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PRACTITIONERS DOUBTFUL ABOUT PRACTICAL APPLICATION OF JAPAN SEP GUIDELINES

04 July 2018 | Karry Lai, Hong Kong

IP lawyers in Japan say the standard essential patent guidelines are a good start but will not have much case impact because they are not legally binding

The Japan Patent Office has released [guidelines](#) to licensing negotiations involving standard essential patents (SEPs).

Features of the guidelines, which were released last month, include royalty calculation methods and best practices for licensing negotiation methods such as good faith and efficiency. However, some IP practitioners in Japan don't view the guidelines as practical when applied in reality. They say laws are different in Japan and it will need to develop its own set of case laws.



A good introduction

IP lawyers Managing IP spoke to in Japan believe that the guidelines are a good start.

David Case, partner at Orrick says: "The guide is good as an introduction for prospective licensees who are not familiar with industries where standards are prevalent and SEP negotiations are common. But the laws affecting SEPs vary by country and by standards setting organisations."

Hiroshi Suga, partner at Nishimura & Asahi, says: "Since it is expected that the automobile industry will increasingly use and incorporate information and communication technologies into its products, the auto parts industry, which has little experience of SEP licensing negotiation, should pay attention to SEP guidelines."

Some practitioners are sceptical about the practical application of the guidelines.

One practitioner notes: "I think the premise of the guide to 'enable companies to reach a resolution on licensing SEPs quickly' is naive. Licensees are not anxious to pay licensors money. If every SEP and non-SEP holder comes with their hand out for a licence fee, companies are going to feel real financial pressure because the total royalty pie is not known or knowable. Quick and easy is never welcomed by licensees who had no intention of having to pay anything."

The practitioner continues: "The guide also sells prospective licensees and patent holders short because instead of allowing them to exercise their rights under applicable law, the JPO just glosses over that for some global fairness doctrine. The specific laws of each country provide protections and rights that the JPO should not ignore on some convergence theory."

The practitioner adds: "The JPO's response that there is a convergence disregards adaption by SEP holders to legal environments around the world and developing new tactics for enforcing their SEPs. We have not had that many cases to distil a clear framework. Also, at some point, the convergence will stop and the remaining gaps will be due to different laws being applied. It just seems like convergence because there is a lot of ground to cover, but once the easy parts are resolved, the gaps will appear".

The lack of binding legal effect of the guidelines makes some practitioners feel that that they will not have much impact in cases. Japan should instead be developing its own case law to build up its own set of guidelines.

"I do not believe the guidelines will be practical if they were put to use," says Takanori Abe, partner at Abe & Partners. "As stated in the guidelines, they will have no legal binding effect. Thus, even if companies follow the guideline, the court may have a different view from the guideline and judge differently from the guideline. The pharmaceutical sector is an area in which the IP High Court rendered a judgment which completely denied the JPO examination guideline."

The guideline states: "This Guide is not intended to be prescriptive, is in no way legally binding, and does not forejudge future judicial rulings. It is intended to summarise issues concerning licensing negotiations as objectively as possible based on the current state of court rulings, the judgment of competition authorities, and licensing practices".

Abe observes: "While the guideline states the aim of the guideline is to prevent the dispute and resolve the dispute quickly, the problem in Japan is there are too few case laws in this area compared with the US and Europe. What should be encouraged is not to restrict the number of lawsuits but to have more lawsuits and clearer case laws."

The JPO received about 50 proposals and 50 comments in formulating the guide, from Japan and abroad.

The JPO commented: "With the environment surrounding SEP licensing negotiations continuing to transform, we plan to review and revise this Guide as appropriate in an open and transparent process so that it continues to evolve and remains 'living'."

JPO Commissioner Naoko Munakata in the guide (the English version is [here](#)) admits that the guide "was compiled by a small team in a limited amount of time, and is consequently far from perfect". He added: "Our presentation of both sides of the debate may also be difficult to follow in some places, but it does reflect the heat of the discussion and the lack of convergence over certain points."

COMMENTS

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