

---

# **GUIDE TO LICENSING NEGOTIATIONS INVOLVING STANDARD ESSENTIAL PATENTS**

2nd Edition  
(July, 2022)

**Japan Patent Office**

---



## TABLE OF CONTENTS

I. Purpose of the Guide.....	1
A. SEP Issues and Background.....	1
B. Nature of this Guide .....	4
II. Licensing Negotiation Methods .....	8
A. Good Faith.....	8
1. Step 1: Licensing Negotiation Offer from Rights Holder .....	11
2. Step 2: Expression from Implementer of Willingness to Obtain a License .....	15
3. Step 3: Specific Offer from Rights Holder on FRAND Terms .....	19
4. Step 4: Specific Counteroffer from Implementer on FRAND Terms .....	21
5. Step 5: Rejection by Rights Holder of Counteroffer/Settlement of Disputes in Courts or through ADR .....	23
B. Efficiency .....	27
1. Notification of a Timeframe .....	28
2. Parties to Negotiation in Supply Chain.....	29
3. Protecting Confidential Information .....	35
4. Choice of Patents Subject to Negotiation .....	37
5. Geographic Scope of Licensing Agreement .....	38
6. Patent Pool Licensing.....	41
7. Greater Transparency of SEPs .....	42
III. Royalty Calculation Methods .....	43
A. Reasonable Royalties .....	43
1. Basic Approach.....	43
2. Royalty Base (Calculation Base).....	45
3. Royalty Rate .....	49
a. Bottom-Up Approach .....	49
(a) Comparable Licenses Held by the Same Patent Holder .....	50
(b) Comparable Licenses Held by Third Parties .....	51
(c) Patent Pools.....	51
b. Top-Down Approach .....	52

4. Other Factors to Consider in Determining Rates .....	53
a. Number of Licensees that Agreed to the Royalty Rate .....	53
b. Scope of License .....	53
c. Essentiality/Validity/Infringement of Patent .....	53
d. Value of Individual Patents .....	54
e. Negotiating History .....	54
B. Non-discriminatory Royalties .....	55
1. Concept of Non-Discrimination .....	55
2. Royalties for Different Uses .....	56
C. Other .....	57
1. Fixed Rate and Fixed Amount .....	57
2. Lump-Sum Payment and Running Royalty Payments .....	57
3. Past Component and Future Component .....	58
4. Volume Discounts and Cap (Paid-up) .....	58
Postscript .....	59
Reference.....	61

## **I. Purpose of the Guide**

### **A. SEP Issues and Background**

*(Changes in Relation to Standards and Patents)*

The Guide to Licensing Negotiations involving Standard Essential Patents (“this Guide”) aims to enhance transparency and predictability, facilitate negotiations between rights holders and implementers, and help prevent or quickly resolve disputes concerning the licensing of standard essential patents (“SEPs”), which are the patents essential in implementing standards in the field of wireless communications and the like.

While a patent granting exclusive rights to a technology as compensation for disclosing an invention and a standard designed to spread a technology as widely as possible both help to promote innovation, the seeming contradiction between them also often gives rise to tension. That tension first became evident in the 1990s when telecommunications technologies started shifting to digital formats, accompanied by a trend toward standardizing the latest technologies even while protecting them with patents, resulting in SEP disputes.

With respect to SEP disputes, two issues which many are concerned about are “hold-up” and “hold-out,” and there is controversy between rights holders and implementers over which of the two is more serious.

“Hold-up” is a situation whereby businesses using SEPs are forced to accept disadvantageous terms of license due to the threat of injunction for infringement of patent rights after the companies are locked into using a standard. Legal precedents across the world seem to be converging toward permitting injunctions concerning FRAND-encumbered SEPs (i.e., SEPs for which a FRAND declaration has been made) only in limited situations. However, in cases when either party negotiates in bad faith, courts have continued to grant injunctions, and it can be said that hold-up remains an issue for implementers.

On the other hand, rights holders point to the issue of “hold-out,” whereby the rights holder makes an offer for licensing negotiations to the implementer, but the implementer fails to engage in negotiations in good faith by rejecting or delaying licensing negotiations, in anticipation that an injunction will be denied on SEPs.

There is still a gap between rights holders and implementers over "hold-up" and "hold-out," even as to whether they are a real problem or merely a concern.

Standards setting organizations (“SSOs”) have formulated policies concerning SEPs (“IPR policy”) designed to prevent disputes and promote the widespread use of the SEPs necessary for implementing technical standards. SSOs have endeavored to develop policies to ensure that SEP licenses are “fair, reasonable and non-discriminatory” (“FRAND”). These policies has encouraged companies and other parties participating in standardization to propose high-quality technologies to SSOs and has made a substantial contribution to the widespread adoption of standard technologies.

At the same time, there is a strong call for enhancing transparency in relation to the essentiality and validity of SEPs. For some SSOs,<sup>1</sup> if rights holders consider their patents may be or become SEPs during the standardization process, they need to declare their patents as SEPs to SSOs, but in such cases, some might overdeclare their patents as SEPs, including patents that are not actually essential. It is normal to declare patents as essential when they are still in the application phase and when the standard is not itself settled. A certain amount of overdeclaration is therefore inevitable. Some point out that such overdeclaration has been encouraged at least partly by the practice of determining royalties at least partly in proportion to the number of SEPs out of the total number held in relation to a certain standard. Some argue that overdeclaration is less problematic than underdeclaration where patents that should have been declared are not declared and technologies adopted for standards could not be implemented, or that a broad declaration shall be made to prevent inadequate declarations from being used as a defense in the future when rights are exercised.

SSOs typically do not check whether the patents declared by the rights holder as essential are in fact essential, or whether changes made to technical specifications during the standard creation process have made a patent inessential. In addition, there is no routine third-party review process at the stage of listing the declared patents.

---

<sup>1</sup> For example, the International Telecommunication Union (ITU).

*(Paradigm Shift in Licensing Negotiations)*

The spread of the Internet of Things (“IoT”) in recent years has spurred a fourth industrial revolution across the world whereby various types of infrastructure and devices are connected via the Internet, and this trend is transforming licensing negotiations for the SEPs required to implement standards related to wireless communication among devices.

SEP licensing negotiations in the Information and Communication Technology (“ICT”) field traditionally took place chiefly among ICT companies. Therefore, issues were commonly resolved through cross-licensing, and the practice was to conduct negotiations as necessary after the start of a service. In addition, coming from the same industry made it easier for the parties to assess the scope, essentiality, and value of each other’s patents, so they tended to share a similar perspective on reasonable license rates.

With the spread of IoT, however, companies from a whole spectrum of different industries have begun using ICT standards, and more companies have been brought to the negotiating table. Also, some companies that do not hold SEPs are entering the market. For example, in addition to those telecommunications companies holding SEPs, negotiations may now involve end-product manufacturers, such as automobile makers, as a main implementer of standard technology. In the future, companies from other industries may be involved in SEP licensing negotiations.

Further, there are now cases in which Patent Assertion Entities (“PAEs”) that are not engaged in business operations but rather generate revenue solely by asserting patents also become party to negotiations and disputes concerning SEPs.

As the parties to licensing negotiations become more diverse, various aspects of those negotiations too are changing. As noted above, with licensing negotiations now taking place between ICT companies and companies in other industries, it is becoming harder to resolve disputes through cross-licensing. In addition, divergent perspectives on essentiality and licensing rates are fostering unease over SEP-related negotiations and disputes.

*(Motivations for Creating this Guide)*

With companies from a broad spectrum of industries now finding themselves involved in SEP licensing negotiations, there is a call for appropriate information to

be provided to enable businesses not familiar with such negotiations to feel confident taking a seat at the negotiating table.

A considerable body of domestic and international legal precedents has begun to be accumulated in relation to SEP disputes, and government agencies around the world are developing guidelines and policy documents.<sup>2</sup> The concept of FRAND royalties too has been examined in a number of legal cases.

It would be useful to analyze these developments and identify elements that should be considered to achieve a balance between the interests of rights holders and implementers with respect to negotiation procedures and methods of calculating royalty rates.

## **B. Nature of this Guide**

The SEPs addressed in this Guide are those which the current or original rights holder has presented to an SSO as a FRAND-encumbered SEP.

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 summarize issues concerning licensing negotiations as objectively as possible based on the current state of court rulings,<sup>3</sup> the judgment of competition authorities, and licensing practices, etc.

When an injunction concerning a FRAND-encumbered SEP due to the infringement is limited, the legal basis varies from country to country according to their respective legal systems. Meanwhile, in many cases, it seems to have been different factual situations that have led courts in different countries to reach different conclusions. In recent years, there has been an accumulation of court

---

<sup>2</sup> In November 2017, the European Commission announced the European Commission Communication on Standard Essential Patent (SEP) Licensing (below, European Communication), urging SSOs to increase SEP transparency and indicating general principles in relation to FRAND licensing terms for SEPs. In February 2022, the European Commission commenced public consultation for the new initiative named “*new framework for standard-essential patents*”, which will build upon three policy pillars, i.e., “enhancing transparency on SEPs”, “providing clarity on various aspects of FRAND” and “improving effectiveness and efficiency of enforcement”.

<sup>3</sup> Although this Guide refers to judicial precedents in various countries, of course, a judgment in one country does not prejudice a decision in another.



decisions as to how parties should behave in SEP licensing negotiations based on the dedication to a factual inquiry into good faith negotiations.

In these circumstances, this Guide aims to offer an explanation of what actions companies can take to make it more likely for them to be recognized as “negotiating in good faith,” helping implementers to avoid an injunction and rights holders to secure appropriate compensation. This Guide also discusses how to engage in such negotiations efficiently.

In addition, this Guide presents factors to be considered when determining a reasonable royalty, but it is not “recipes” which can be used to automatically calculate an appropriate royalty. In other words, a solution cannot mechanically be produced by simply following this Guide. Given the diversity of SEP licensing negotiations and of the circumstances in which the parties to such negotiations are placed, a solution has to be worked out in each particular case. Not all the issues noted in this Guide will apply to all negotiations.

### **C. Recent Developments in SEPs and Background to Revision**

At the time when this guide was first developed in 2018, attention was focused on the preliminary ruling by the European Court of Justice (CJEU) in the case of *Huawei v. ZTE*, which provided a framework for good faith negotiations.<sup>4</sup> This guideline is also based on that framework for good faith (see II.A.).

However, since this framework did not specify issues such as the scope of information to be provided by the parties at each stage of negotiations and the response period, there have been various discussions to date.

For example, the European Court of Justice has not explicitly held, within the framework of good faith negotiations, whether the rights holder should provide a claim chart (see II.A.1.) to the implementer who is a party to the license negotiation.

On the other hand, the German Federal Supreme Court recognized, in its *Sisvel v. Haier* decision in 2020, that the provision of claim charts is sufficient as

---

<sup>4</sup> *Huawei v. ZTE* (EU, CJEU, 2015)

the information that a rights holder provides at the stage of “Licensing Negotiation Offer from Rights Holder”, but not mandatory, at least in that case.<sup>5</sup>

Under such circumstances, in 2022, Ministry of Economy, Trade and Industry of Japan (METI) established the "Good Faith Negotiation Guidelines for Standard Essential Patent Licenses", which set forth the norms of good faith negotiations to be followed by the rights holders and the implementers.<sup>6</sup> METI established this Guidelines, based on hearings and opinions solicited from domestic and foreign companies, as well as the results of the discussion at the study group attended by representatives from the industry and experts on intellectual property law and competition law, so that good faith negotiations between the parties may encourage early settlements and avoidance of unnecessary disputes, leading to the development of Japanese industries.<sup>7</sup>

In addition, governments have been engaging in various activities related to the SEPs, e.g., a series of public consultations on policy statements and new initiatives were conducted by the U.S.<sup>8</sup> U.K.<sup>9</sup> and EU<sup>10</sup> since the end of 2021.

