain extent.

**Q 5.1.5 Costs of pool creation:** What are the costs involved (do you have estimates)? What do these costs depend on? How are they usually (pre-)financed?

**A:** Personnel expenses, meeting expenses, attorney fees, expenses for recognizing essential patents and so on are involved in the costs for a patent pool. It is often the case that expenses for recognizing essential patents are borne by the patentee, and other expenses are borne by all the participants in the pool.

**Q 5.2.2 Incentives for pool participation:** How can this balance be influenced positively? What incentives can be provided by public authorities and/or standard setting organizations to increase patent pool participation?

**A:** If the SSO provided a "standard patent pool model," it would be helpful for creating a patent pool.

**Q 5.3.1 Right moment for pool creation:** What is the right moment in the standard setting process to start the process of creating a patent pool? What part of work on setting up a patent pool start could/should be done in parallel to the standard setting discussions?

**A:** For standards which are certain to be adopted in the market, we consider it desirable to start on the creation of a patent pool as soon as the formulation of standards is completed. This is because once the market expands in the absence of licensing, settlements in it will be difficult. On the other hand, for standards which are not yet certain to be adopted in the market, it might be best to wait and see regarding the creation of a patent pool, since all of the standardized technologies will not necessarily be adopted in the market, and the pool might be created in vain.

**Q 5.3.2 Role of SSOs:** What contribution can standard setting organizations make with regard to patent pools? Should they provide guidance patent pools? Should they provide and/or select patent pool administration services?

**A:** Examples of involvement by which an SSO can contribute to a patent pool include coordination of commitment of the standardization participants to participation in the patent pool, collection and dissemination of the information as to who has what essential patents, and appointment of a pool management company for the purpose of avoiding occurrence of multiple patent pools.

**Q 5.3.3 Role of public authorities:** What contribution can public authorities make to facilitate patent pool creation? What role could publicly owned patents play? Are there specific features of non-EU legal systems that could be useful also in the EU? Under what conditions and to what purpose would public financial support be beneficial?

**A:** We consider that there should be guidelines for the creation of a patent pool.

**Q 6.1.1 Notions "fair" and "reasonable":** How, in your view, should the terms "fair" and "reasonable" be understood? Which of the above methodologies do you consider particularly appropriate, which other methodologies do you find important and what could be an appropriate mix of references?

**A:** Since a licensor and a licensee may take different positions in their concept of "fair" and "rational", a means to overcome such differences is required. Preliminary notice of patent royalties is considered to be an effective means for enhancing predictability for the licensee. From the viewpoint of avoiding royalty stacking, an offer of a royalty rate which would be considered as commercially reasonable with conditions substantially equal for all the participants is desirable.

**Q 6.1.3 Time required for negotiations:** In your experience, how long does it take, on average, to negotiate FRAND terms? What does the length of negotiations depend on? Is it more or less difficult/fast to reach an agreement on FRAND terms and conditions for standard essential patents licenses compared to other similar patent licensing deals?

**A:** We think that the time required for negotiating license conditions depends on the case, regardless of whether or not it follows FRAND terms and conditions.

**Q 6.1.4 Initial offer or outcome:** Do the terms "fair" and "reasonable" relate to the initial offer of the patent holder or to the actual outcome of negotiations? Are you aware of FRAND adjudication cases where there was a large difference of terms and conditions between the last offers of the licensor on the one hand and the last offer of the licensee on the other?

**A:** We consider that the offer should be fair and reasonable from the initial offer.

**Q 6.1.5 Other methods of ensuring reasonableness of licensing terms and conditions:** Can patent pool prices for a given standard be a proxy for FRAND terms and conditions? What are the limits of the use of patent pools as a proxy? How can bias coming from such a method be avoided?

**A:** A recognized patent pool, for example for which a large number of implementers have come to be given a license, can be a proxy, but it is questionable whether royalty for a just-made patent pool can be a proxy.

