
Articles

Revision of Japan Patent Office “Guide to Licensing Negotiations Involving Standard Essential Patents”

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Introduction

The Japan Patent Office (JPO) formulated the first edition of the Guide to Licensing Negotiations Involving Standard Essential Patents (JPO Guide)¹ in June 2018. The revised version was published as the Second Edition² on June 30, 2022.

The purpose of the formulation of the JPO Guide is to provide predictability by organizing information in such a way that companies unfamiliar with licensing negotiations can feel confident at the negotiating table and enhance good faith among the parties.

While an increasing number of relevant court decisions are being made in all countries, this effort, a world first, is valuable and highly regarded.³

That said, in order to achieve the guide’s purpose, it is essential that subjective principles and policies representing the interests of SEP holders and implementers are eliminated. And, it is equally essential that the content of the JPO Guide is objective and based on both judicial rulings rendered by courts in ma-

jor countries as well as on quasi-judicial rulings of competition law authorities.

The author participated in the study group of experts for this revision and has also held been a member of the review committees for the two SEP guidelines of the Ministry of Economy, Trade and Industry (METI) -- the Guide to Fair Value Calculation of Standard Essential Patents for Multi-Component Products, April 21, 2020, (METI’s First Guidelines), and the Good-Faith Negotiation Guidelines for Standard Essential Patent Licenses, March 31, 2022, (METI’s Second Guidelines)⁴.

In this article, the author examines the content of the revision of the Second Edition with regard to the four issues that have become topics of heated debate in public comment. Opinions for future revisions to the JPO Guide are also offered.

1. Background of the JPO Guide Formulation

In Japan, there has been no accumulation of court decisions concerning SEPs since the Grand Panel Decision of the IP

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High Court on *Apple v. Samsung* (May 16, 2014)⁵. There are two likely reasons for this.

Firstly, according to the Grand Panel Decision and the framework of a judicial ruling indicated by the court of prior instance in the above-mentioned case, unlike in Europe and the United States, in Japan, a heavy burden of proof is imposed on SEP holders. It is not permitted to prove infringement by comparing SEP patent claims and standard specifications, and the SEP patent claims must be compared with the defendant's product.

Secondly, in Japan, the standard timing for determining whether the defendant is willing to take a license is not when a lawsuit is filed but when the oral hearing is concluded⁶.

That is, even an unwilling licensee holding out in negotiations until a lawsuit is filed can remedy unwillingness, if the licensee's attitude changes in negotiations during the period between the filing of the lawsuit and the conclusion of the oral hearing. That said, it is nonetheless difficult to obtain a decision granting an injunction.

Such circumstances are thought to be the major reason many SEP holders do not choose Japan as a forum.

SEP licensing negotiations are global in nature and cover SEP portfolios in the world market, and have thus become subject to jurisdiction in many market countries.

In the absence of an accumulation of normative court decisions in Japan, implementers in particular need to ensure a predictable course of action for SEP licensing negotiations by studying the trends of judicial decisions of either the United States and Europe, which are leading the formulation of rules for good-

faith negotiations and FRAND royalty calculations needed for SEP licensing, or by studying the trends of judicial decisions in China, which are in opposition to the American and European trends.

Next, due to the rapid progress of IoT (Internet of Things), it has become extremely common for products of non-ICT companies to be equipped with devices requiring technology covered by SEPs.

In addition to such representative products as connected cars, communication modules are mounted on a variety of equipment not used while moving, such as smart meters that record power usage in households and commercial facilities, machine tools, testing equipment, medical equipment.

When SEP holders in the ICT industry and implementers in the non-ICT industry began to hold cross-industry SEP-licensing negotiations, there were cases where negotiations failed to make progress due to differences in business practice.

As a result, for example, Daimler was found to be an unwilling licensee in a series of German lawsuits and was slapped with an injunction.⁷ Similar injunction rulings were also issued following the reform of the Patent Law, which established limitations on injunctions.⁸

Under such circumstances, organized objective information for ensuring a predictable course of action in SEP licensing negotiations is extremely valuable for non-ICT companies.