---

<sup>5</sup> *Sisvel v Haier* (Germany, Supreme Court, 2020)

<sup>6</sup> *Good Faith Negotiation Guidelines for Standard Essential Patent Licenses* (METI, Japan, 2022)

<sup>7</sup> While *Good Faith Negotiation Guidelines for Standard Essential Patent Licenses* are the norms of good faith negotiations provided by the Japanese government, This Guide is a document objectively summarizing issues concerning licensing negotiations based on domestic and foreign facts (see I.B.). .,

<sup>8</sup>In the U.S., the Policy Statement on remedies for standard essential patents subject to voluntary F/RAND commitments (2013) was released in 2013. However, it was withdrawn, and new policy statement (2019) was released. After that, based on the Executive Order on Promoting Competition in the American Economy issued on July 9, 2021, after a change of the administration, in order to avoid the possibility of widening anti-competitive market power beyond the scope of patent rights and prevent the abuse of standards-setting process, the intersection of the intellectual property laws and anti-trust laws would be reviewed, including discussion on possible revisions to the past Policy Statements on SEPs. In December 2021, new draft Policy Statement was jointly released by U.S. DOJ, USPTO, and the National Institute of Standards and Technology (NIST) and public comments were requested. In June 2022, however, withdrawal of past policy statement (2019) was announced.

<sup>9</sup> In December 2021, UK Intellectual Property Office conducted consultation seeking views as to whether the SEPs framework is functioning efficiently and strikes the right balance for all entities involved.

<sup>10</sup>After European Communication in 2017, the publication of the report "*Pilot study for essentiality assessment of Standard Essential Patents*" in November 2020 and "*Contribution to the Debate on SEPs*" by SEPs Expert Group in February 2021, the European Commission commenced public consultation for the new  
(continued...)

Furthermore, in the first edition of this Guide published in 2018, it was pointed out that there was the “possibility” that whole spectrum of industries will be brought to SEP license negotiations. However, disputes over SEP license negotiations between different industries have surfaced, and litigation outcomes have accumulated (see II.B. 2.). There was also a case, which was newly referred to the CJEU for a cross-industry dispute related to the issue of the bargaining subject in the supply chain, although it was withdrawn later due to a settlement.<sup>11</sup>

In view of the increasingly active discussions on SEPs, including not only the companies which are potential parties to license negotiations, but also governments of various countries, it was decided to revise this Guide to ensure that the "appropriate information" provided by this Guide is up-to-date at this stage.

#### **D. Measures toward Transparent Guide**

In formulating this Guide in 2018, we invited the submission of proposals in autumn 2017, receiving around 50 responses from Japan and abroad. We also called for public comments for about one month in spring 2018, receiving around 50 comments from Japan and abroad. In addition, we engaged in discussions with experts from industry, academia and law, who offered many valuable comments and insights.

In revising this Guide, we established a study group of experts in FY2021 to conduct research and study and to prepare a draft revision by conducting interviews with around 40 people in Japan and abroad. Subsequently, we called for public comments in early summer of 2022, receiving around 20 comments were received from Japan and abroad.

In this way, this Guide has been established with those involved in the discussion of standard essential patents.

With the environment surrounding SEP licensing negotiations continuing to transform, we continuously review and revise this Guide as appropriate in an open and transparent process so that it continues to evolve and remains “living.”

---

initiative named “*new framework for standard-essential patents*” in February 2022. Commission adoption is scheduled in the fourth quarter 2022.

<sup>11</sup> In *Nokia v Daimler* (EU, CJEU, 2021), the referral was made to the CJEU as to whether there is an obligation to license suppliers on a priority basis, but the referral was withdrawn later.

## II. Licensing Negotiation Methods

### A. Good Faith

Although FRAND means “fair, reasonable and non-discriminatory”, there are two aspects to FRAND: (1) the negotiation process itself and (2) the terms of the resulting license. While the purpose of licensing negotiations is to determine whether a license is necessary, and, if so, the appropriate licensing terms, it is the negotiation process that impacts on whether or not an injunction is justified. Therefore, this chapter will address the first aspect of FRAND.

When patent rights are infringed, rights holders may in principle exercise their right to seek an injunction. When implementers intend to obtain a license on FRAND terms in good faith, however, court decisions around the world are consistent in imposing limitations on granting injunctions to owners of FRAND-encumbered SEPs.<sup>12</sup> There are independent and overlapping legal mechanisms by which this is achieved.

One is contracts. The rights holder gives a commitment to the SSO to grant licenses on FRAND terms. In some countries, that commitment, is contractually binding between the SSO and the rights holder, and the contract will be governed by a particular law (e.g. French law in the case of a contract with ETSI<sup>13</sup>). The laws of those countries permit a third party to enforce a contract where it is for the benefit of that party, so a third-party implementer can insist upon a rights holder granting it a license on FRAND terms. If the rights holder does not do so, or does not offer FRAND terms, it is in breach of contract, and it will be prevented from enforcing its patent accordingly.

Another is competition law. Where it is found that a rights holder has abused a dominant position, this constitutes a violation of competition law.

---

<sup>12</sup> However, as the result of considering the negotiation process, some court rulings have allowed an injunction (*St. Lawrence v. Deutsche Telekom and HTC* (Germany, district court, 2015), *NTT DoCoMo v. HTC* (Germany, district court, 2016), *St. Lawrence v. Vodafone and HTC* (Germany, district court, 2016), *Unwired Planet v. Huawei* (UK, Supreme court, 2020)).

<sup>13</sup> European Telecommunications Standards Institute

There is also a mechanism that draws on the legal principle of the abuse of rights.<sup>14</sup>

What, then, is regarded as a demonstration of good faith? While the way in which licensing negotiations are progressed needs to be determined among the parties on a case by case basis and with regard to the laws and rulings of the country or countries in which the patent will be implemented, the 2015 decision by the Court of Justice of the European Union (“CJEU”) in the case between Huawei and ZTE<sup>15</sup> in particular has attracted wide attention. It provided a “framework for good faith negotiations” between rights holders and implementers by identifying actions which each of the parties should take at each stage of the licensing negotiations. This framework details the rules of negotiations from the perspective of competition law in Europe, and not every court decision in each country follows this framework. In fact, some court decisions<sup>16</sup> determined that this framework was not mandatory, but a standard of behavior against which both parties’ behavior can be measured. Nevertheless, the framework is still considered to be a useful approach in terms of encouraging good faith negotiations whereby rights holders may fulfill their FRAND obligations and implementers may minimize their risk of an injunction, regardless of the differences among jurisdictions in the legal bases for stipulating the negotiation rules for FRAND-encumbered SEPs. Referencing this framework, the Ministry of Economy, Trade and Industry of Japan (METI) established the Good Faith Negotiation Guidelines as the norms to be followed by the rights holders and implementers.<sup>17</sup>

The framework, however, does not provide specific details about negotiations, such as the scope of information that the parties should submit at each stage of the negotiation and the period given to make a response. In recent years, some court

---

<sup>14</sup> In Japan, a FRAND declaration made by an SEP rights holder to an SSO is not regarded as a contract for a third-party beneficiary (i.e., an implementer), and the rights holder is regarded as having the obligation to negotiate in good faith with the third party (the implementer) under the principle of good faith prescribed by civil law. If this obligation is not met, the exercise of injunction rights may be restricted as an abuse of rights (*Apple v. Samsung* (Japan, IP high court, 2014)).

<sup>15</sup> *Huawei v. ZTE* (EU, CJEU, 2015)

<sup>16</sup> *Sisvel v Haier* (Germany, Supreme Court, 2020), *Unwired Planet v. Huawei* (U.K., Supreme Court, 2020).

<sup>17</sup> *Good Faith Negotiation Guidelines for Standard Essential Patent Licenses* (METI, Japan, 2022)

decisions in each country determined some specific details, but there are still unclear parts.<sup>18</sup> While some parties regard the lack of specific detail as increasing the flexibility of negotiations, others suggest that it undermines the predictability of licensing negotiations.

More specific details about a “framework for good faith negotiations” may be determined through the accumulation of court rulings over the coming years, but under these circumstances, this Guide has drawn on the framework presented by the CJEU and informed by court decisions in various countries, actual practices in SEP disputes and the norms established by the governments in listing more specific issues relating to actions that parties may take at each stage of licensing negotiations.

It should be noted that simply satisfying the various elements noted in this Guide provides no guarantee of recognition of good faith. Rather, a comprehensive assessment of the negotiating process as a whole needs to be made in each case.

The manner in which negotiations are progressed should be determined among the parties on a case by case basis. Nonetheless, one example is as follows:

[*Steps of the Licensing Negotiation Process*]<sup>19</sup>

Step 1: Licensing Negotiation Offer from Rights Holder

Step 2: Expression from Implementer of Willingness to Obtain a License

Step 3: Specific Offer from Rights Holder on FRAND Terms

Step 4: Specific Counteroffer from Implementer on FRAND Terms

Step 5: Rejection by Rights Holder of Counteroffer/Settlement of Dispute in Court or through ADR

---

<sup>18</sup> In *Sisvel v Haier* (Germany, Supreme Court, 2020), the court made judgment based on the framework presented by the CJEU. The court stated that when a rights holder offered a licensing negotiation, but if it took several months for an implementer to express its willingness to obtain a license, such silence would mean no interest in the license. Based on this, the court ruled that an implementer who did not respond to licensing negotiation offer for one year did not have intention to obtain a license. Nonetheless, the court did not clarify specifically how long a period to respond to the offer should be allowed.

<sup>19</sup> It is not intended to suggest that each of the five steps is necessarily mandatory in every case. Steps may vary according to the particular case.

## 1. Step 1: Licensing Negotiation Offer from Rights Holder

*(Overview)*

In general, if an implementer is suspected to have infringed patent rights, the rights holder may initiate negotiations with the implementer by specifying the relevant patents and identifying how those patents were or are being infringed.<sup>20 21</sup> In some cases, an entity that manages a framework enabling patents held by multiple rights holders to be licensed efficiently in a single transaction (“patent pool”) may negotiate in place of the rights holder.

It is common for the rights holder to substantiate the grounds for the infringement by providing to the implementer, among other things:<sup>22 23</sup>

- (1) Documents identifying the SEPs (list of patent numbers, the names of the standards at issue, the geographical scope of patents, etc.); and
- (2) Documentation mapping claims of the SEPs to the standards and/or products (claim charts, etc.).

When a rights holder holds large numbers of SEPs, the parties sometimes discuss limiting the negotiations to key patents so as to rationalize the negotiation process (refer to II.B.4.).

*(Documentation Mapping Claims of the SEPs to the Standards and/or Products)*

Rights holders provide documentation to implementers at the start of negotiations so that implementers can see how the SEP claims map to standards and/or their own products. It is common for rights holders to use claim charts to

---

<sup>20</sup> The framework in *Huawei v. ZTE* (EU, CJEU, 2015) suggests that the rights holder first alerts the alleged infringer of their infringement by identifying the patents and specifying the way they have been infringed.

<sup>21</sup> In the field of telecommunications, although implementers often start a negotiation only after receiving an invitation to license from a rights holder, because of the large number of SEPs and/or patentees, it may be useful for parties to refer to the framework of this Guide even if such negotiations are initiated by the implementer before it launches business operations.

<sup>22</sup> Besides these, there is a view that rights holders may demonstrate their good faith by, for example, presenting evaluations by third-party experts and examples from past cases, etc.

<sup>23</sup> In some cases including where the SEP has a substantial licensing history, the implementer may decide that such substantiation for the patent infringement is unnecessary.

indicate the correlation between products that are actually manufactured and patent claims.

Claim charts may be useful for implementers in analyzing whether they are infringing the SEPs. Meanwhile, by presenting claim charts, the rights holders may demonstrate that they are providing information in good faith to implementers.