**Q 6.2.1 Existing guidance:** To your knowledge, what guidance on FRAND definition already exists (regulators, standard setting organizations, courts)? Which of this guidance do you consider as particularly useful? Would you welcome additional guidance? If so, on what specific aspects of FRAND?

**A:** We know some of cases which take up the royalty stacking issue as a method for determining the royalty rate at trial, but there should also be guidance for royalty calculations so as to ensure transparency.

**Q 6.2.2 Unilateral ex-ante disclosure:** Would you welcome a larger role for unilateral ex-ante disclosure of licensing terms in order to facilitate the licensing of SEPs? What form could it take? How should SSO mechanisms be shaped to facilitate this instrument? Should they be mandatory or voluntary? Should the disclosure only concern the most restrictive terms?

**A:** We would welcome ex-ante disclosure of the licensing policy, in that it increases cost predictability for implementers of standardized technology. Since there is a possibility of cumulative royalty increases without communication between companies, we consider it as necessary for SSOs to take an initiative, for example, by presenting rules in advance which could serve as a base (such as the upper limit of the cumulative royalty rate).

**Q 6.2.3 Ex-ante setting of parameters:** Alternatively, would it be efficient to set FRAND parameters - within the limits of competition law - at the beginning of discussions of a technical committee within or outside an SSO in order to facilitate the future FRAND licensing? Such parameters could be: the royalty base (at end product or component level, if component what component (s)), royalty type (lump sum, per unit price, percent value of a product/component). What other parameters could be discussed upfront to make licensing more practical, without violation of competition rules?

**A:** We consider that ex-ante setting of criteria for the FRAND conditions is useful. Additional parameters to be considered would be the upper limit of the cumulative royalty rate. In considering such practical/effective FRAND parameters, a large difference in the royalty rate demanded by companies holding SEPs not participating in the SSO is problematic. We believe it would be helpful to make a rule to avoid the mixture of the variety of the level of royalty bases (i.e., final products and parts) in one standard.

**Q 6.3.1 Advantages of portfolio licensing:** What are the advantages of portfolio licences respectively for the patent holder and for the implementer? How important is the so-called "freedom to operate" or "patent peace" between companies? Please cover in your answer also issues of scope (e.g. geographic scope, product scope, inclusion of future patents).

**A:** Portfolio licensing is advantageous, especially in an industry where there are a number of patents relating to a single product, in that it enables the issue to be settled collectively with the other companies.

**Q 6.3.2 Determination of portfolio license value:** How can the value of licences over large portfolios be determined if there is disagreement over the validity, essentiality/infringement or enforceability of (some) patents included in the portfolio? Is sampling (i.e. the review of a representative set of patents) a good approach for the evaluation of a patent portfolio? If so, how should sampling be done?

**A:** We consider that portfolio valuation on several representative patents is a realistic approach in the negotiations between companies. Reports on a standard matching ratio by a neutral third party research firm also can be a reference for evaluating the value.

**Q 6.3.3 Cross-licenses:** What are the advantages of cross-licensing? What problems arise? How do the concepts "fair" and "reasonable" apply to cross-licensing?

**A:** Cross licensing is effective if the number of involved patents and the business scale are balanced.

**Q 6.4.1 Pertinence and impacts:** In your experience how common is royalty stacking and in which areas of past, ongoing, or planned standardization does it exist or will it likely occur? What problems arise in such situations? How do individual companies deal with such situations and what are the (financial) costs?

**A:** Areas where the royalty stacking problem is likely to occur include the mobile radio related field and optical disc field, where stacking of optical disc standards (DVD, BD) and compression technology standards (MPEG2 / 4) has occurred. Some companies ignore the royalty stacking problem, some companies claim a high patent occupancy, and some companies set a high upper limit for cumulative royalties, and it may be difficult to search for common ground. In Japan, several standards such as communication standards and clearing function standards are mounted on mobile phones and the royalty stacking problem may be also caused by the multi-functionality of the product.