It is particularly valuable in implementing SEPs for companies without sufficient resources to collect information and examine the trends in regard to relevant overseas court decisions.

In response to such a demand, the

value of the JPO Guide, updated with the court decisions trends of major countries, has risen greatly.

I would like to take this opportunity to express my respect for the JPO's continued efforts.

Incidentally, during revisions for the Second Edition, a study group of experts was set up in fiscal 2021, and a draft revision was prepared by conducting research and study, including interviews with about 40 people in Japan and abroad. After that, in early summer 2022, public comments were solicited on the draft revision. The Second Edition was completed based on about 20 such comments from persons in and outside of Japan.

2. Differences to METI's Guidelines

The JPO is one of METI's external agencies, and the JPO Guide's Second Edition was published three months after the publication of METI's Second Guidelines. At present, METI's First Guide-

lines also remain in force. The situation was reported as an upsurge in guidelines, with "more and more companies becoming confused and saying 'it's hard to know what to rely on.'"⁹

In response, METI gave the following explanation in March 2022 (hereafter "METI Explanation").

As stated above, METI's Second Guidelines did not rely on objective facts, such as court decisions, but were formulated based on the opinions of interested parties.

Therefore, METI's Second Guidelines are, so to speak, METI's opinions on good-faith negotiations for SEP licensing. In other words, the guidelines are an administrative organ's attempt to actively engage in the formulation of rules for good-faith negotiations for SEP licensing and disseminate such rules globally in the absence of an accumulation of court decisions in Japan.

The JPO Guide, on the other hand, is completely unrelated to such attempts to

Difference in position between METI's Second Guidelines and JPO Guide	
METI's Second Guidelines (March 31, 2022)	JPO Guide (June 30, 2022)
<ul style="list-style-type: none"> ● Norms of good faith negotiations in Japan Formulated in light of both the <u>opinions</u> of companies, etc. that engage in SEP licensing negotiations in Japan and abroad, and the <u>opinions</u> of intellectuals and industries in Japan ● Not legally effective and do not fore-judge future judicial rulings 	<p>Material that <u>objectively organizes</u> issues reflecting <u>facts</u> in Japan and abroad</p> <ul style="list-style-type: none"> ● Not prescriptive ● Material formulated by <u>objectively organizing</u> issues concerning SEP licensing negotiations in light of <u>court decisions and judgments of competition authorities in Japan and abroad</u> and the trends of licensing practice, etc. ● Not legally binding and does not fore-judge future judicial rulings <p>1 * "At the time of revision, the METI Second Guidelines will also be referred to."</p>

*Underlining added by the author.

participate in the formulation of rules. It is a guide that, with a focus on court cases, organizes and conveys objective rules being formed globally.

Incidentally, the announcement, “At the time of revision, the METI Second Guidelines will also be referred to,” would appear to conflict with the explanation about differences in position between METI’s Second Guidelines and the JPO Guide. Considering their natures, the JPO Guide should be completely independent of METI’s Second Guidelines.

Such confusion is also seen in the Cabinet Office. The Intellectual Property Strategic Program 2022¹⁰ published on June 3, 2022, positions the JPO Guide as one of the measures for the “formulation of rules toward facilitating licensing negotiations regarding standard essential patents,” following the Intellectual Property Strategic Program 2021. Yet, the JPO Guide differs from such measures in nature.

3. Editing Policy for the JPO Guide

The editing policy for the JPO Guide is not clarified in the text of the JPO Guide. However, in “Responses to comments Received in Japanese” attached to the JPO Guide, it is stated, “The JPO Guide will objectively organize each country’s government policies and court decisions, etc.” To that it adds, “including the guidelines and policies presented by the Japanese government.”

Therefore, unlike the METI Explanation, the JPO Guide sees court decisions, the judgments of competition authorities in Japan and abroad, and administrative agency guidelines as all being objective material, and all on the same level. This point was criticized in and out of Japan in

public comments.

Moreover, the Second Edition, unlike the First Edition, cites METI’s First Guidelines and often cites METI’s Second Guidelines in the text along with court decisions from each country, while overseas policy statements are cited in the footnotes. This is also criticized as being contrary to the “objective information” nature of the JPO Guide.