When patents are SEPs and the details of patent claims are consistent with standards documents, and if the implementers advertise that their products conform to the applicable standards, the act of indicating the correspondence between patent claims and standards may be sufficient. Thus, mapping patent claims to actual products may not always be necessary.<sup>24</sup> <sup>25</sup> “Good Faith Negotiation Guidelines for Standard Essential Patent Licenses” of METI provides, as the norms to be followed by rights holders and implementers, that when a SEP holder makes the licensing offer, the SEP holder should provide, either voluntarily or at the implementer’s request, information indicating that the implementer’s products comply with the standard and claim charts mapping patent claims to that standards element by element (When there is a large number of the subject patents, the claim charts are made for representative patents.).<sup>26</sup>

Some claim charts explain the connection between claim terminology and the corresponding features of the standards documents or products. In some cases, rights holders may claim that the explanation includes confidential information. In such situations, the parties may conclude a confidentiality agreement (non-disclosure agreement) in licensing negotiations. (Refer to II.B.3.)

---

<sup>24</sup> In *Fujitsu v. Netgear* (U.S., CAFC, 2010), the court stated that if an accused product operates in accordance with the standards, then comparing the claims to the standard is the same as comparing the claims to the accused product. The court also stated that if the relevant section of the standard is optional, standards compliance alone would not establish that the accused infringer chooses to implement the optional section.

<sup>25</sup> In *Sisvel v. Haier* (Germany, Supreme Court, 2020), the court stated that it would be sufficient to identify infringed patents and how these patents have been infringed and that it would not be necessary to give a detailed explanation about alleged infringement. The court also stated that claim charts would be sufficient as documentation to be presented but not mandatory. This indicates that in some court decisions, the act of not presenting claim charts might not be perceived immediately as acting in bad faith.

<sup>26</sup> *Good Faith Negotiation Guidelines for Standard Essential Patent Licenses* (METI, Japan, 2022)



While both claims and standards documents are made public and are not in themselves confidential, rights holders tend to require the conclusion of confidentiality agreements as a condition for providing claims charts on the grounds that the correspondence between claim terminology and standards documents and the interpretation thereof constitute confidential information. Implementers, on the other hand, tend to argue that in cases where claim charts only provide a simple comparison between claim terminology and standards documents, the charts do not constitute confidential information and should not be subject to a confidentiality agreement.

If a rights holder demands that an implementer enter into a confidentiality agreement as a condition for providing claim charts even when the rights holder can prepare claim charts that do not include confidential information, this may increase the likelihood of the rights holder being perceived as acting in bad faith. On the other hand, if an implementer demands that a rights holder provide detailed claim charts that do include confidential information while refusing to conclude a confidentiality agreement, this may increase the likelihood of the implementer being perceived as acting in bad faith.<sup>27</sup>

*(Documents Demonstrating the Essentiality of SEPs)*

When a rights holder and an implementer cannot agree on the essentiality of a patent, they may obtain an analysis from an independent evaluator (an independent company or organization that provides the service of reviewing patents for essentiality). In April 2018, the JPO started a system, in which a panel in the Trial and Appeal Department provides an advisory opinion with no legally binding force on the essentiality of a patented invention (advisory-opinion system to determine the essentiality of SEPs). In July 2019, the system was revised so that the system would be more useful for the users.

Declaration documents, in which rights holders made a FRAND declaration to SSOs, are based on the rights holders' technical assessment that the patents are essential, but not assessment by a neutral third party.

---

<sup>27</sup> “*Good Faith Negotiation Guidelines for Standard Essential Patent Licenses*” of METI provides, when the rights holder provides the claim charts mapping patent claims to standards element by element, it is desirable that the rights holder does not include them in the scope of a non-disclosure agreement if requested by the implementer, while it also provides this shall not apply when the claim charts include non-public information.

*(Notes on Rights Holders' Actions)*

The following are examples of actions by a rights holder that may increase the likelihood of the rights holder being perceived as acting in bad faith:

- (1) Demanding injunctive relief before or immediately after sending a warning letter to the implementer, or immediately after opening a negotiation;
- (2) Not clarifying how SEPs are being infringed, e.g., providing documents identifying the SEPs and the standards, when offering licensing negotiations to an implementer<sup>28</sup>;
- (3) Claiming that it will not provide documentation mapping SEP claims to the standards and/or products to the implementer unless the implementer concludes a confidentiality agreement, even though the documentation does not include confidential information;
- (4) Making an offer that sets a time limit that does not allow a reasonable period of time for consideration; or
- (5) Not disclosing the content of a portfolio to the implementer (the technologies, number of patents, regions, etc., covered by the portfolio).

Some argue that the information which the rights holder needs to provide additionally so that the implementer can garner the necessary information for negotiations is less extensive in the case of a patent license once granted to the implementer that has since expired than in the case of concluding a new licensing agreement.<sup>29, 30</sup>

---

<sup>28</sup> In *Sisvel v. Haier* (Germany, Supreme Court, 2020), the court held that presenting claim charts would not be mandatory.

<sup>29</sup> In *Unwired Planet v. Huawei* (UK, high court, 2017), the high court ruled that the details of necessary notifications and prior discussions would depend on the conditions of each case. This was supported also by the decision of the U.K. Supreme Court in 2020.

<sup>30</sup> There is a view, however, that it may require attention because the patent portfolio of the SEP licensor may have changed significantly (e.g., patents have been added to the portfolio or have expired).

## 2. Step 2: Expression from Implementer of Willingness to Obtain a License

(Overview)

When an implementer receives an offer from a rights holder for licensing negotiations, it may help to mitigate risk for the implementer not to leave that offer unanswered even if it does not agree with the rights holder's offer, but instead to respond in good faith.<sup>31 32</sup>

After receiving documents such as those identifying the SEPs and claim charts from the rights holder, if the implementer concludes that it needs to obtain a license for the SEPs, it may express its willingness to conclude a licensing agreement with (that is, to obtain a license from) the rights holder. Some court held that this willingness should be gauged by the implementer's actions rather than words—in other words, not just the expression of willingness but evidence of this in the way that the implementer approaches negotiations.<sup>33</sup>

Some hold the view that, when an implementer receives an offer from a rights holder for licensing negotiations, the implementer should promptly express its willingness to obtain a license even if discussions are still being conducted about essentiality, validity, and infringement, reserving the right to challenge these issues.<sup>34</sup> Others take the view, however, that parties should first conduct discussions about essentiality, validity, and infringement before the implementer expresses its willingness to obtain a license.

---

<sup>31</sup> In *Huawei v. ZTE* (EU, CJEU, 2015), the court stated that the alleged infringer should diligently respond to the SEP holder's offer, in accordance with recognized commercial practices in the field and in good faith, this being a matter that must be established on the basis of objective factors and which implies, in particular, that there are no delaying tactics.

<sup>32</sup> In *Sisvel v. Haier* (Germany, Supreme Court, 2020), the court determined that an obligation at the stage of specific offer from rights holder on FRAND terms (refer to II.A.3) would not arise until an implementer clearly expresses its willingness to obtain a license.

<sup>33</sup> In *Sisvel v. Haier* (Germany, Supreme Court, 2020), the court stated that the implementer needs to clearly express its willingness to conclude a licensing agreement on FRAND terms and to cooperate with the rights holder for a licensing negotiation.

<sup>34</sup> In *Unwired Planet v. Huawei* (U.K., High Court, 2017) and *Sisvel v. Haier* (Germany, Supreme Court, 2020), a licensee having willingness to obtain a license should be a person having willingness to obtain a FRAND license regardless of whatever actual FRAND terms are.

*(Countermeasures by Implementers)*

In practice, a rights holder and an implementer in licensing negotiations may not see eye-to-eye, and may fail to reach an agreement on essentiality, validity or infringement. In such cases, the implementer can express its willingness to obtain a license without waiving its right to challenge these issues.<sup>35 36</sup> Also, “Good Faith Negotiation Guidelines for Standard Essential Patent Licenses” of METI provides, as the norms to be followed by rights holders and implementers, that even if the implementer expresses the willingness to obtain a license under FRAND terms while reserving to challenge the essentiality, validity, or infringement of the subject patents in the negotiation process as appropriate, its willingness to obtain a license under FRAND terms in good faith is not denied.<sup>37</sup>

Some argue that an implementer may still challenge, for example, the following issues on patent rights for which it intends to obtain a license:

- (1) Whether the patents are truly essential;
- (2) Whether the patents are valid;
- (3) Whether the implementer has infringed these patents;
- (4) Whether the patent rights are enforceable<sup>38</sup>;
- (5) Whether the entity who has exercised its rights is the true holder of the patents; and
- (6) Whether the patents have not been exhausted.<sup>39</sup>

---

<sup>35</sup> In *Huawei v. ZTE* (EU, CJEU, 2015), the court stated that an implementer “cannot be criticized either for challenging, in parallel to the negotiations relating to the grant of licenses, the validity of those patents and/or the essential nature of those patents to the standard ... or for reserving the right to do so in the future” and the court did not cause implementers to waive their defenses, even while indicating their willingness to take a license.

<sup>36</sup> In *Apple v. Samsung* (Japan, IP high court, 2014), although the implementer Apple insisted that its product did not infringe and argued that the patent was invalid, the court found Apple to be willing to obtain a license.

<sup>37</sup> *Good Faith Negotiation Guidelines for Standard Essential Patent Licenses* (METI, Japan, 2022)

<sup>38</sup> Under U.S. law, patents can be held unenforceable if the rights holder engages in inequitable conduct before the United States Patent and Trademark Office by, for example, withholding material information with the intent to deceive (*Therasense v. Becton* (U.S., CAFC, 2011)).

<sup>39</sup> Nonetheless, in *LG v. TCL* (Germany, District Court of Mannheim, 2021), the implementer presented a counteroffer of licensing terms including a condition to exclude products,  
(continued...)

When implementers challenge the issues identified above, as specific grounds of such positions, for example, it is useful for them to provide, among other things:

- (1) Documents that provide the basis for the implementers' refutation that they do not infringe the subject patents;
- (2) Prior art that serves as grounds for invalidating the patents;
- (3) Technical information that provides the basis for the argument that patents are not essential; and
- (4) Documentation that provides the basis for the argument that patent rights are not enforceable.

*(Reasonable Amount of Time for Response)*

When reference materials provided by rights holders to implementers are not sufficient, it may serve to mitigate risk for the implementers to promptly request the rights holders to provide such materials.

The reasonable amount of time needed for the implementer to express its willingness to obtain a license after receiving such information from the rights holder may vary depending on various factors, such as the number of patents at issue, the complexity of the technology, the level of knowledge the implementer may have about the technology, any prior relationship, business transactions, and the state of a dispute on essentiality, validity, and infringement between the parties.

If there are relatively few patents at issue and the implementer is familiar with the technology, it may be reasonable, in some cases, for the implementer to express its willingness to obtain a license in a relatively short period of time.

On the other hand, if there are a significant number of patents at issue and the implementer is unfamiliar with the technology, several months or more may be a more reasonable time frame. For example, when a SEP-implementing component supplied by a third party is used in an end product, the end product manufacturer, if involved in the negotiations on the implementers' side, may need to obtain technical details about that component from the third-party supplier and thus may need more

---

for which the patents were exhausted, from the calculation of the license fees, but the court held that the counteroffer would not satisfy FRAND terms because it reserves a right to be exempted from the payment of the license fees by raising the issue of patent exhaustion.

time to respond. If the initial substantive response requires more time, it may help to mitigate risk for the implementer to notify the rights holder and explain the specific reasons for the extra time needed so that it is not perceived as a deliberate delay (refer to II.B.1.).

*(Notes on Implementers' Actions)*

The following are examples of actions by an implementer that may increase the likelihood of the implementer being perceived as acting in bad faith:

- (1) Not giving any reason for a very late reply or refusing to negotiate at all, even while continuing to use the infringing (or potentially infringing) technology<sup>40</sup>;
- (2) Claiming it will not start negotiation unless all grounds for essentiality and validity of the SEPs are first provided;
- (3) Unreasonably delaying negotiations by, for example, persistently demanding that the rights holder provide information that cannot be disclosed due to a confidentiality agreement(s) with others;
- (4) Completely refusing to conclude a confidentiality agreement, while demanding that the rights holders provide claim charts, including detailed claim interpretations containing confidential information,<sup>41</sup> or making repeated revisions to confidentiality agreement conditions to delay negotiations;
- (5) Repeatedly making meaningless responses; or
- (6) Colluding with multiple other implementers in obstinately refusing to obtain a license on the grounds that others have not obtained it.

