



Japan's SEP essentiality assessment system gains interest in Europe

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- Continental asked court to set fees, independent essentiality analysis integral
 - Japanese lawyers say assessment system not effective
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Japan's patent essentiality assessment system is gaining traction in Europe, where the creation of such an independent patent analysis program was noted by the European Commission (EC) in November last year.

Indeed, German auto parts maker Continental has shown an interest in the Japanese system after having filed multiple standard essential patent (SEP) licensing suits, according to Roman Bonn, the company's senior vice president of intellectual property

Bonn told *PaRR* the system was spreading to Europe. On 25 November 2020, the European Commission (EC) said it was exploring the creation of an independent patent essentiality analysis program, following Japan's patent essentiality review program which started in April 2018.

Continental Automotive System on 26 January filed suit against Nokia in the US, claiming the company breached its contract to base its telecommunications patent licensing fees on fair, reasonable and non-discriminatory (FRAND) terms. Continental also asked the US court to set the global licensing rate for Nokia's 2G/3G and 4G SEPs.

Continental also filed a complaint with the EC against Nokia in April 2019 for refusing to offer licensing on FRAND terms.

The essentiality assessment of a larger portfolio might give guidance to parties in negotiations -- and maybe also to judges -- on what are the right patents and the value of the portfolio, Bonn said.

System genesis

The Japan Patent Office (JPO) started a patent essentiality test system in April 2018.

The system aimed to ensure smooth license negotiations outside the courtroom by offering independent analysis of patent essentiality. The analysis would, according to an official JPO guide, improve visibility and transparency, and by publicly disclosing the results, bring about benefit to business.

Three JPO inspectors will conduct the essentiality analysis, the guide said. Both the licensors and the licensees need to agree to take part in the JPO essentiality assessment and deliver presentations to the JPO inspectors.

“Over-declaration of SEP could (be) reduced due to the third-party analysis,” said Reiko Aoki, a Japan Fair Trade Commission (JFTC) Commissioner, and Yasuhiro Arai, associate professor of social science at Kochi University, in a 2018 report published by the government-run Research Institute for Economics, Trade and Industry.

A survey by Japanese research consultancy Cyber Creative Institute in October 2020 showed that for 5G, only 32% of SEP-declared patents were essential.

Bonn said essentiality could be much lower than 30%.

“It would be interesting to see the analysis of the European Commission... Maybe 10-20% are really essential, not considering... many which show to be invalid,” Bonn said.

The JPO, however, said it has not received any requests for assessments to date. Japanese lawyers said the system does not benefit licensors at large. Licensors typically pursue direct negotiations with licensees without third parties, said one Tokyo lawyer.

Attorney Takashi Ishida of Anderson Mori & Tomotsune, a former JFTC official, said as businesses are primarily licensor driven, third-party assessments are unlikely to spread.

“The licensee interest is to reduce the required licenses while the licensors seek more adoption. Licensees may reach out to a third-party for a fair assessment; licensors would not agree to go through such processes,” he said.

Bonn declined to comment on Continental's action plans for Japan.

While Continental may not embrace the Japanese SEP assessment system, Japanese lawyers said there was nothing for the company to lose in appealing the recent US Northern District of Texas Court decision on its complaint against Avanci, a SEP patent pool. Nokia is an Avanci member.

Attorney Takanori Abe of Abe & Partners said that Continental customers, the carmakers, do not agree to Avanci’s claim that collective licensing to carmakers was the most efficient approach possible. “Japanese carmakers have not been friendly toward Avanci,” Abe said.

“There are so many components and carmakers are not the master of technology of each component. Their view is, negotiations should take place between parties who understand the technology,” he added.

A fourth Japanese lawyer said Continental will boost the value of its telematic control unit devices if it wins the suits. “The company can market the devices as ‘patent-worry free’,” he said.

Mark Durrant, Avanci Director of Marketing & Communications, emailed *PaRR*, saying, “We continue to believe that Continental’s claims in its (action) against Avanci are completely without merit.”

Nokia was contacted for a comment but did not respond.

by Mayumi Watanabe in Tokyo