4. Outline of Revised Edition Issue Updates

Like the First Edition, the Second Edition of the JPO Guide is composed of three chapters: I) Purpose of the Guide, II) Licensing Negotiation Methods, and III) Royalty Calculation Methods.

The issues examined in Chapters II and III, which make up the main body of the text, are the same. The four issues that became topics of debate in the public comment process at the time of the revision are examined below to determine whether or not their handling serves as objective information providing predictability to the reader. Paragraphs and page numbers indicated below are for those of the English version.

4.1. Holdups and Holdouts (para. 4 of pg. 1)

In summarizing holdups and holdouts, the following conclusion was added after public comments were solicited: “A difference of opinion remains between SEP holders and implementers concerning ‘holdup’ and ‘holdout,’ even regarding whether they are real problems or merely concerns.”

Such a statement must ignore the fact that holdouts have been recognized in Europe, but no rulings on such recog-

nized holdups have been confirmed.

Also, given that the Second Edition cites no relevant court decision in regard to this issue, misunderstandings may arise if the reader sees this as an organized information source for global objective rules with a focus on court decisions.

In *Sisvel v. Haier* (Germany, Supreme Court, KZR 36/17), as an objective fact, the court determined that holdout by an implementer inhibits good-faith negotiations and strict judgments need to be handed down. Furthermore, in *Philips v. Wiko* (the Netherlands, Supreme Court) and *Sisvel v. Wiko* (Germany, Higher Regional Court Karlsruhe), the court determined holdout by the defendant and considered it grounds for an injunction. The specifics of the holdout in *Sisvel v. Wiko* are given in JPO's Comparative Research and Study of Countries' Industrial Property Right Systems in Fiscal 2021 (JPO Report).¹¹

On the other hand, and as far as the author is aware, no court decision has specifically identified holdup by a SEP holder, and no such court decision has

been reported in the JPO Report. Instead, in both *Ericsson v. D-Link Systems, Inc.*, (U.S., CAFC) and *CSIRO v. Cisco* (U.S., CAFC), the court maintained that an abstract allegation is not enough to allege holdup and that proof of specific facts are required.

The JPO Guide does not attempt to determine which of the opposing claims on each issue is legitimate. However, in the courts of Germany and the Netherlands, which have jurisdiction over major SEP litigation in Europe; and in the United States, where there has been no case in which holdup served as a good FRAND defense, there is the chance that an act of holdout may be identified and an injunction handed down. Objective information, such as these facts, need to be included in the JPO Guide.

Based on such objective information, implementers can understand the actions that may need to be taken in order to prevent their acts from being seen as holdout, necessary actions such as immediately expressing a willingness to take a license and preparing concrete proof in the case

Relevant court decisions cited			
None			
Relevant court decisions not cited			
2014	<i>Ericsson v. D-Link Systems, Inc.</i>	U.S. CAFC	773 F.3d 1201
2015	<i>CSIRO v. Cisco</i>	U.S. CAFC	809 F.3d 1295
2020	<i>Sisvel v. Haier</i>	Germany Supreme Court	KZR 36/17
2020	<i>Sisvel v. Haier</i>	Germany Supreme Court	KZR 35/17
2020	<i>Sisvel v. Wiko</i>	Higher Regional Court Karlsruhe	6 U 103/19
2022	<i>Philips v. Wiko</i>	The Netherlands Supreme Court	ECLI:NL:GHARL:2022:163

of alleged holdup by an SEP holder.

For the JPO Guide to be recognized as an organized source of objective rules being globally formed with a focus on court decisions, the aforementioned points need to be included. These are the challenges for the next revision.

4.2. Assessment of Court Decision Harmonization on Good-Faith Negotiation Rules (para. 6, pg. 4)

The First Edition assessed the harmonization of court decisions on rules for good-faith negotiations as follows: “Recent years have seen increasing cross-border convergence in case law as to how parties should behave in SEP licensing negotiations based on the dedication to a factual inquiry into good-faith negotiations” (para. 3, pg. 4).