Even when the implementer deems that the reference materials provided by the rights holder are insufficient, making no response at all may increase the likelihood of the implementer being viewed as acting in bad faith. In such a case, it

---

<sup>40</sup> In *Apple v. Motorola* (U.S., CAFC, 2014), the court stated that an injunction may be justified where an infringer unilaterally refuses a FRAND royalty or unreasonably delays negotiations to the same effect.

<sup>41</sup> In *Sisvel v. Wiko* (Germany, District Court of Mannheim, 2019), the court stated that the fact of the implementer's refusing to conclude a confidentiality agreement with the rights holder was a sign that the implementer had no intention to negotiate a licensing agreement with the rights holder. Also, the court held that this response of the implementer fell under the act of delaying tactics and that the implementer was a bad faith licensee.

may help to mitigate risk for the implementer to respond to the rights holder at least by, for example, requesting specific and necessary reference materials.

When discussions about essentiality, validity, and infringement of the SEPs are still ongoing, it may not necessarily be viewed as acting in bad faith if an implementer does not promptly express its willingness to obtain a license. On the other hand, some courts have ruled that implementers should promptly express their willingness to obtain a license while reserving their right to challenge issues of essentiality, validity, and infringement of SEPs.<sup>42 43</sup> Thus, from the perspective of minimizing the risk of injunction, it would be safer for an implementer to express its willingness to obtain a license at an early stage of the negotiations while reserving its right to challenge issues of SEP essentiality, validity, and infringement.

### **3. Step 3: Specific Offer from Rights Holder on FRAND Terms**

*(Overview)*

If an implementer has expressed its willingness to obtain a license, the rights holder may promptly present to the implementer a written offer for a license on FRAND terms. In addition to indicating its royalty calculation method (refer to III.), the rights holder normally presents specific grounds explaining why the offer is on FRAND terms. This is done for an implementer to determine whether the presented terms are reasonable and non-discriminatory.<sup>44 45</sup> Nonetheless, in some court

---

<sup>42</sup> In *Sisvel v. Haier* (Germany, Supreme Court, 2020), the implementer responded to a licensing offer by the rights holder after one year passed from the offer. The court stated that if the implementer did not reply for several months, this would mean no interest in the license and that the implementer had no intention to obtain a license. Also, in the ruling, the court stated that the implementer needs to express its willingness to obtain a license without claiming any conditions, such as a condition that it would obtain a license only when the court recognizes the validity of patents and the fact of patent infringement.

<sup>43</sup> *Huawei v. ZTE* (EU, CJEU, 2015).

<sup>44</sup> “*Good Faith Negotiation Guidelines for Standard Essential Patent Licenses*” of METI provides that the rights holder should provide specific license terms, including royalties, to the implementer and that, in addition to explaining how the royalties are calculated, the rights holder should explain that the license terms are FRAND by using appropriate information such as information concerning third-party licenses, royalty rates of patent pools, and court cases so that the implementer can objectively understand that the license terms are FRAND.

<sup>45</sup> In *Philips v. Archos* (Germany, district court, 2016), since the royalty calculation method was not included in the FRAND offer, the right to seek injunctive relief was not upheld.

decisions, the court stated that such obligation would not arise until an implementer clearly expresses its willingness to obtain a license.<sup>46</sup>

For portfolios containing a large number of SEPs, even in cases where a rights holder presents a royalty offer based on comparable licensing terms accepted by the market, it may still be helpful for that rights holder to provide an explanation with specific grounds sufficient for the implementer to determine whether the terms are reasonable and non-discriminatory.

Such specific grounds may include<sup>47</sup>:

- (1) An explanation of how the rights holder calculates royalties<sup>48</sup> (sufficient for the implementer to objectively understand that the terms presented satisfy the FRAND obligation.<sup>49</sup>) ; or
- (2) A list of comparable licenses and their terms, if any,<sup>50</sup> (including royalties paid to, or received from, other companies for equivalent technologies, royalties by patent pool, etc., which may or may not be disclosed depending on the terms of confidentiality in licensing agreements with other companies) (refer to II.B.3. and III.A.3.a.).

*(Notes on Rights Holders' Actions)*

The following are examples of actions by a rights holder that may increase the likelihood of the rights holder being perceived as acting in bad faith:

---

<sup>46</sup> *Sisvel v. Haier* (Germany, Supreme Court, 2020).

<sup>47</sup> For example, rights holders may also be able to present prices of products or components that are used as the basis of the royalty calculation, the ownership ratio of the rights holders relative to the total number of SEPs related to the standard, and the date of expiration of patents.

<sup>48</sup> In *Sisvel v. Haier* (Germany, high court, 2016), the court stated that the rights holder needed to show the factors that formed the basis of its royalty calculation. (Although this ruling itself was reversed by the Supreme Court in 2020, this part was not denied.)

<sup>49</sup> In *NTT DoCoMo v. HTC* (Germany, district court, 2016), the court stated that the rights holder needed to make it possible for the implementer to understand that the offer satisfied FRAND terms based on objective criteria.

<sup>50</sup> In *Sisvel v. Haier* (Germany, high court, 2016), the court stated that if there is a license program of the same quality and scope as the portfolio, it is necessary to make a comparison with that program. (Although this ruling itself was reversed by the Supreme Court in 2020, this part was not denied.)



- (1) Seeking an injunction against an implementer who has expressed its willingness to obtain a license on FRAND terms before offering a license on those terms, for the purpose of gaining leverage in the licensing negotiations;<sup>51 52</sup>
- (2) Sending letters warning that the rights holder will seek injunctive relief (cease-and-desist letters) to business partners of an implementer who has expressed its willingness to obtain a license on FRAND terms, despite ongoing negotiations<sup>53</sup>;
- (3) Presenting an initial offer that is clearly unreasonable given court rulings and comparable licensing terms, and sticking to that offer during the negotiation process<sup>54</sup>; or
- (4) Not explaining how the royalty is calculated or not demonstrating that the license offer is on FRAND terms.

#### **4. Step 4: Specific Counteroffer from Implementer on FRAND Terms**

*(Overview)*

If an implementer disagrees with the proposed FRAND terms presented by a rights holder, the implementer may provide a FRAND counteroffer. When presenting such a counteroffer, in addition to indicating the royalty calculation method (refer to III.), the implementer normally indicates specific grounds

---

<sup>51</sup> In *Realtek v. LSI* (U.S., federal district court, 2013), the court stated that seeking injunctive relief before offering a license on FRAND terms is a breach of contractual obligations.

<sup>52</sup> In *Microsoft v. Motorola* (U.S., court of appeals for the ninth circuit, 2012), the court stated that seeking injunctive relief in a related case in Germany before the decision of the U.S. court is “vexatious or oppressive”.

<sup>53</sup> In *Imation v. One-Blue* (Japan, district court, 2015), the court stated that it is an announcement of a falsehood and falls under unfair competition to notify a customer of the implementer who expresses its willingness to obtain a license on FRAND terms that the rights holder can seek injunctive relief.

<sup>54</sup> Nonetheless, in *Microsoft v. Motorola* (U.S., federal district court, 2012), the court stated that since a FRAND declaration anticipates that the parties will negotiate toward a FRAND license, it logically does not follow that the initial offers must be on FRAND terms but must comport with the implied duty of good faith and fair dealing inherent in every contract. Also, in *Unwired Planet v. Huawei* (UK, high court, 2017), the court stated that offers in a negotiation that involve rates higher or lower than the FRAND rate, but do not disrupt or prejudice the negotiation, are legitimate.

demonstrating that its counteroffer is on FRAND terms. This is done for a rights holder to determine whether the presented terms are reasonable and non-discriminatory.<sup>55</sup>

Such specific grounds may include:

- (1) An explanation of how the royalty presented by the implementer is calculated (sufficient that the rights holder can objectively understand that the terms presented satisfy the FRAND obligation); and
- (2) A list of comparable licenses and their terms, if any (including royalties paid to, or received from, other companies for equivalent technologies, royalties by patent pool, etc. They may or may not be disclosed depending on the terms of confidentiality agreements) (refer to II.B.3. and III.A.3.a.)

*(Reasonable Amount of Time for Response)*

The reasonable time period from when an implementer receives an offer on FRAND terms from a rights holder until the implementer presents a counteroffer is determined on a case by case basis. When the technologies of the SEPs are not complicated, the implementer may present its counteroffer in a relatively short period of time. When technological complexity or other issues require a certain amount of work to prepare a response, it may be deemed reasonable for an implementer to respond in several months or more.

Factors that may determine what constitutes a reasonable amount of time to provide a counteroffer include: the number of patents at issue, the complexity of the technology, the number and type of products at issue, whether any comparable royalty rate exists, and whether the parties are negotiating a worldwide license or regional license (refer to II.B.1).

---

<sup>55</sup> “*Good Faith Negotiation Guidelines for Standard Essential Patent Licenses*” of METI provides that the implementer should provide specific license terms, including royalties, as a counteroffer to the rights holder and that, in addition to explaining how the royalties are calculated, the implementer should explain that the license terms are FRAND by using appropriate information such as information concerning third-party licenses<sup>15</sup>, royalty rates of patent pools, and court cases so that the rights holder can objectively understand that the license terms are FRAND.

*(Notes on Implementers' Actions)*

The following are examples of actions by an implementer that may increase the likelihood of the implementer being perceived as acting in bad faith:

- (1) Not providing any counteroffer on FRAND terms after a rights holder has presented specific grounds showing that its proposed licensing terms are FRAND<sup>56</sup>;
- (2) Presenting an initial counteroffer that is clearly unreasonable given court rulings and comparable licensing terms, and sticking to that counteroffer during the negotiation process<sup>57</sup>; or
- (3) Not explaining how a proposed royalty is calculated or not demonstrating that the counteroffer is on FRAND terms.

An implementer who does not provide a counteroffer on FRAND terms may not immediately be viewed as being in bad faith when further discussions are needed to determine the technical relationship between the subject patents and the standards as well as the validity of the patents, or when a rights holder does not provide any specific offer on FRAND terms or the basis thereof.

## **5. Step 5: Rejection by Rights Holder of Counteroffer/Settlement of Disputes in Courts or through ADR**

*(Overview)*

Generally, negotiations proceed through a process of offer and counteroffer between rights holders and implementers, but if a rights holder rejects a counteroffer from the implementer and the parties fail to reach an agreement, and if one or both parties does not wish for time to go by without agreement being reached, they may be able to address their dispute in court.<sup>58</sup>

---

<sup>56</sup> In *Apple v. Motorola* (U.S., CAFC, 2014), the court stated that an injunction may be justified when an implementer unilaterally refuses a FRAND royalty or unreasonably delays negotiations to the same effect. In *NTT DoCoMo v. HTC* (Germany, district court, 2016), the court granted injunctive relief where the implementer did not respond or make a counteroffer for 1.5 years after receiving the FRAND offer and six months after the filing of the court action.

<sup>57</sup> See Footnote 54.

<sup>58</sup> In *Realtek v. LSI* (U.S., federal district court, 2013), the court stated that if a putative implementer refuses to pay what has been determined to be a FRAND royalty, or refuses to engage in a negotiation to determine FRAND terms, an injunction could be appropriate.

As an alternative to litigation, the parties may agree to settle their disputes through Alternative Dispute Resolution (ADR), such as mediation or arbitration.

*(Utilization of ADR)*

Since it may be unrealistic for a court to determine the essentiality, validity, and infringement of dozens, or potentially even hundreds, of SEPs, a rights holder may choose several of its important patent rights to bring to court. Some argue that the greater procedural flexibility of ADR such as mediation and arbitration makes it more effective in terms of promptly settling SEP disputes over a large number of domestic and international patents.

