



8-5-15

Consultation and Guidance Office, Trade Practices Division, Economic Affairs Bureau, Secretariat, Japan Fair Trade Commission  
Section B, No. 6 Central Joint Governmental Building,  
1-1-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8987 Japan

Re: IPO Comments on the Partial Amendment of the IP Guidelines (Draft)

Dear Sir or Madame:

The Intellectual Property Owners Association (“IPO”) would like to thank you for the opportunity to comment on the proposed revisions to the Japanese Guidelines, specifically with respect to:

Proposed revisions to Part 3. Viewpoints from Private Monopolization and Unreasonable Restraint of Trade, section (1)(ii) Inhibiting the use of technology, subsection (e); and

Proposed revisions to Part 4. Viewpoints from Unfair Trade Practices, section (2) Inhibiting the use of technology, subsection (iv).

IPO is a trade association representing companies and individuals in all industries and fields of technology who own, or are interested in, intellectual property rights. IPO’s membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as inventor, author, law firm, or attorney members.

The following comments are offered for your consideration, based on input from IPO members that hold patents and other intellectual property rights, implement hosts of industry standards, and actively engage in developing and contributing to standards. The relationships between innovation and intellectual property rights, standards, and competition are important, and forming an appropriate balance that respects the interests of the various stakeholders and that promotes success of vital standards is increasingly essential.

#### 1. IPR Required Disclosures and Pending Patents.

One of the issues of concern in the revised Part 3-(1)(i)(e) relates to the disclosure requirement with respect to pending patents. Subsection (e) states in pertinent part:

[The standard setting organization ‘SSO’ will have an IPR policy that]...makes the participants in standard setting clearly show whether they hold any Essential Patent (including those pending) and their intention for licensing for ...[FRAND].

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Our concern is both in terms of the assumptions as to present practices of SSOs and also for future requirements by SSOs. It should be clear that SSOs vary as to their disclosure requirements of IP, particularly as to IP other than issued patents. If pending patents are to be disclosed, this requirement is typically limited to only published patent applications. We believe such limitation is essential for innovation and competition. Premature disclosure requirements for secret technology may lead innovators to not participate in the standard setting process or to not seek patent protection. If an innovator participates in the SSO and discloses non-published patent applications, competitors may have an early advantage in anticipating the innovator's technology strategy. Thus, we recommend changing the phrase in the Guidelines that currently reads "(including those pending)" to state instead "(including such patent applications as the standards body may prescribe)."

It might be noted that as an alternative to express detailed disclosures, some organizations require a commitment to license at FRAND (or RAND) any patents held by the participant that become essential to a standard, without necessarily disclosing in advance specific patents or pending applications. We believe that such FRAND commitment should suffice to achieve the stated goal of preventing Essential Patents from "impeding research & development, production or sale of products adopting standards and to broadly diffuse the standards."

## 2. Discussion of Essential Patent.

In the sentence on indispensability to the market, that appears in the middle of subsection (e), which begins "Essential Patent is essential for realization of the functions and effects prescribed in the standards," we recommend ending the sentence after "standards" and deleting of the remainder of the sentence, "and its use is indispensable in the market...."

## 3. Applying FRAND Commitment to Unaware Transferees.

With respect to Part 3-(1)(i)(e), there is a serious concern about avoiding FRAND assurances upon transfer of an Essential Patent. However, subsection (e), which imposes anti-competition liability on assignees and those authorized to license an essential patent, seems overbroad. This subsection could have a chilling effect on the practice of transferring patents alone or in the context of the sale of a business, and on the practice of licensing patents in a pool that can reduce administration and cumulative royalties. The possibility or threat of imposing anti-competition assertions against parties unaware of the standard, the FRAND commitment, and/or that the transferred patent is essential to the standard can have a negative effect on the patent, standard, and business environment. The revised Guidelines should consider revising the following text:

"The description above shall be applied no matter whether the act is taken by the party which has the Essential Patent at the of the standard setting or by the party which accepts assignment of Essential Patent or is entrusted to manage the Essential Patent after standard setting."

to read:

“The description above shall be applied whether the act is taken by the party which has committed to license the Essential Patent on FRAND terms or transferees or licensing agents who are, under law or pursuant to measures imposed by standards bodies on its members or participants, subject to commitments made by a prior holder of the patent.”

4. Willing Licensee.

The proposed Guidelines provide that “a claim for injunction to a party *willing* to take a [FRAND] license...makes it difficult to sell [standards] products.... Therefore, such acts may fall under the exclusion of business activities of others.” Part 3-1(i)(e), (emphasis added). The Guidelines then characterize “willingness” for a party who “shows its intention to determine the license conditions at court or through arbitration,” after a period of negotiation.

We agree with this characterization. Accepting a court decision or mutually agreed arbitration is an indicator of “willingness,” which can be assessed along with other factors or conditions applicable in the particular case.

5. Recognizing Incentive to Innovate and Invest.

In Part 4-(2)(iv) of the proposed Guidelines, the revisions focus on adverse effects experienced by willing licensees who engage in R&D, when there is a refusal to license or injunction sought. The Guidelines further state, “Therefore, such acts are Unfair Trade Practices.” Whether or not there is an Unfair Trade Practice should be reviewed based on the facts and a rule of reason analysis that considers the various stakeholder interests and procompetitive and anticompetitive effects (if any).

IPO again thanks you for the opportunity to provide these comments on the Draft Guidelines. We would be pleased to meet with you or otherwise engage in further discussion. If we may be of further assistance, please do not hesitate to contact us.

Sincerely,



Philip S. Johnson  
President