In contrast, in the Second Edition, the earlier statement was downgraded as follows: “In recent years, there has been an accumulation of court decisions as to how parties should behave in SEP licensing negotiations based on the dedication to a factual inquiry into good-faith negotiations.”

However, due largely to the accumulation of court decisions in Europe and the United States from 2020, it is clear the “increasing cross-border convergence in case law” as assessed in the First Edition is increasing rapidly. In light of the facts, the JPO’s revision cannot be considered objective and is examined below.

4.2.1. Second Edition Organization of Court Decisions

The First Edition organized objective information regarding the norms of good-faith negotiations based on the framework for such established by the Court of Justice of the European Union (CJEU) in

Huawei v. ZTE (CJEU, C-170/13, 2015) (CJEU framework).

The CJEU framework was presented as an interpretation of Article 102 (regulation of abuse of market-dominating position) of the Treaty on the Functioning of the European Union.

It organizes licensing negotiations into five steps and, at each of these steps, it is determined whether an implementer is willing to take a license. An injunction based on an SEP is granted only if the implementer is found unwilling to take a license.

- (1) The SEP holder must notify the implementer of patent infringement before exercising the right (Step 1).
- (2) If the implementer intends to take a license, the SEP holder must present a specific, written offer for such on FRAND terms (Step 2).
- (3) The implementer must respond with diligence and without delay to the SEP holder’s license offer (Step 3).
- (4) If the implementer does not accept the SEP holder’s offer, a counteroffer on FRAND terms must be made within a reasonable period of time (Step 4).
- (5) If the SEP holder does not accept the counteroffer, the implementer must disclose its accounting records and provide a bank guarantee or security (Step 5).

Based on the CJEU framework, the First Edition organized information citing the following five high court decisions and other district court decisions in various countries.

The Second Edition continues with this organization of information based on the CJEU framework. In 2020, in the

period between revisions, Supreme Court decisions granting injunctions based on an SEP were rendered in both Germany and the U.K.

Thus, these Supreme Court decisions are cited in the Second Edition and add to objective information regarding good-faith negotiations in line with the CJEU framework.

That said, some Supreme Court decisions in both Germany and the Netherlands were not cited in the Second Edition, and important suggestions and norms presented by these decisions are not introduced therein.

This is a regrettable point in light of the JPO Guide's purpose, namely to be an organized source of objective rules being globally formed. This is a point to be considered in the next revision.

4.2.2. Harmonization of European Court Decisions for Good-Faith Negotiation Rules

4.2.2.1. German Interpretation of CJEU Framework

In *Sisvel v. Haier* (Germany, Supreme Court, 2020, BGH, KZR 36/17), the court held that whether an act falls under an abuse of a market-dominating position (Article 102 of the TEFU) is to be determined on a case-by-case basis. This, thereby, presented norms more favorable to the SEP holder than the CJEU framework as a whole would be.

Specifically, [i] the court ruled that it is holdout when an implementer inhibits good-faith negotiations and that disclosure of claim charts and detailed technical explanations are not mandatory for the SEP holder when notifying the

Relevant court decisions cited in the First Edition			
2012	Microsoft v. Motorola	U.S. 9th Cir.	696 F.3d 872
2014	Apple v. Samsung	Japan IP High Court	2013 (Ne) 10043
2014	Apple v. Motorola	U.S. CAFC	757 F.3d 1286
2016	Sisvel v. Haier	Germany Higher Regional Court of Dusseldorf	I-15 U 66/15
2018	Unwired Planet v. Huawei	UK Court of Appeal	[2018] EWCA Civ 2344

Relevant court decisions added in the Second Edition			
2020	Sisvel v. Haier	Germany Supreme Court	KZR 36/17
2020	Unwired Planet v. Huawei	UK Supreme Court	ECLI:NL:GHARL:2022:163
Relevant court decisions not cited			
2020	Sisvel v. Haier	Germany Supreme Court	KZR 35/17
2022	Philips. v Wiko	The Netherlands Supreme Court	ECLI:NL:GHARL:2022:163
2021	HTC v. Ericsson	U.S. 5th Cir.	2019-40566

implementer of infringement before filing a lawsuit (Step 1).