Unless used as a tool to intentionally delay negotiations or increase cost, ADR may be a more prompt and more cost-effective approach, compared to a lawsuit.<sup>59</sup> <sup>60</sup> In addition, parties have more flexibility in setting their own rules and procedures. As an example, parties can agree that arbitrators will make decisions only on royalties for SEPs on FRAND terms, without considering the essentiality and validity of the SEPs.<sup>61</sup>

In particular, an international arbitration process may be used to reach a single settlement globally as arbitral awards overseas are recognized and enforced under the New York Convention.

Some consider, however, that there are demerits to the use of ADR. For example, ADR requires prior agreement between the disputing parties, which means that disagreements over procedures can become protracted; it is difficult to

---

<sup>59</sup> Although forms of ADR such as arbitration may not be quicker and more cost effective than litigation in every case, there is a view that arbitration has numerous benefits over litigation with respect to efficiency (*Benefits of Arbitration for Commercial Disputes*, American Bar Association).

<sup>60</sup> For example, in the International Arbitration Center in Tokyo (IACT: established in 2018), arbitrators and mediators selected from major jurisdictions around the world will resolve international disputes over IP rights within one year from the official start of the arbitration procedure, unless otherwise agreed by concerned parties.

<sup>61</sup> There are many ways parties can structure ADR, including authorizing a neutral (or panel of neutrals) to decide certain discrete issues or make non-binding recommendations as to those issues.

determine the validity of patent rights through ADR; and the content of ADR is undisclosed and thus lacking transparency.

Some argue that proposing or accepting the use of ADR could be considered as evidence of good faith in negotiations, while others regard it as a rather weak indicator of good or bad faith in most cases. Either way, while the refusal of ADR options may not immediately be viewed as bad faith, continuing to do so was raised as one of elements to consider bad faith in some cases.<sup>62</sup>

*(Security Offered by Implementers)*

Under the framework presented in the CJEU decision in the case between *Huawei v. ZTE*, the court stated that when an alleged infringer has used SEPs before concluding any licensing agreements, from the time its counteroffer is refused, the alleged infringer is required to provide appropriate security in accordance with recognized commercial practices in the field, for example by providing a bank guarantee or by placing the necessary amounts on deposit. It also stated that “[t]he calculation of that security must include, inter alia, the number of the past act of use of the SEP, and the alleged infringer must be able to render an account in respect of those acts of use.” This is based on the idea that it would be contradictory and therefore unfair for the implementer to assert its willingness to pay the license fee but actually fail to do so even while using the patent.

Although providing such security may be a factor in considering good faith, an implementer’s failure to offer security may not necessarily increase the likelihood of being viewed as bad faith in regions outside Europe, such as Japan and the United States. There is a view, however, that where an implementer lacks the financial capability to meet its financial obligations under a license ultimately to be concluded, the implementer could be viewed as acting in bad faith for not providing appropriate security.

There is also a view that the provision of security gives both parties the incentive to negotiate in good faith.

*(Exercise of Right to Seek Injunction)*

Around the world, there has been an accumulation of legal precedents concerning SEP-related injunctions. Most courts have imposed limitations on the

---

<sup>62</sup> In *Huawei v. Samsung* (China, Shenzhen intermediate court, 2018).

exercise of the right to seek an injunction against implementers who have responded in good faith, and have determined that it would be appropriate for a rights holder to be allowed to exercise its right to seek an injunction when implementers have responded in bad faith during the negotiation process.

Nonetheless, grounds for restricting the rights of SEP owners to seek injunctions vary by country. For example, there have been cases in which the exercise of the right to seek an injunction was restricted based on, in the United States, the requirements for seeking injunction, as detailed in the decision by the Supreme Court in the *eBay* case and the contractual effects of FRAND declarations to SSOs on third parties<sup>63</sup>; in the U.K., the contractual effects of FRAND declarations to SSOs on third parties<sup>64</sup>; in Europe, a violation of the Competition Law by the rights holder's abuse of its dominant position<sup>65</sup>; and in Japan, the rights holder's abuse of patent rights.<sup>66</sup>

Also, competition authorities in Japan and Europe have suggested that demanding an injunction against an entity that is willing to obtain a license on

---

<sup>63</sup> In the United States, in general, an injunction (35 U.S.C. 283) takes into account the four requirements identified in *eBay v. MercExchange* (U.S., Supreme Court, 2006). A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available under the common law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. Regarding SEPs, in both *Microsoft v. Motorola* (U.S., federal district court, 2013) and *Apple v. Motorola* (U.S., CAFC, 2014), the court regarded the FRAND commitments to the SSO as a contract between the rights holder and the SSO for a third-party beneficiary, and did not grant injunctive relief because the rights holder did not satisfy one of the factors in *eBay* (U.S., Supreme Court, 2006), namely "that it has suffered an irreparable injury," because the contract between the two parties enabled the rights holder to obtain relief via the royalty paid by the implementer. In *Apple v. Motorola*, parties' attitudes toward negotiations are also considered as a factor.

<sup>64</sup> In *Unwired Planet v. Huawei* (U.K., high court, 2017), the court stated that the contractual effect of the FRAND declaration to an SSO will extend to third parties. This was supported also by the decision of the Supreme Court in 2020.

<sup>65</sup> In *Huawei v. ZTE* (EU, CJEU, 2015), the court identified the steps that the rights holder must take before seeking injunctive relief, such as alerting the implementer or presenting a specific, written offer for a license on FRAND terms. The court held that if the implementer improperly delays after these steps are taken by the rights holder, an injunction will not violate competition law and seeking injunctive relief will be justified.

<sup>66</sup> In Japan, there is no provision that limits an injunction in general, but regarding FRAND encumbered SEPs, in *Apple v. Samsung* (Japan, IP high court, 2014), seeking injunctive relief against a person who is willing to obtain a license was deemed to be an abuse of rights.

FRAND terms may be a violation of competition law.<sup>67</sup> The competition authority in the United States does not agree that this conduct comprises the basis for a competition violation,<sup>68</sup> although it might be reviewed after the change of administration.<sup>69</sup> Attention must be paid to the future trends of how the authorities in each country respond to this situation.

## **B. Efficiency**

To conduct licensing negotiations smoothly, efficiency is also important along with good faith. The following sections address key points that should be considered for the efficient conduct of FRAND-based negotiations.

### *[Factors for Efficient Negotiation]*

1. Notification of a Timeframe
2. Parties to Negotiation in Supply Chain
3. Protecting Confidential Information
4. Choice of Patents subject to Negotiation
5. Geographic Scope of License Agreement
6. Patent Pool Licensing
7. Greater Transparency of SEPs

---

<sup>67</sup> See, for example, *Motorola v. Apple* (EU, EC, 2014); *Samsung v. Apple* (EU, EC, 2014); “Guidelines for the Use of Intellectual Property under the Antimonopoly Act” (The Japan Fair Trade Commission, 2016).

<sup>68</sup> Makan Delrahim, then Assistant Attorney General (2017-2021), Antitrust Division, U.S. Department of Justice (DOJ), stated as a view of the DOJ that “it is just as important to recognize that a violation by a patent holder of an SSO rule that restricts a patent-holder’s right to seek injunctive relief should be appropriately the subject of a contract or fraud action, and rarely if ever should be an antitrust violation.”

<sup>69</sup> For example, in the U.S., based on the Executive Order on Promoting Competition in the American Economy issued on July 9, 2021 after a change of the administration, in order to avoid the possibility of widening anti-competitive market power beyond the scope of patent rights and prevent the abuse of standards-setting process, the intersection of the intellectual property laws and anti-trust laws would be reviewed, including discussion on possible revisions to the past Policy Statements on SEPs. In December 2021, new draft Policy Statement was jointly released by U.S. DOJ, USPTO, and the National Institute of Standards and Technology (NIST) and public comments were requested. However, it was announced that the 2019 Policy Statement was withdrawn and that conducts by rights holders or implementers will be reviewed on a case-by-case basis to determine if either party is engaging in anticompetitive practices.

## 1. Notification of a Timeframe

For negotiations to proceed smoothly, it is desirable for the parties to notify each other of the overall expected timeframe as well as the timeframe required for each of the stages identified in II.A above.

The negotiation timeframe may vary widely. Factors that may be considered in setting reasonable expectations for a timeframe may include, but are not limited to: the number of patents at issue, the complexity of the technology, the number of different products and types/nature of the products at issue, matters pending in the courts or patent offices that relate to issues underlying the negotiation (e.g., essentiality and validity), and the number of licenses the patent owner has already granted for the SEPs.

In the case that an implementer seeks to secure a relatively long negotiation timeframe, there is a view that the specific grounds need to be explained to the rights holder to gain their understanding.

Naturally, as discussions proceed, there may be events that require the timeframe to be changed. Nonetheless, discussing and clarifying the expected timeframe early on can enable both parties develop a shared sense of the likely negotiation timeframe.<sup>70</sup>

In particular, with product lifecycles becoming shorter, there is some concern that prolonged negotiations could prevent the timely recovery of the investment that would allow for investment in next-generation technologies. Some argue that protracted negotiations may also lead to engineers and other resources that should have been channeled into R&D instead being used for negotiations, creating a major burden.

Meanwhile, when the negotiation timeframe is unreasonably short, there is some concern that due to the lack of sufficient time to appropriately evaluate the essentiality and validity of patents and the terms of license, implementers are forced

---

<sup>70</sup> While the overall negotiation timeframe will vary by case, some suggest as a rough reference to what timeframe needed for prompt completion might look like that complex cross licenses with vast portfolios might complete in 12 months, one-way licenses with fewer SEP families at stake in 9-12 months, and simple one-way licenses with a few patents in 6-9 months. Others suggest that much longer period is necessary. On the other hand, there is also a view that any numerical benchmark for negotiation timeframes should not be provided.



to agree licensing terms one-sidedly claimed by rights holders. Also, some argue that it may cause price hike of products and negatively impact the adoption and use of standard technologies especially if licensing terms are not FRAND.

While some consider that notifying the estimated length of time for licensing negotiations may increase the likelihood of that party being perceived as acting in good faith, others suggest that not doing so will not necessarily be perceived as bad faith, observing that it is difficult to estimate length of time for licensing negotiation in some cases.

## **2. Parties to Negotiation in Supply Chain**

*(Overview)*

With the spread of IoT, the use of standards has become more common. One issue which is often raised is which entities in the manufacturing supply chain should be parties to licensing agreements (e.g., component suppliers versus end-product manufacturers). There may not be a problem in selecting the parties to a negotiation as long as the parties can agree based on industry practices. Problems may arise, however, if, for example, a component installed in the end product implements a SEP.

While the level of the main parties to negotiations should be determined on a case by case basis, in the interests of, for example, making license management easier, rights holders generally tend to want to conclude license agreements with the end-product manufacturer.<sup>71</sup> On the other hand, the end-product manufacturer tends to want the supplier that has the most technical knowledge on the subject component to be the party involved in negotiating and concluding the licensing agreement. This tendency is especially evident in industries where the general practice is for the supplier to accept a patent indemnification agreement that puts the burden of licensing fees on the supplier.

---

<sup>71</sup> While some argue that the reason that rights holders want to negotiate with end-product manufacturers is that they hope they will be able to gain more royalties that way, just as licensing rates change according to the basis of calculation (refer to III.A.2.), licensing rates too change according to where the main parties to the negotiation stand in the supply chain (lower for end-product manufacturers and higher for component suppliers), leading some parties to suggest that negotiating with end-product manufacturers does not necessarily produce more royalties.

*(Implementer Who Will be the Party to Licensing Negotiations)*

In general, the rights holder is in the position to decide with which party in the supply chain it signs an agreement, e.g., end-product manufacturer, component manufacturer, or sub-component manufacturer.