**Q 6.4.2 Co-ordination mechanisms:** What forms of voluntary co-ordination mechanisms are, or could be, efficient for situations of royalty stacking? Should they be limited to a single standard, or cover families of standards, or cover all standards related to a type of product? How can the abuse of such mechanisms, for example by a group of dominant license-takers, be avoided?

**A:** There are many cases where more than one standard are mounted on a single product (part), and therefore royalty-based rules or criteria on royalty calculation which limit the charging base to the relevant scope (part) should be made.

**Q 6.4.3 Method for allocating value:** In order to improve methods to deal with royalty stacking and for adjudicators to find proportionate FRAND value, what are best ways to allocate value between patent holders of a given standard? How can the proliferation of patent applications in case of simple patent counting be avoided?

**A:** When allocating the value according to the number of patents, we consider it necessary, for example, to perform adjustment by patent family (assuming it as one patent) and to limit the number of divisional patents.

**Q 6.5.1 Current business practices:** On what level of the value chain (e.g. component, bundle of components, final product) does SEP licensing currently take place in the fields of standardization in which you are active/interested? Is this business practice applied by all patent holders/implementers or are there different business practices?

**A:** The SEP owners often adopt the licensing policy that offer the license to the level of final products.

**Q 6.5.2 Royalty base:** How should the royalty base be selected to allow licensing for different types of products (products that rely entirely on a given standard or set of standards, or rely mostly on a set of standards or on multiple technologies)? For a given implementation of a standards in a product, to what extent would it be desirable or feasible that the royalty type be streamlined, e.g. in a percentage of the product value, royalty per unit sold, or lump sum?

**A:** Licensing fees calculated by multiplying the product price by the royalty rate have become unreasonable for multifunctional products. We consider that royalty-based rules which limit the charging base to the relevant scope (part) and so on should preferably be made.

**Q 6.5.3 Need for clarity:** Is this issue, in your opinion, currently addressed in the patent policies of the standard setting organizations in your area of activity/interest? Is there a need for more explicit rules or should this be left open?

**A:** It is not defined explicitly and clearly by the patent policy.

**Q 6.5.4 Impacts of changes:** What are the advantages of giving or denying the patent holder the right to licence only on one level in the value chain and thus of allowing or prohibiting that he refuses licences to implementers on other levels? Please distinguish between impacts on patent holders, on component makers, on end product makers and on the standardization system itself.

**A:** Patentees can determine which product on the value chain is to be licensed, but it would be unfair and problematic to refuse a license to an implementer who seeks for a license, for example, on the grounds that the implementer is not the final product manufacturer.

**Q 6.6.1 Definition in practice:** In your opinion, what is the best definition of the non-discrimination principle? What aspects of non-discrimination do you find important? Is there sufficient clarity on what non-discrimination means and how it is to be applied in practice? Does the non-discrimination principle relate to the initial offer of the patent holder or the actual outcome of negotiations? Does it relate to an offer isolated to a single standard or to multiple standards? Do you consider that the non-discrimination principle creates obligations on the (potential) licensee?

**A:** It is necessary that a particular licensee may become advantageous or disadvantageous in the market competition. All the conditions, from the conditions presented at the initial offer to those in the final result, should be non-discriminatory.

**Q 7.1.1 Pertinence of the issue:** In your experience how often do disputes over SEPs arise, notably in comparison to patents that are not standard essential but comparable? Are there typical circumstances that make disputes particularly likely to arise? What role do business models or product life-time cycles have in this regard?

**A:** SEP-related disputes are not rare in the disputes with NPEs. If proceedings for each product model are required or if the product life cycle is short, risks can be reduced since the impact caused by the injunction is limited.

Issues arising from the royalty calculation method under the FRAND terms and enforcement of SEPs are likely to be disputed. Besides, some measures are desired for dealing with the exercise of the right based on the SEP by companies not participating in the standard.

**Q 7.1.2 Main areas of disputes:** What are the main areas of disputes over SEPs (infringement/ essentiality, validity, value, etc.)? How are these areas related in the practice of negotiations and litigation?