And, taking a harsher stance regarding the implementer, [ii] the court ruled that the same must declare willingness to take a license regardless of the specific conditions, as long as the conditions are FRAND (interpretation of Step 2 in 4.2.1).

However, it clarifies that, [iii] the obligation to negotiate in good faith is imposed not only on the implementer but also on the SEP holder.

Furthermore, [iv] the court ruled that a decision to grant an injunction is a comprehensive decision concerned with whether both parties have fulfilled their respective obligation to negotiate in good faith, and the CJEU framework is one of the tools used in determining that.

Also, an important point is that [v] FRAND terms, a result of the parties' best effort for good-faith negotiations, can differ depending on the situation, and the court made clear that the SEP holder is not obliged to agree to licensing conditions most favorable to the implementer (This is a loose interpretation of the non-discriminatory requirement.).

4.2.2.2. U.K. Interpretation of CJEU Framework

In *Unwired Planet v. Huawei* (UK, Supreme Court, 2020), similar to the ruling of the German Federal Supreme Court, the court ruled that compliance with the CJEU framework is not part of the obligation to negotiate in good faith, this made clear that a U.K. court will determine the advisability of an injunction on a case-by-case basis without being bound by the CJEU framework (similar to [iv] above).

Moreover, the court ruled that an implementer must clearly express a will-

ingness to take a license under any conditions, as long as the conditions are FRAND (to the same effect as [ii] above).

Furthermore, the court ruled that a SEP holder is not required to agree to terms equivalent to the most favorable licensing conditions (to the same effect as [v] above).

4.2.2.3. Dutch Interpretation of CJEU Framework

In *Philips v. Asustek* (the Netherlands, Hague Court of Appeal, 2019, 200.221.250/01), the court, in a similar manner to the German Supreme Court, mentioned the need to eliminate holdout by implementers.

The Dutch court also ruled that giving detailed technical explanations to the implementer is not part of the SEP holder's obligation to negotiate in good faith (to the same effect as [i] above).

This determination was also upheld in the Supreme Court appellate decision (2022, ECLI:NL:GHARL:2022: 163).

Moreover, the court holds as follows: In order to determine violation of the obligation to negotiate in good faith, it is necessary to comprehensively assess the special circumstances of the case and the acts of the parties.

An abuse of a dominating position is not automatically determined even if a patentee fails to comply with the CJEU framework; and originally, the CJEU had not formulated such a strict requirement (to the same effect as [iv] above).

4.2.2.4. Development of Harmonization of European Court Decisions

As mentioned above, in the three major jurisdictions in Europe,¹² there is a tendency to harmonize with the good-faith negotiation rule as interpreted by the

German Federal Supreme Court.

A FRAND license is an outcome obtained as a result of the parties' best efforts for good-faith negotiations, and the trend where good-faith negotiations by each party are comprehensively judged is also expected to continue.

What is important for the implementer is that, even if conditions offered differ widely, negotiations should not be stopped, which could lead to the implementer being unexpectedly found guilty of holdout.

4.2.2.5. Interpretation of the Non-Discriminatory Requirement in the U.S. and Harmonization with European Court Decisions

On August 31, 2021, in *HTC v. Ericsson* (U.S., 5th Cir., 2021, 2019-40566), the court interpreted the good-faith bargaining obligation in a lawsuit seeking compensation for damages on the grounds of SEP infringement from the perspective of contract law.

This decision cited the summary of the decision on *Microsoft Corp. v. Motorola* (U.S., 3rd Cir., 2015, 795 F.3d 1024) and ruled that a lawsuit alleging a breach of FRAND is not a patent lawsuit but a lawsuit concerning a breach of a contract, and, thus, what needs to be done is not to determine the value of the SEP in order to calculate the amount in damages, but to assess the contract to determine whether it is fair and reasonable.

Based on that, the court permitted the SEP holder to agree to different royalties for each implementer and also confirmed that the SEP holder is not obligated to agree to licensing conditions most favorable to the implementer.

As such, the decision can be said to have loosely interpreted the non-

discriminatory requirement similarly to European court decisions (to the same effect as [v] above).