Meanwhile, there is some debate globally on whether FRAND-encumbered SEPs should be licensed to anyone who desires to obtain such a license.<sup>72 73 74</sup>

There are some end-product manufacturers that consider it discriminatory and contrary to FRAND commitments if the rights holder refuses to grant a license to the supplier manufacturing the component when it requests a license. There is also the opinion from the supplier's perspective that if only the end-product manufacturer receives a license, the supplier's access to the patented technology is limited to subcontracted manufacturing, which inhibits the supplier's spontaneous product development. On the other hand, some consider it inappropriate for the end-product manufacturer to refuse negotiations when the rights holder requests it to obtain a license. In recent years, in some countries, the court recognized cases in which rights holders may negotiate with end-product manufactures as the party to the licensing

---

<sup>72</sup> The idea that rights holders must license all entities wishing to obtain licenses regardless of the level in the supply chain is commonly referred as “license to all.” On the other hand, the idea that the FRAND declaration is not a requirement for licensing to all parties using standard technology but is rather a mechanism to ensure that those who want to use standard technology can access that technology is commonly referred as “access for all.” Further, some argue that “access for all” means that it is enough to ensure access to standard technologies and does not require access to a license. This opinion is said to conflict with the idea of “license to all.”

<sup>73</sup> In 2015, the Institute of Electrical and Electronics Engineers (IEEE) amended its patent policy to state that rights holders should be willing to make licenses available to anyone who requests a license. Objections to this amendment have been made by rights holders (IEEE-SA Standards Board Bylaws (2015)). Also, in *Apple v. Samsung* (Japan, IP High Court, 2014), the court held, regarding the language of the ETSI’s IPR policy, that the FRAND declaration is not literally deemed a firm license grant because, compared with other possible wordings, the expression is not definitive and contemplates further actions by the declarant.

<sup>74</sup> Some say that the parties to a licensing agreement should be decided based on the concept of “license to all.” (*Guide to Fair Value Calculation of Standard Essential Patents for Multi-Component Products* (METI, Japan, 2020)).

negotiations.<sup>75</sup> <sup>76</sup> In one of these cases, the referral was made to the CJEU, seeking preliminary ruling as to whether they had an obligation to license suppliers on a priority basis.<sup>77</sup> Nonetheless, since the initial litigations reached settlement, the referral was withdrawn, and the CJEU did not provide any views in this regard. Meanwhile, there are some cases in which suppliers conducted negotiations as the party and obtained a license.<sup>78</sup>

In addition, some argue that if the essential part of the patented invention is used only in the components provided by the supplier, it is appropriate for the supplier to be the party to the licensing negotiations. Others argue that if the standards are for the end product, and when the essential part of the patented invention contributes to the end product, it is appropriate for the end-product manufacturer to be the party in licensing negotiations.

In any case, since there is a risk that injunctive relief against infringement may be granted against entities regardless of whether they are suppliers or end-product manufacturers if no entity in the supply chain obtains the license, all supply chain entities need to be aware of the status of conclusion of licensing agreements.

---

<sup>75</sup> Examples include *Nokia v. Daimler* (Germany, District Court of Mannheim, 2020) and *Sharp v. Daimler* (Germany, District Court of Munich, 2020), and *Conversant v. Daimler* (Germany, District Court of Munich, 2020). For example, in *Sharp v. Daimler*, since the end-product manufacture claimed that the rights holder should grant a license to the supplier manufacturing the component, the court determined that the end-product manufacture had no intention to obtain a license. Also, the court stated that the rights holder had no obligation to grant a license to all of the component manufactures and that it would be enough to set so-called have-made rights to ensure access to the patented technologies.

<sup>76</sup> In *Continental v. Avanci* (U.S. District Court of Northern Texas, 2020), it was claimed that the patent pool violated the antitrust laws because it granted a license only to the end-product manufacturer. The court held that the patent pool did not violate the antitrust laws because each company that joined the pool was allowed to grant a license individually. In *Continental v. Avanci* (U.S., 5th Cir. 2022), the court held that the supplier did not have standing under the competition law because the patent pool and rights holders were licensing the patents to the end-product manufacturers, and the supplier was not required to take license individually.

<sup>77</sup> In *Nokia v Daimler* (EU, CJEU, 2021), the referral was made to the CJEU as to whether there is an obligation to license suppliers on a priority basis, but the referral was withdrawn later.

<sup>78</sup> In July 2020, for a portfolio covering automobile parts, Huawei was reported to obtain a license from Sharp. Also, in September 2020, it was released that u-blox obtained a license from Sisvel.

*(Arguments from the Standpoint of Number of Players)*

Some argue that having the end-product manufacturer involved in negotiations is most efficient, in that the licensing negotiations can then cover all the components contained in a product and consequently minimize the number of necessary negotiations as well as reduce negotiation costs, while also avoiding issues such as discrepancies in the licensing terms between suppliers.<sup>79</sup>

On the other hand, others suggest that there may also be cases in which including suppliers in the negotiations is more efficient, such as when a small number of suppliers are supplying components to a large number of end-product manufacturers, and the rights holders can minimize the number of negotiations by conducting licensing negotiations with such suppliers.<sup>80</sup>

*(Arguments from the Standpoint of Exhaustion and Double Earnings)*

It is generally considered that when a product that is protected by a patent is placed legitimately on the market by a rights holder or a licensed implementer, the patent is exhausted, so the rights holder may not exercise its rights against someone who has purchased the product.<sup>81</sup> In this connection, if a rights holder concludes

---

<sup>79</sup> One view is that where SEPs are not limited to a component (i.e., a portfolio of SEPs covering more than just one component), it may be unnecessarily complicating to include component suppliers in negotiations because that will result in splitting up or sub-categorizing the portfolio.

<sup>80</sup> When standard technologies are incorporated in components provided by supplier, some argue that conducting licensing negotiations with the supplier can reduce the transaction costs from the perspective of the number of players. That is because the entire portfolio can be comprehensively licensed to the supplier.

<sup>81</sup> In the United States, when a component manufacturer has a patent license and an end product incorporating the licensed component is sold, it may not be possible to obtain a royalty from the end-product manufacturer because the patent is exhausted by the first sale of the component (*Quanta v. LG* (U.S., Supreme Court, 2008)). That is, a sold component may exhaust patents to a larger product when the component “substantially embod[ies] the essential features of the patent when the only reasonable and intended use [of the component] is to practice the patent [in the larger product].” On the other hand, in *Apple v. Samsung* (Japan, IP High Court, 2014), the court stated that when rights holders sell components (indirectly-infringed goods) used only for manufacturing the end product (a patented product), the patent is exhausted while when a third party is manufacturing the end-product using that component, the patent is not exhausted for the

(continued...)

licensing agreements with multiple suppliers within a single supply chain, some are concerned that it may become unclear which right has been exhausted, and could more readily lead to the issue of double earnings by the rights holder or underpayment to the rights holder. Others argue that such issues may be avoided by conducting licensing negotiations with the end-product manufacturer.<sup>82</sup>

Another view, however, is that end-product manufacturers face difficulties in ascertaining the status of licensing agreements concluded upstream and in identifying a double-earnings issue, and therefore that the involvement in negotiations of those parties manufacturing components included in the technical scope of patent rights is valuable in terms of avoiding the double-earnings issue.

*(Arguments from the Standpoint of Technical Knowledge)*

Some argue that where an end-product manufacturer without detailed knowledge of the technologies involved is the main party to the negotiation, they will need to coordinate with all their suppliers throughout the negotiation process, which may lengthen the process and also push up the cost. Accordingly, they argue that it may be more efficient for those suppliers of technologies that fall within the scope of the patent claims, who consequently have the necessary technical knowledge, to be party to licensing negotiations.

Conversely, there is also a suggestion from the perspective of rights holders wishing to negotiate with end-product manufacturers that it is possible to acquire information on the technical content from the suppliers without involving them in the negotiations.

*(Sharing the Burden of Licensing Fees)*

When the rights holder requests payment of licensing fees after the product is sold, how this payment burden should be distributed within the supply chain sometimes becomes an issue.

---

act of the manufacture and the use and assignment of the patented product, and the patent rights are enforceable, other than a case in which an implied license is allowed.

<sup>82</sup> In *Sharp v. Daimler* (Germany, District Court of Munich, 2020), the component manufacture did not use all the patents, and all patents of the portfolio were not exhausted at the level of the component manufacture. Therefore, from the perspective of using the license fees more effectively, granting a license to the end-product manufacture is said to be supported.

There are certain industries in which a patent indemnification agreement may be concluded whereby the supplier shoulders the payment of licensing fees. In such situations, even when the license fee negotiated by the end-product manufacturer as the party is excessive and disproportionate to the price of the component, the supplier may be requested to bear the burden.<sup>83</sup>

To avoid such a situation, some patent indemnification agreements exempt SEPs. Some argue that, in order to avoid an excessive burden on suppliers, licensing fees should be apportioned out across the supply chain according to the essential parts of the invention within the scope of the patent claim.

Others suggest that it may be reasonable to incorporate in a patent indemnification agreement a provision to exempt the supplier from responsibility to pay the licensing fee if the supplier was not given the chance to be involved in the licensing negotiations. Some have also suggested that it might be reasonable to include a provision that exempts suppliers from the responsibility to pay more than an amount corresponding to the price of the component. Another opinion is that if suppliers are required to shoulder licensing fees, the price for their components should reflect the technical value of the SEP.

---

<sup>83</sup> There has been a ruling that where suppliers party to patent indemnification agreements do not meet their obligation to provide end-product manufacturers with the necessary documents, etc., they should shoulder part of the licensing fee paid by the end-product manufacturer to the rights holder. In *Softbank v. Kanematsu* (Japan, IP High Court, 2015), the terms of the sales contract between the supplier and the end-product manufacture stipulated a provision that “when a dispute arises between the supplier and a third party due to IP rights infringement on goods, the supplier will settle the dispute at its expense and by its own responsibility, or will cooperate with the end-product manufacturer not to cause any inconvenience to the manufacture. The court found that there was a reasonable causal relationship between the supplier's violation of this provision and the amount of damages equivalent to the license fee paid by the end-product manufacturer to the patentee. However, at the time when the end-product manufacturer paid the license fee, while there was no immediate risk of a lawsuit including an injunction demand, the end-product manufacturer neither confirmed the existence of infringement, nor asked the basis of calculation of the license fee and did not consider restraining the supplier. As a result, the end-product manufacturer was found to be at fault with regard to the occurrence of damages. As a result of offsetting the fault, the supplier's burden was limited to a part of the payment amount which the end-product manufacturer paid to the patentee.

### **3. Protecting Confidential Information**

*(Overview)*

A confidentiality agreement (non-disclosure agreement) ensures that information that is sensitive from a business or technical perspective and that is disclosed during negotiations is not disclosed in turn to a third party. By concluding a confidentiality agreement, the parties may find it easier to disclose sensitive information, thus leading to a more efficient licensing negotiation.

On the other hand, a party should take care in the wording of a confidentiality agreement to avoid the risk of being prevented from presenting information later in court as proof of good faith negotiations.

*(Confidential Information of the Implementers)*

Potentially confidential implementer information might include business-related information (e.g. market forecasts and sales information, etc.), and technical information about the implementer's products that is not publicly available.

If the rights holder exercises SEPs over products or methods of manufacture not open to the public, an implementer may want to consider whether to disclose proprietary technical information (such as blueprints of semiconductors or software source code) in order to counter effectively the specific grounds for infringement presented by the rights holder.

By contrast, if the allegedly infringing product which is the subject of the negotiations is one which the rights holder can obtain to assess whether there is an infringement of its patents, such as a general-purpose mechanical invention, it may be apparent from inspection of the product whether it practices the patent(s), and the disclosure of confidential technical information by the implementer may not be required.

When the subjects of discussion are centered on the correspondence between patent claims and the standard documents, there may be cases where the implementer does not need to disclose confidential technical information regarding the product.

*(Confidential Information of Rights Holders)*

Potentially confidential rights holder information might include an explanation of claim terminology and the corresponding sections in the standard documents (refer to II.A.1.), and the terms of comparable licenses, such as the rate or the amount used to explain and support a FRAND offer.

