

JAPAN

The strategic acquisition and utilisation of SEPs: reviewing Japan's IP Promotion Plan 2021

Abe & Partners



Takanori Abe

On July 13 2021, the Intellectual Property Strategy Headquarters of the Cabinet Office of Japan published the 'Intellectual Property Promotion Plan 2021' (the plan).

The plan classified future IP strategies into the following seven key priorities:

1. Enhancement of the functions of capital and financial markets promoting IP investment and utilisation, as a source of competitiveness;
2. Promotion of strategic use of standards for dominant market expansion;
3. Environmental maintenance for promoting data use, the most important IP in the 21th century;
4. Content strategy suitable for the digital age;
5. Enhancement of the IP utilisation in start-ups, small and medium-sized enterprises (SMEs) and the agricultural sector;
6. Enhancement of the system, operation and human resources base to support the IP utilisation; and
7. Rebuilding the 'Cool Japan' strategy.

This article will outline details on the strategic acquisition and utilisation of standard essential patents (SEPs) for the promotion of strategic use of standards for dominant market expansion.

Current situation and issues

Acquisition and utilisation of SEPs

The standard utilisation will bring a market expansion, although promoting standard utilisation without strategies to secure profits from patents may not increase profits or the competitiveness of Japanese companies. Therefore, building a strategy with a view to secure profits through the acquisition and utilisation of SEPs will be essential to promote standard utilisation.

Japanese companies are currently lagging behind the competition to acquire SEPs in areas including 5G technology, and thus have not been able to strategically acquire and utilise SEPs sufficiently.

Therefore, the Japanese companies need to strengthen their position as SEP holders to enhance their competitiveness, and Japan has to be involved in establishing SEP rules to take the initiative in and represent to the world. In particular, beyond 5G, the public and private sectors have to work together strategically to actively acquire SEPs for Japanese companies.

Facilitation of licensing negotiations for SEPs

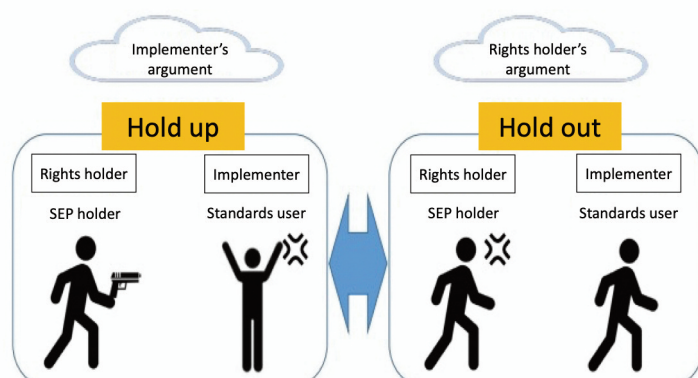
The rules to resolve disputes over SEPs are currently being established based on the case laws in other countries concerning the interpretation of the so-called FRAND stipulated in the IPR policy of the International Organization for Standardization (ISO). Foreign governments actively represent how SEPs should be treated.

In Japan, although there are not so many case laws accumulated on SEPs, the JPO published the 'Guide to Licensing Negotiations Involving Standard Essential Patents' (the guide) in June 2018, aiming to increase the transparency and predictability in licensing negotiations on SEPs, to facilitate negotiations between rights holders and implementers, and to prevent disputes or resolve them at an early stage.

Considering the importance of SEPs in IP and standard policy, Japan also should be more actively involved in the rule establishment to resolve disputes over SEPs, revise the guide, and represent to the world a neutral standpoint balancing both rights holders' and implementers' opinions, while considering the latest case laws and trends in each country. For representation to the world, soliciting global opinions in the revising process and holding international symposiums would be effective.

In addition, in order to achieve smooth licensing negotiations on SEPs, the related parties should discuss and deal with the bearing of license fees in a supply chain.

Furthermore, as business models diversify, it will be necessary in the future to discuss issues considering the burden of service providers utilising products. In addition, in order to achieve smooth licensing negotiations on SEPs, it should be necessary to discuss the followings in light of global trends, take necessary measures, and represent it to the world.



Source: The Cabinet Office material

Clarification of sincere negotiation attitude

The rules on SEPs have been formed through case laws in other countries that implementers could avoid injunction and rights holders could obtain appropriate fees through sincere negotiations.