This ruling will now bind future judgments in damage suits rendered by the Eastern District of Texas Federal Court and the Western District of Texas Federal Court, lower courts in a jurisdiction where many SEP lawsuits are filed.

Thus, it follows that a loose interpretation of the non-discriminatory requirement in decisions is expected to see further harmonization between the United States and in Europe.

It is necessary to keep in mind that, in the European market, if an implementer receives an offer for a license with conditions less favorable than those of the existing comparable license, and good-faith negotiations are thereby stalled, the implementer is at risk of an injunction.

In the United States, a claim for compensation for damages is likely to be upheld at the amount offered by the SEP holder based on past royalties.

These court decisions comprise important objective information that can make objectively informed predictions of future actions possible.

4.2.2.6. Conclusion

As seen above, there is more harmonization of court decisions concerning rules for good-faith negotiations than there was at the time of the First Edition's publication.

Also, as seen in *Unwired Planet v. Huawei* (UK, Supreme Court) and *Sharp v. Oppo* (China, Supreme Court, 2021), where some countries declare international jurisdiction over FRAND royalties, information about the harmonization of court decisions is thought to be increasingly important.

Downgrading the assessment of such harmonization is problematic, as readers may see this as the JPO's opinion, when, in fact, the downgrade has arisen from the JPO's misreading of objective information.

4.3. Parties to Negotiation in Supply Chain (para. 3, pg. 29)

The First Edition introduced the conflict between "license-to-all" and "access-to-all" arguments as a point of contention in negotiation among parties in the supply chain.

However, the First Edition cited no relevant court decision, and only introduced both ideas with the conclusion "In any case, ... all supply chain entities need to be aware of the status of conclusion of licensing agreements."

Although the Second Edition cites relevant court decisions in Germany and the United States rendered during this period in footnotes, it gives the same conclusion, unchanged, as the First Edition.

However, this issue seems to have already been judicially settled.

First, there has been no court decision in the past that found "license-to-all" to be a SEP holder's FRAND obligation.

Furthermore, lower courts in Germany following the decision on *Sisvel v. Haier* (Germany, Supreme Court, 2020, BGH, KZR 36/17), have rendered decisions one after the other granting injunctions rejecting the defendant's license-to-all argument.

In *Sharp v. Daimler*, in particular, the court cited the summaries of two Supreme Court decisions in *Sisvel v. Haier* and *Unwired Planet v. Huawei* (UK Supreme Court, 2020), and went on to make it clear that SEP holders are not

obligated to grant licenses to upstream suppliers as part of a non-discriminatory obligation.

Next, in the United States, in *Continental v. Avanci* (U.S., 5th Cir.), the court dismissed Continental's claims based on the allegation that Avanci's act of granting licenses only to end-product manufacturers and refusing to grant licenses to upstream suppliers is in violation of competition law.

The reason therefor is that Continental, as long as it has received no contractual patent indemnity claims from end-product manufacturers, has suffered no damage and can continue its business without obtaining a license. Continental's petition for a retrial was also rejected.

As relevant facts supporting the license-to-all argument, the Second Edition cited the following facts: a case of a component-level license concluded between Sharp and Huawei, and the case of *Nokia v. Daimler* (EU, CJEU, 2021), which referred a question about license-to-all to the CJEU that was withdrawn.

However, there is no relevance between the issue of whether the license-to-all argument can be admitted as a FRAND defense under competition law and the fact that there are actual examples of component-level license transactions in the market.

Moreover, the reference of a question to the CJEU that was withdrawn because the parties reached a settlement, cannot be used as an argument supporting a license-to-all claim.