*(Provisions for a Confidentiality Agreement)*

When concluding a confidentiality agreement, the following are examples of provisions that may be discussed depending on the circumstances of each negotiation:

- (1) Which information needs to be kept confidential
- (2) Who will receive confidential information
- (3) How will confidential information be marked
- (4) Whether orally communicated information will be covered
- (5) The duration of the agreement
- (6) Whether information can later be used in litigation as a defense
- (7) The duration of the confidentiality obligation
- (8) Information exempted from confidentiality (information within the public domain and legitimately acquired information, etc.)

“Good Faith Negotiation Guidelines for Standard Essential Patent Licenses” of METI provides, as the norms to be followed by rights holders and implementers, that the rights holder should not preclude the implementer from disclosing the information provided by the rights holder to the suppliers, attorneys, patent attorneys, etc., if the implementer needs their knowledge to proceed with its own licensing negotiations.<sup>84</sup>

*(Maintaining Confidentiality of the Process, Content, and Result of the Licensing Negotiations)*

The parties may also consider setting forth confidentiality provisions applicable to the process, content, and result of the licensing negotiations. On the one hand, facts such as what kind of information has been disclosed at what point in a series of negotiations is often important in reading other parties’ thinking on and

---

<sup>84</sup> *Good Faith Negotiation Guidelines for Standard Essential Patent Licenses* (METI, Japan, 2022)



approach to business and to patents, and parties often want complete confidentiality, to the extent that even the existence of a resulting license agreement is confidential, so as to ensure against, for example the deliberate choice of only certain parts of the negotiation proceedings for disclosure.

On the other hand, the existence and the content of the licensing agreement are sometimes not treated as confidential so that the agreement may be assessed as a “comparable license” in the future. The parties may want to consider, in view of the above, for example, whether all terms and the existence of an agreement will be confidential, whether only its monetary terms will be confidential, or whether only sales volume information (e.g., past sales) will be confidential, etc.

#### **4. Choice of Patents Subject to Negotiation**

Whether licensing negotiations are conducted on a portfolio basis or by patent is determined by the parties on a case by case basis. SEP licensing negotiations are often conducted as portfolio negotiations from the standpoint of a comprehensive settlement.

When rights holders possess a large number of SEPs, however, the parties may discuss limiting the subject of the negotiation to “representative” patents so as to streamline the negotiation process. When doing so, there is a view that it may be desirable for the parties to explain the reason for selecting the patents as representative.

As an example, in a case involving several hundred SEPs, the parties may hold discussions on just part of those patents deemed the most valuable, or select random samples to efficiently assess the total value. They might also independently categorize the patents into tiers, analyze the top few from each tier to get an idea of the topology of the overall portfolio’s quality, and get together to compare results. In such cases, one view is that it is an efficient approach in terms of administration to conclude licensing agreements as a single package which also cover those SEPs that were not the subject of discussion.

The parties may also discuss whether the negotiations will include non-SEPs in addition to SEPs.<sup>85</sup> While it is up to the parties to choose which particular patents

---

<sup>85</sup> It should be kept in mind that licensing negotiations where rights holders seek to cover non-SEPs in addition to SEPs do not conflict with the “tying” of competition law, provided that  
(continued...)

will be included, it may, for example, be efficient to include in the negotiation a commercially essential patent (a patent for which there exists a technical alternative but which is practically inescapable due to cost/performance issues)<sup>86</sup> or non-SEPs. There are also cases of licensing through frameworks whereby implementers can choose which SEPs they wish to license.<sup>87</sup>

## 5. Geographic Scope of Licensing Agreement<sup>88</sup>

With regard to the geographic scope of a license, parties generally consider whether a license will be limited to particular regions or globally applicable. When setting the geographic scope, the parties may want to consider on a case by case basis whether the implementer is producing or selling products in multiple regions throughout the world, as well as how many patents the rights holder holds and the strength thereof, in those jurisdictions.

Some argue that, given the international distribution of ICT and other standard technologies, it would be more efficient to address SEPs in all countries and regions in which an implementer may produce and/or sell its products in future in addition to those countries and regions where it currently does so.<sup>89</sup> There is also a view that global licensing agreements allow easier and more efficient license management, as, for example, they do not require agreements to be amended if the implementer

---

rights holders do not use their market power to coerce payment for non-SEPs. There is a view that portfolio licensing can be efficient under competition law principles and that such licensing efficiencies have the potential to outweigh competition concerns associated with tying. (U.S. Dep't of Justice and Federal Trade Commission, Antitrust Guidelines (2017))

<sup>86</sup> Certain SSOs explicitly rule out the concept of commercial essentiality in their IPR policies, defining essentiality solely on a technical basis (patents covering a technology must be a technical or engineering matter).

<sup>87</sup> For example, in some patent pools, SEPs are divided into basic functions and options, and the implementer can choose the scope of the SEP which they wish to license.

<sup>88</sup> There are various discussions about courts setting licensing terms globally. In *Unwired Planet v. Huawei* (U.K., Supreme Court, 2020), since the ETSI's IPR Policy assumes global licensing terms, the U.K. court stated that it has jurisdiction to set FRAND licensing terms globally. Meanwhile, in *TCL v. Ericsson* (U.S., federal district court, 2017), the court set the licensing terms globally, because of the fact that the TCL, the implementer, had already agreed to allow the court to set global licensing terms. That decision was vacated on appeal in 2019 since it was not submitted to a jury. (Same below in a footnote regarding the same decision.)

<sup>89</sup> In *Unwired Planet v. Huawei* (U.K., high court, 2017), the court found it reasonable to address SEPs in all countries and regions in which the implementers currently produce and/or sell and/or may do so in future. This was supported also by the decision of the Supreme Court in 2020.

expands its business geographically. Others argue that an implementer may well conclude a licensing agreement covering only those countries or regions where it is operating or has a concrete plan to operate.

Also, there are some cases of global licenses granted on different licensing terms for different regions.<sup>90</sup>

If the implementer is producing and/or selling its product in multiple regions, there is a view that where the implementer requests a licensing agreement for patent rights only in such specific countries/regions with consideration to the specific circumstances of the patents in each, care should be taken to prevent this from turning into a delaying tactic in the negotiations.

(Reference: International Jurisdiction)

Regarding the geographical scope of licensing agreements, jurisdiction of international litigations of SEPs is introduced as reference.

Patent rights are independent in each country, and in applying the Patent Law to patent rights, the principle of territoriality may be appropriate. For jurisdiction of international litigations, whether or not the jurisdiction is appropriate shall be determined, apart from the territoriality principle. In this regard, for example, in the EU, the courts in each country must determine the validity and infringement of patent rights in an EU country.<sup>91</sup> Meanwhile, in some

---

<sup>90</sup> In *Unwired Planet v. Huawei* (UK, high court, 2017), the court found that licenses granted on FRAND terms are global, while taking regional differences into consideration, it showed different royalty rates among different markets. In *TCL v. Ericsson* (U.S., federal district court, 2017), the court divided regions into the United States, Europe, and the rest of the world and set the royalty rates globally. It should be noted that certain entities disagree with the authority of a court to set license terms outside of its jurisdiction when one of the parties questions whether it is within the court's authority to set such terms.

<sup>91</sup> For example, in the EU, based on Article 24 (4) of the EU Rule 1215/2012, the courts in the registered countries are said to have jurisdiction on the validity of patents. Since this is also applied to defenses of patent invalidation in infringement litigations (*GAT v. Luk* (EU, CJEU, 2006)), infringement litigations are to be conducted in countries where the patent rights were registered.

court rulings, the court in a country can decide licensing fees for SEP portfolios, even though the portfolios contain foreign patents.<sup>92 93</sup>

Meanwhile, when the results of litigations and the enforcement of court ruling in foreign countries are recognized to have certain impacts on litigations in other countries, orders to prohibit launching and continuing litigations and enforcing judgments in foreign countries (Anti-Suit Injunction) are issued in some cases.<sup>94 95</sup>

However, there are some cases where an order is issued prohibiting ASI in the foreign country (Anti-ASI),<sup>96</sup> or where the court determines bad faith assertion made pursuant to an ASI claim.<sup>97</sup>

Regarding the international jurisdiction, some argue that ASI could restrict the exercise by rights holders of their exclusive rights and create barriers to legitimate trade and early settlement is desirable.

---

<sup>92</sup> *Unwired Planet v. Huawei* (U.K. Supreme Court, 2020).

<sup>93</sup> *OPPO v. Sharp* (China, Shenzhen Intermediate Court, 2020). This ruling was supported by the Supreme People's Court in 2021.

<sup>94</sup> In 2020, for example, ASI was granted in following cases; *Huawei v. Conversant* (China, Supreme People's Court, 2020), *Xiaomi v. InterDigital* (China, Wuhan Intermediate Court, 2020), *ZTE v. Conversant* (China, Shenzhen Intermediate Court, 2020), *OPPO v. Sharp* (China, Shenzhen Intermediate Court, 2020), *Samsung v. Ericsson* (China, Wuhan Intermediate Court, 2020)

<sup>95</sup> Regarding ASI, there are various activities such as the request of consultations from the EU to China in the dispute settlement process of the WTO and attention should be paid to the future trends.

<sup>96</sup> For example, *InterDigital v. Xiaomi* (India, Delhi High Court, 2020), and *IP Bridge v Huawei* (Germany, District Court of Munich, 2021).

<sup>97</sup> *InterDigital v. Xiaomi* (Germany, District Court of Munich, 2021).

## 6. Patent Pool Licensing<sup>98</sup>

In patent pools, wide participation by rights holders and implementers may produce licensing terms that balance the interests of both, which may boost the efficiency of licensing negotiations compared to individual bilateral negotiations amongst multiple parties.

Where a rights holder participates in a patent pool, it is often seen in practice that rights holder approaches licensing negotiations with implementers through the body managing the patent pool.

Additionally, patent rights that are registered in a pool are normally checked to some extent for essentiality by a third party. Although this does not necessarily guarantee essentiality, it is expected that it may lead to greater SEP transparency.

On the other hand, there are some cases where standard-related licensing issues cannot be resolved in one patent pool, such as where there are rights holders granting licenses individually, where there are multiple patent pools, or where there are companies holding other patents such as commercially essential patents.

Some point out that patent pools do not necessarily improve efficiency if rights holders who grant licenses individually participate in the patent pool, as this may cause double royalty earnings on the part of such rights holders. Because of this, some patent pools establish mechanisms to prevent double royalty earnings.<sup>99</sup>

Implementers aiming to resolve disputes through cross licensing must bear in mind that this will not be possible with bodies managing patent pools that are not implementing the invention. There is also a view that patent pool participation does not rule out cross licensing, and that an implementer can simply pay the royalties of those pool members with which it does not have a cross licensing agreement.<sup>100</sup>

---

<sup>98</sup> Refer to III.A.3.a.(c) on the licensing terms for pooled patents.

<sup>99</sup> For example, in the case that an implementer already has a licensing agreement with a rights holder, there are agreements whereby the royalty amount that is already allocated to the rights holder is subtracted from the royalty amount set for the pool.

<sup>100</sup> In some patent pools, an agreement is concluded between two companies after the allocated amounts are paid.

## 7. Greater Transparency of SEPs

Enhancing transparency in regard to the essentiality and validity of SEPs leads to more efficient licensing negotiations. The European Communication expects SSOs to promote the development of databases with information on SEPs.<sup>101</sup> It also expects rights holders to provide information on SEPs to SSOs, so the SSOs can then update their information.

With SSOs building up databases and widely providing information on SEPs, it will become easier for rights holders to present that their offers are FRAND. Also, it will also become easier for implementers to obtain information on SEPs related to relevant standards.

On the other hand, there is also a view that rights holders may need to be compensated for the cost of boosting transparency and the possibility of their own patents being deemed inessential or invalid that is inherent in enhancing SSO databases, so as not to reduce the motivation to participate in standardization.

---

<sup>101</sup> The European Communication urges SSOs to improve the quality of their SEP database in order to enhance transparency on SEPs and refers to launching a pilot project on the standard essentiality of SEPs.

### III. Royalty Calculation Methods

As mentioned earlier, there are two aspects of FRAND: (i) the negotiation process itself and (ii) the terms of a license. This chapter will address the second aspect of FRAND.