However, in order to maintain an environment where implementers can utilise the standard technologies without problems and rights holders can obtain appropriate fees for license of SEPs, it should be examined for further clarification as to what response the negotiation parties should take in licensing negotiations to be evaluated as sincere negotiation attitudes.

Increased transparency of essentiality

Since SEPs are registered in the ISO by the declaration of rights holders, they are said to include those that are doubtful to be real SEPs. The JPO has just started a **Hantei (advisory opinion) system** for essentiality for improving transparency of essentiality of SEPs in April 2018, ahead of the rest of the world. The effective use of this system should be discussed.

Ensuring transparency in license fee setting

In the licensing of SEPs, rights holders' utilisation of the one-stop licensing agency can streamline negotiations for both rights holders and implementers, and also help avoid so-called 'royalty stacking'.

On the other hand, there are concerns from implementers that one-stop licensing agencies unilaterally set a license fee. Therefore, it should be discussed to ensure further transparency of the license fee.

Direction of measures

Toward the achievement of smooth licensing negotiations on SEPs, based on each country's case laws and trends of each country's government regarding clarification of sincere negotiation attitudes, measures are taken such as an examination to en-

rich the guide. In addition, other issues on SEPs will be examined as necessary, considering global trends (the short-term and medium-term implications by the Ministry of Economy, Trade and Industry – METI).

In order to improve the transparency of essentiality of SEPs, it will be made known that the JPO's Hantei (advisory opinions) system for essentiality check can be effectively utilised. (the short-term and medium-term implication by METI)

Practical tips

The license of SEPs is also discussed in METI's 'Study Group on the Desirable Trading Environment for License of SEPs', but at the Committee of the Intellectual Property Strategy Headquarters of the Cabinet, a wide range of opinions were solicited from experts of related government agencies. This included the Ministry of Internal Affairs and Communications, but was not limited to specific industrial fields, and the desirable licensing on SEPs in the era of internet of things (IoT) was discussed based on future prospect.

Notwithstanding, the members of the Japan Automobile Manufacturers Association gave the following opinions:

- The aim and real intention of SEP holders targeting the final product (automobile) was to increase royalty by calculating with expensive products;
- Most of what is declared as SEP (50% – 90%) is not essential; and
- Avanci's license terms are not clear compared with traditional patents, the plan ultimately balances rights holders and implementers.

However, regarding rights holders, the following comments have been made by some committee members – "it is natural that Nippon Telegraph and Telephone Corporation (NTT) and the Innovative Optical and Wireless Network (IOWN) Global Forum, which are supposed to be the patentees of beyond 5G, shall stand on access for all, but it is a problem that it was not clear

which position they are in."

Regarding patent pool, the following comments were made. Ryuichi Shitara, former chief judge of the IP High Court, pointed out that a patent pool such as Avanci, which enables one-stop license agreement is necessary, however the problems of Avanci are (i) several important SEP holders are not a member of Avanci for 5G, (ii) FRAND rate for autonomous case using 5G will be an issue which should be controlled by competition law, and that (iii) rule making by the court through patent lawsuits is necessary.

Committee member Toshiko Takenaka of University of Washington School of Law has pointed out: (i) patent pool plays a very important role in SEP licensing in the era of IoT, (ii) it is important to have as many SEP holders as possible to join in patent pool as soon as possible, (iii) in order for Japan to establish and maintain its position as a 6G innovative technology provider, it is important to have a mechanism where SEP holders fairly recover development investment from all players in ecosystems that benefit from IoT, (iv) as one of the mechanisms, the experts from the European Commission proposed to create a negotiating body on the side of implementers for each industrial field, which should be discussed in Japan as well, and (v) on the other hand, since competitors with high market share and companies with market power gather, it is important to create a collective bargaining mechanism that can minimise transaction costs while considering the competition law issues.

Regarding the JPO's revision of the guide, Takenaka proposed that the experts of the European Commission performed economic analysis considering a business model change in Industry 4.0. She stated that automobile manufacturers may benefit more from post-sales services through autonomous driving and internet connectivity than the profits from selling automobiles, and various proposals are made on value evaluation of SEPs and license collection methods from various perspectives, and therefore this should be considered.