Originally, the role of the JPO Guide was not to present conclusions on issues. However, in light of its purpose, to organize objective rules being formed globally and inform the reader of such, it would seem necessary to devise ways to

Relevant court decisions cited				Denying License to All
2020	Nokia v. Daimler	Germany Regional Court of Mannheim	2 O 34/19	Yes
2020	Sharp v. Daimler	Regional Court of Munich	7 O 8818/19	Yes
2020	Conversant v. Daimler	Regional Court of Munich	21 O 11384/19	Yes
2020	Continental v. Avanci	U.S. N.D. Tex.	3:19-cv-02933-M	Yes
2022	Continental v. Avanci	U.S. 5th Cir.	20-11032	Yes
Relevant facts cited				Denying License to All
2020	In July 2020, for a portfolio covering automobile parts, Huawei was reported to take a license from Sharp. Also, in September 2020, it was released that u-blox obtained a license from Sisvel.			No
2021	In Nokia v Daimler (EU, CJEU, 2021), the referral was made to the CJEU as to there is an obligation to license suppliers on a priority basis, but the referral was withdrawn later.			No
Relevant court decisions not cited				Denying License to All
2020	Nokia v. Daimler	Germany Regional Court of Munich	21 O 3891/19	Yes

prevent readers from running a great risk of losing a lawsuit or incurring business risks as a result of challenging global rules that have been judicially settled.

Specifically, it would be preferable to come up with ways of increasing the reader's ability to predict actions and ensure the information's objectivity. This could be done by narrowing down cited information to the most relevant court decisions and summarizing the content of decisions in relevant court decisions (now cited in footnotes) in the text in chronological order. These are also points to be considered for the next revision.

4.4 Royalty Base (P. 45)

The Second Edition, while citing relevant court decisions that made a determination in regard to the use of the SSPPU for the royalty base, only introduced (as had the First Edition) the content of claims in regard to the royalty base, citing either SSPPU (Smallest Salable Patent Practicing Unit) or EMV (Entire Market Value).

The SSPPU theory was originally adopted in a non-SEP patent infringement lawsuit, *Cornell Univ. v. Hewlett-Packard* (2009), to ensure that the amount of compensation for damages was not excessively calculated in jury trials in the United States.

Relevant court decisions cited in the Second Edition				Negative about the SSPPU
2009	Cornell Univ. v. Hewlett-Packard	U.S. N.D. New York	01-CV-1974 (Non-SEP case)	
2012	LaserDynamics v. Quanta	U.S. CAFC	694 F.3d 51 (Non-SEP case)	
2013	In re Innovatio	U.S. E.D. Tex.	11-c-9308	
2014	Virnetx v. Cisco	U.S. CAFC	2018-1197	
2014	Ericsson v. D-Link	U.S. CAFC	773 F.3d 1201	
2015	CSIRO v. Cisco	U.S. CAFC	809 F.3d 1295	
2019	HTC v. Ericsson	U.S. E.D. Tex.	407 F. Supp. 3d 631	
2020	FTC v. Qualcomm	U.S. 9th Cir.	969 F.3d 974	Yes
2020	Nokia v. Daimler	Germany Regional Court of Munich	21 O 3891/19	Yes
2020	Sharp v. Daimler	Germany Regional Court of Munich	7 O 8818/19	Yes
2020	Conversant v. Daimler	Germany Regional Court of Munich	21 O 11384/19	Yes
Relevant court decisions not cited				Negative about the SSPPU
2020	Nokia v. Daimler	Germany Regional Court of Manheim	2 O 34/19	Yes
2021	HTC v. Ericsson	U.S. 5th Cir.	2019-40566	Yes

After that, some relevant court decisions were adopted in SEP lawsuits in the U.S., but it would appear that the trend of rulings was significantly changed by the decision on *FTC v. Qualcomm* in 2020.

It ruled: “No court has held that the SSPPU concept is a per se rule for ‘reasonable royalty’ calculations; instead, the concept is used as a tool in jury trials to minimize potential jury confusion when the jury is weighing complex expert testimony about patent damages.”

In addition, in the later decision on *HTC v. Ericsson* (2021), the court held that juries are also not obligated to adopt the SSPPU.

In Germany, argument for the SSPPU theory was dismissed in all decisions rendered in a series of lawsuits against Daimler in 2020.

As mentioned earlier, the JPO Guide was not originally meant to offer conclusions on issues. However, in light of its purpose, to organize and inform readers

of objective rules being formed globally, it may be desirable to find ways to enhance predictability for readers considering SSPPU claims. This could be done, for example, by chronologically introducing the content of rulings of relevant court decisions, that are now cited in the footnotes, in the main text.