**A:** Depending on the situation, any point can become an issue of dispute.

**Q 7.1.3 Cost of disputes:** What are the typical costs of settling SEP disputes? What factors drive these costs in practice and to what extent? How do firms try to minimize costs?

**A:** Judgment on the essentiality, identification of the part to be incorporated into the standard, claim of royalty stacking problem and so on may incur costs in an SEP dispute.

**Q 7.1.4 Impact of disputes on standardization:** Do you perceive an impact of disputes on the standardization work itself? Do standardization participants foresee future disputes and adapt their behaviour during the standardization process accordingly?

**A:** In general, the majority of participants seem to wish that the standardization process should proceed stably and that other participants comply with the SSO rules.

**Q 7.2.1 Usefulness of alternative dispute resolution:** In your experience, does ADR currently play an important role in resolving SEP disputes? Is it regularly considered/discussed when SEP disputes arise? Do you see any trend in its prevalence?

**A:** So far, ADR does not seem to have played an important role in Japan. Since the doctrine of res judicata cannot be applied in ADR, strong incentive to compete in the ADR could not be found.

**Q 7.2.2 Target areas:** Which situations/external factors render an alternative dispute resolution mechanism particularly useful? In what areas of patent based standardisation would ADR be particularly useful?

**A:** If the dispute focuses on the royalty rate (the case where licensing has been agreed but the parties cannot agree on the royalty rate), it might be useful to have the royalty rate determined by a third party.

**Q 7.2.5 Difficulties and costs:** What are the main difficulties and costs for parties in agreeing to and setting up a given dispute resolution mechanism? What do the costs depend on? Do rules on ADR differ between jurisdictions and does this create problems?

**A:** There is a concern that the decisions made by ADR tend to be less predictable than the judgments made by the court.

**Q 8.1 Defences for patent holder:** What needs to be done to ensure that holders of standard essential patents have effective means of obtaining appropriate remuneration for their patents and to defend themselves against implementers who are unwilling to pay royalties or who delay payment of such royalties? What can standard setting organizations do in this regard?

**A:** Rules should be made more explicit and clear. For example, authorities should admit injunction by the patentee against unfaithful implementers. However, as long as the licensee follows the FRAND conditions, the patentee should not exercise the right by way of injunction.

**Q 8.2 Protection against abuses:** How can it be ensured ( at the same time) that injunctions based on standard essential patents are not abused to either exclude companies from implementing a standard or to extract unfair, unreasonable or discriminatory royalties from them?

**A:** We consider that authorities should make the rule system more explicit and clear, and establish the guidelines so as not to prolong negotiations between the licensor and the licensee.

**Q 8.3 Prevalence of injunctions:** According to your experience, in which fields of standardization and in which situations are/were injunctions based on standard essential patents threatened and/or actually sought? What are/were the consequences? Please be as specific as possible.

**A:** In the communication field, there are multiple cases where an NPE claims expensive license fees, exploiting injunction on the basis of an assigned SEP.

In some cases, lawsuits are developed globally.

**Q 8.4 Consequences of banning injunctions:** Are you aware of national jurisdictions that have banned injunctions based on standard essential patents or that have restricted injunctions even against unwilling implementers (court cases or legislative changes)? Did this impact on the licensing negotiations, on the royalty rates and/or on the risk of getting no remuneration at all? How did patent holders reacted in these jurisdictions?

**A:** We do not know any jurisdiction where injunctions based on standard essential patents are uniformly prohibited.

**Q 8.5 Awareness among stakeholders:** In your experience, is there sufficient awareness among standardization participants of the recent EC antitrust decisions cited above? What role can standard setting organizations play in ensuring awareness of these antitrust decisions? On what aspects of the issue as such would you welcome additional guidance, if any?

**A:** There are differences in the degree of awareness of EC antitrust decisions among standardization participants, depending on the field. If standardization organizations collect and organize examples of cases on standard essential patents in each country, and make the participants aware of the latest information or post it on their websites, it would be very meaningful. Besides, something like guidance on royalties should be given.

(EOD)