

JPO must stay neutral in its SEP policy review, urge sources

Stakeholders have high hopes for the JPO during a review of Japan's licensing guidelines, even as the economy ministry leans towards implementers. *By Sukanya Sarkar*

Japanese courts haven't ruled on a major standard essential patent dispute since *Apple v Samsung* in 2014, partly because the handful of SEP cases filed since then haven't been decided on the merits for one reason or another.

Persistent efforts by Japan's Ministry of Economy, Trade and Industry (METI) and the JPO to keep the country's SEP framework up to date, however, suggest that stakeholders shouldn't exclude Japan from their global SEP watchlists.

The JPO is revising its *Guide to Licensing Negotiations Involving Standard Essential Patents*, published in 2018, Managing IP can confirm. METI is also working on framing good faith negotiation guidelines for SEP licensing.

Sources say the joint efforts could be a reaction to other countries' experiences, and might be an attempt to secure a larger seat at the SEP table and to encourage SEP adoption and implementation among local players, including car makers.

Balancing interests

Although Japan's automotive industry is one of the world's largest, its car companies have fallen behind when it comes to acquiring and utilising SEPs –

which is why the number of global SEP disputes involving Japan has been quite low over the past few years.

But that low number isn't necessarily a bad thing, nor is it that Japan isn't seen as a "glaring problem area" like China, say sources. They add that Japan's attitude to SEPs has given it a chance to study the developments in other countries before taking a stand.

METI and the JPO's consistent efforts to improve the country's SEP framework by organising various study groups and framing and updating licensing and negotiation guidelines in line with global developments are just some of the steps Japan has taken to buttress its regime.

ACT The App Association, which mainly represents SEP implementers, has followed the developments in Japan closely and is happy with the progress so far.

Brian Scarpelli, senior global policy counsel at the App Association, notes that the JPO's 2018 guidelines, which aim to facilitate SEP negotiations between rights owners and implementers, are quite fair to all parties.

"Overall, the Japanese government has been a great example of being open to all kinds of viewpoints and bringing balance in SEP licensing," he says. "My impression is that the JPO is being very careful to avoid favouring any certain stakeholder or interest."

He hopes that the ongoing review retains the balance between both sides.

Picking sides

But while the JPO has tried not to choose sides, METI has picked a very clear favourite.

Takanori Abe, managing partner at Abe & Partners in Osaka, says METI has leaned towards the implementors' side in the past and will possibly continue to do so in the future.

"This is perhaps not surprising because METI's role is to protect industries, and the most important one in Japan is the automotive industry."

There are others who are unhappy with METI's implementor-focused approach, who say there's been a lack of transparency from the economy ministry in the past.

In 2020, METI put together a study group for the fair value calculation of SEPs and shortly after, based on the group's report, released its *Guide to Fair Value Calculation of Standard Essential Patents for Multi-Component Products*.

Vincent Angwenyi, a Hamburg-based IP policy consultant at the patent pool operator Sisvel, says patent owners for multi-component products were somewhat blindsided by METI during the study group.

"The study group wasn't open to everyone and little information was shared on when, where and how METI would conduct the consultation until it finally released the guide based on the group's report. On top of that, the study group constituted by METI was very implementor focused."

METI created another study group for examining ideal trading environment for SEP licensing in 2021 that had similar transparency issues, notes Angwenyi.

Missed opportunities

While several sources say they prefer the JPO's neutral approach to METI's implementer-focused one, they also point out that trying to balance both sides has its own downsides.

The 2018 guidelines merely laid down the viewpoints of the different stakeholders, they note, and didn't really provide clear guidance to Japanese courts on how to approach or evaluate licensing negotiations.

This lack of direction may be one of the reasons litigators rarely refer to the guidelines.

A practitioner at a Tokyo law firm says: "The guidelines are merely advisory in nature and not legally binding, and no court judgment has referred to these guidelines

to date. That's why I and my peers haven't been following the updates."

This isn't the first time the JPO has failed to effectively reach a broad section of stakeholders.

In 2018, the office launched the Hantei-E programme to help SEP stakeholders get advisory opinions when both the parties couldn't decide on the standard essentiality of a patent.

When the JPO didn't receive any requests for Hantei-E by March 2019, it made some changes to the system to encourage wider participation. And still, the system hasn't been used at all as of December 31, 2020, points out Abe at Abe & Partners.

As of today, only few stakeholders have filed petitions using the Hantei-E system, but the JPO has yet to decide any of them.

Future considerations

Despite the hits and misses, sources agree that Japan's involvement in the global SEP landscape is growing because of its regular efforts.

The JPO is expected to conduct a relatively narrow policy review this time around, but there are areas stakeholders would like more clarity on.

Angwenyi would like the JPO to consider developments in the internet-of-things space, and put together a framework to deal with SEP disputes involving the technology.

Stakeholders are also keeping their eyes peeled for developments on patent exhaustion, amid speculation that the JPO is reconsidering its position on that front.

Scarpelli from the App Association urges the JPO to remember that the patent exhaustion doctrine is important to avoid any "double dipping" problems and to maintain a healthy patent ecosystem.

He also calls for greater transparency during SEP licensing negotiations, especially those involving small-scale industries.

But more than anything, sources want the JPO to maintain its neutral approach when it examines different global developments during its policy review.

As Angwenyi puts it: "Our hope is always that whatever comes out is balanced and not focused on any particular side."

With all of this going on, Japan will no doubt be one of the big jurisdictions to watch for SEP developments this year, irrespective of the number of disputes that reach its courts.