5. Summary

In the above, I have looked at the nature of the JPO Guide, which has become difficult to understand due to its coexistence with the METI Guidelines.

The Second Edition was reviewed in regard to the four issues that became the topics of debate in the public consultation process and severe conflicts of interest and policy biases led to a disparity in objective information regarding these issues.

Nonetheless, information on important court decisions has been enriched, leading to a greater overall informational value of the JPO Guide.

If a business operator unfamiliar with SEP licensing conducts negotiations that challenge globally formed rules, there are business risks and a great risk of losing a lawsuit.

In order to enable readers to avoid such situations, the JPO Guide needs to organize and inform readers of objective rules being formed globally.

This will specifically enable implementers in non-ICT industries to avoid holdout risk, negotiate in good faith and make business predictions about the range of ideal FRAND royalties.

In the age of IoT, the demand for such is expected to continue to increase. The author asks the JPO to hold discussions with greater emphasis on court de-

cisions and to repeatedly revise the JPO Guide in the future.

(Notes)

- ¹ <https://www.jpo.go.jp/system/laws/rule/guideline/patent/document/seps-tebiki/guide-seps-en.pdf>
- ² <https://www.jpo.go.jp/e/system/laws/rule/guideline/patent/document/rev-seps-tebiki/guide-seps-en.pdf>
- ³ “It does provide a number of examples of what the JPO considers to be in good or bad faith.” (Lipsky, Abbott B. and Wright, Joshua D. and Ginsburg, Douglas H. and Yun, John M., The Japan Patent Office (JPO) Guide to Licensing Negotiations Involving Standard Essential Patents, Comment of the Global Antitrust Institute, Antonin Scalia Law School, George Mason University (April 9, 2018)), “Patent owners welcomed the guide when it was published, describing it as a clear and balanced summary of the real-life issues raised in licensing talks.” (“New JPO document on SEPs is a far cry from past controversial proposals, patent owners say” -- March 20, 2018 IAM)
- ⁴ <https://www.jpo.go.jp/e/system/laws/rule/guideline/patent/document/rev-seps-tebiki/guide-seps-en.pdf>
https://www.meti.go.jp/policy/mono_info_service/mono/smart_mono/sep/200421sep_fairvalue_hp_eng.pdf
- ⁵ <https://www.ip.courts.go.jp/eng/vc-files/eng/file/25ne10043full.pdf>
- ⁶ It is also the case in Germany. However, there is no case law in the country that examines the defendant’s activity after the complaint was filed and finds that it was a willing licensee.
- ⁷ Decision of the Mannheim District Court of August 18, 2020, on Nokia v. Daimler (2 O 34/19), Decision of the Munich District Court of September 10, 2020, on Sharp v. Daimler (7 O 8818/19), and Decision of the Munich District Court of October 30, 2020, on Nokia v. Daimler (21 O 3891/19)
- ⁸ Decision of the Munich District Court of May 19, 2022, on IP Bridge v. Ford (7 O 9572/21), decision of the Mannheim District Court of July 5, 2022 on Nokia v. Oppo (2 O 75/21, 2 O 95/21, 2 O 107/21, and 2 O 113/21), and decision of the Munich District Court of August 5 on Nokia v. OPPO (21 O 8891/21 and 21 O 8879/21)

- ⁹ An article in the morning edition of Nihon Keizai Shimbun on June 20, 2022:
<https://www.nikkei.com/article/DGXZQOUC019QP0R00C22A6000000/> (available only in Japanese)
- ¹⁰ <https://www.kantei.go.jp/jp/singi/titeki2/kettei/chizaikeikaku2022.pdf> (available only in Japanese)
- ¹¹ https://www.jpo.go.jp/resources/report/takoku/document/zaisanken_kouhyou/2022_0502.pdf (available only in Japanese)
- ¹² According to a study by a Belgian company, 4iP Council EU AISBL (<https://caselaw.4ipcouncil.com/>), as of September 10, 2022, the number of SEP-related decisions rendered in Europe after the decision on Huawei v. ZTE (EU, CJEU, 2015) is 46 in Germany, 13 in the United Kingdom, six in the Netherlands, five in France, two in Italy, one in Ireland, and one in Romania.