FRAND licensing terms include not only royalties but also non-monetary aspects such as cross-licensing, but because there are no established criteria for reasonable and non-discriminatory royalties in SEP licensing negotiations, the parties often disagree on the appropriate royalty on FRAND terms.

Therefore, this chapter will address royalty calculation methods in detail, based on standard practices and the framework indicated by past court rulings. It should be noted, however, that this Guide only identifies issues that may be considered in relation to calculation methods and does not direct any particular way for parties to arrive at a specific royalty rate or amount. Royalty rate calculation methods should be determined flexibly by the parties on a case by case basis, and the calculation methods outlined in this chapter may not necessarily be used.

#### A. Reasonable Royalties

##### 1. Basic Approach

Royalties reflect the value that the patent has contributed to the product and therefore is obtained by:

(1) Royalty base (Calculation base) x (2) Royalty ratio (Rate)

This approach may also be applied to the calculation of SEP royalties. There has been intense discussion, however, on issues such as how to deal with the value added after a technology has been incorporated into a standard, how to identify the calculation base, and how to calculate the royalty rate. These issues are discussed further below.<sup>102</sup>

*(Value Added after Incorporation into a Standard)*

---

<sup>102</sup> For example, U.S. courts often apply the fifteen Georgia-Pacific factors (referred to as “GPF”) for calculating the royalty. With FRAND-encumbered SEPs, modified GPFs have been adopted. (*Microsoft v. Motorola* (U.S., federal district court, 2013))

There is a view that SEP royalties should reflect only the value of the patented technology before the standard is widely adopted in the market (generally called “ex ante”). This is based on the idea that, when a technology is being considered to form part of a standard, it is selected from multiple technological options, while once it is incorporated into the standard, it is used only out of necessity to adhere to the standard.<sup>103</sup>

Based on this premise, there are examples where the royalty is assessed at a point in time before the standard is widely used and set promptly after the standard is announced, then kept at that level regardless of the success or failure in the markets of the products implementing the SEPs.

On the other hand, there is a view that the “ex ante” approach is not practical in calculating the damages for infringement of patent rights because the amount of damages should incorporate the value of the patented invention at the time of implementation, and a part of such value is created by the technology successfully becoming the standard. Furthermore, there is also a view that it is inappropriate to adopt the “ex ante” approach because it would lead to the profit from standardization being distributed only to implementers and not to rights holders.<sup>104</sup>

---

<sup>103</sup> See *Ericsson v. D-Link* (U.S., CAFC, 2014).

<sup>104</sup> In *Unwired Planet v. Huawei* (UK, high court, 2017), the court stated that the rights holder could appropriate some of the value that is associated with the inclusion of the technology into the standard and the value of the products using the standards.



## 2. Royalty Base (Calculation Base)

*(Calculation Base for Amount of Damages in Patent Infringement Litigations*<sup>105</sup>)

In the U.S., as for the calculation base of damages equivalent to a reasonable implementing fee in infringement litigations for patents, including SEPs, debate has centered on whether the smallest salable patent practicing unit (“SSPPU”)<sup>106 107</sup> or

---

<sup>105</sup> In many cases, the price of “components” is assumed to be “SSPPU” while the price of “end product” of the supply chain downstream is assumed to be “EMV.” Nonetheless, when patent claims are for end products, in some cases, it is argued that the end products are the SSPPU (see Footnote 107) .

<sup>106</sup> In *Cornell Univ. v. Hewlett-Packard* (U.S., District Court, 2009) in which an infringement case was disputed over non-SEP patents, SSPPU was introduced, as the smallest unit of calculation base related to patent technologies should be selected so that excess damage amounts would not be calculated under the jury system. Nonetheless, in most court rulings in the U.S., when there are sufficient comparable licenses, the courts determined that royalties were evaluated by comparable licenses instead of SSPPU. (*CSIRO v. Cisco* (U.S., CAFC, 2015)). Also, in *FTC v. Qualcomm* (U.S., 9th Cir. 2020), it was held that the SSPPU concept is not a per se rule for “reasonable royalty” calculations, but a tool in jury cases to minimize potential jury confusion when the jury is weighing complex expert testimony about patent damages.

<sup>107</sup> In *In re Innovatio* (U.S., federal district court, 2013), the rights holder’s portfolio included the patent claims for the entire devices including a Wi-Fi chip and it was argued that the system of entire device is the SSPPU, and the court stated that considering the substance of the invention, a Wi-Fi chip is the calculation base for royalties as the SSPPU. In *Virnetx v. Cisco* (U.S., CAFC, 2014) the court stated that “[w]here the smallest salable unit (SSU) is, in fact, a multi-component product containing several non-infringing features with no relation to the patented feature..., the patentee must do more to estimate what portion of the value of that product is attributable to the patented technology.”

the entire market value (“EMV”)<sup>108</sup> should be adopted.<sup>109 110 111</sup> Also in countries other than the U.S., debate has centered on whether the price of component or the price of end product should be adopted as calculation base for damages in patent infringement cases.<sup>112</sup>

The view that the SSPPU should be royalty base, i.e., calculation base, is based on the concept that if a SEP technology is used only in the component that is the SSPPU, the price of that component to which the SEP is considered to contribute should be the calculation base. Meanwhile, the view that the EMV should be the calculation base is based on the concept that the SEP technology is considered to contribute to the function of the whole end product and to drive demand for the product, and the price of the whole end product will be the calculation base.

#### (Calculation Base in Licensing Negotiations)

As stated above, while the SSPPU and EMV are approaches devised by the US courts in calculating damages equivalent to a reasonable implementing fee in

---

<sup>108</sup> In *CSIRO v. Cisco* (U.S., CAFC, 2015), the court stated that if a party can prove that the patented invention drives demand for the accused end product, it can rely on the end-product’s entire market value (EMV) as the royalty base.

<sup>109</sup> In *LaserDynamics v. Quanta* (U.S., CAFC, 2012), the court stated that it is generally required that royalties be based on the SSPPU approach, citing the concept of “the smallest salable infringing unit” in *Cornell University v. Hewlett-Packard* (U.S., federal district court, 2009), but stated that if it can be shown that the patented feature drives the demand for an entire multi-component product, the entire product (EMV) could be used as the royalty base, and rights holders may be awarded damages as a percentage of revenues or profits attributable to the entire product.

<sup>110</sup> In *HTC v. Ericsson* (U.S., US District Court, 2019), the court stated that the ETSI’s IPR Policy neither requested nor excluded royalties to be calculated based on the SSPPU approach.

<sup>111</sup> The U.S. Department of Justice (DOJ), in its statement released in September 2020, stated that although the IEEE’s IPR Policy was said to recommend the SSPPU approach as royalty base, royalties were set based on the price of end products in the actual licensing negotiations and that concerned parties should not be prevented from using licenses in such ways. Also, the DOJ stated that in the context of FRAND, there is no only correct method as royalty calculation method. Nonetheless, there is a possibility that this Statement might be revised in accordance with the Executive Order issued on July 9, 2021.

<sup>112</sup> In court rulings, such as *Nokia v. Daimler* (Germany, District Court of Munich, 2020), *Sharp v. Daimler* (Germany, District Court of Munich, 2020), *Conversant v. Daimler* (Germany, District Court of Munich, 2020), the court denied that the SSPPU should be royalty base.

patent infringement cases, they could also be used as a reference to determine reasonable royalties in actual licensing negotiations. In some licensing negotiations, for example, the price of “components” is assumed to be “SSPPU” while the price of “end product” of the supply chain downstream is assumed to be “EMV.”

There are many cases in which the rights holder has insisted that the EMV should be used as royalty base, from the view point that the SEP technology contributes to the function of the entire end product and drives product demand. Likewise, there are many cases in which the end-product manufacturer has insisted that the SSPPU should be used as royalty base, from the view point that the contributions of the SEP technology are confined to just a portion or component of the overall end product.

In the days when debate focused on cellular phones, where communication technology was central to functionality, many parties supported the use of EMV as royalty base. The emergence of products such as smart phones and connected cars for which communications technology accounts only for a part of the product’s functions, however, has raised debate over the use of SSPPU or EMV as royalty base.

*(Approach to the Calculation Base)*

A feature shared by both approaches (SSPPU and EMV as calculation base) is the attempt to use calculation base in which the contribution of the essential part of the SEP lies.<sup>113</sup>

In addition, the SSPPU and the EMV methodologies are not the only possibilities for considering a royalty base. The point is that a suitable calculation base for each individual case should be considered.

For example, some argue that when the essential part of the SEP technology supports the operation of functions of a device larger than a chip and contributes to the functions of the device beyond the chip itself, using the price of the chip as the SSPPU may not reflect the real value provided by the SEP technology.

On the other hand, others suggest that when the contribution of the essential part of the SEP technology is confined to the chip itself and the chip is independent

---

<sup>113</sup> In *Ericsson v. D-Link* (U.S., CAFC, 2014), the court stated that the ultimate reasonable royalty award must be based on the incremental value that the patented invention adds to the end product.

and has an objective market value, the price of the chip may be deemed appropriate as the calculation base.

Even when the SEP technology goes beyond a particular chip, there is a view that the SSPPU is an effective starting point for discussion in accumulatively and elaborately analyzing the product portions to which the SEP technology contributes. This view emphasizes that the basis of the calculation should not exceed the scope of the contribution of the essential part of the SEP technology for which a license is being sought.

Contrarily, there is an approach using the EMV as the starting point of discussion and determining the calculation base by multiplying the end product by the ratio of the contribution to the end product of all the SEPs that cover the technical standard.<sup>114 115</sup>

There is a view that if the EMV is used as calculation base, it may lead to a high calculation base with a fixed rate, resulting in a high royalty. Conversely, there is another view that if the SSPPU is used as calculation base, it may reduce the base with a fixed rate, resulting in a low royalty.

Some argue, however, that selection of the calculation base is not directly relevant to the resulting royalty amount in theory because, when the calculation base is small, the rate would be high, while a large calculation base causes the rate to be low.

---

<sup>114</sup> In *Apple v. Samsung* (Japan, IP high court, 2014), because the design, use interface, camera, audio function, etc. contribute to the product in addition to the wireless communication function, the court stated that the basis of the calculation should be multiplied by the rate that it is deemed was contributing to the product by complying with the standard (contribution rate).

<sup>115</sup> As the basic concept of calculating SEP royalties, some say that royalty should be calculated based on the portion to which the SEP technology contributes (contribution rate) in the value of the main product that implements the SEP technology (Guide to Fair Value Calculation of Standard Essential Patents for Multi-Component Products (METI, Japan, 2020)).

### 3. Royalty Rate

#### *(Approaches to Rate Determination)*

Of the many different approaches to determining an appropriate royalty rate, two frequently identified in court decisions are (i) determining the royalty rate, by independently evaluating the value of individual SEPs (bottom-up approach); and (ii) calculating the share in the calculation base of the contribution of all SEPs for a given standard and then allotting a share to individual SEPs (top-down approach).

These two approaches are not contradictory. Both approaches may be combined to calculate the rate so as to ensure a more reliable rate through comparison of the results.<sup>116</sup>

When there is an existing comparable license, some argue for referring to it,<sup>117</sup> whereas others argue for taking the top-down approach that first considers the contribution of all SEPs even in that situation.<sup>118</sup>

#### **a. Bottom-Up Approach**

In the bottom-up approach, the value of individual SEPs might be evaluated by, for example, referring to comparable licenses. Specifically, examples of comparable licenses to be referred to include those of patents owned by the same rights holder and patents owned by others essential to the same standard or a similar standard.

---

<sup>116</sup> In *Unwired Planet v. Huawei* case (UK, high court, 2017), while adopting a bottom-up approach, the court double-checked whether royalty stacking has occurred with a top-down approach. This was supported also by the ruling of the U.K. Supreme Court in 2020. On the other hand, in *TCL v. Ericsson* case (U.S., federal district court, 2017.), while adopting a top-down approach, the court double-checked with a bottom-up approach.

<sup>117</sup> In *Laser Dynamics v. Quanta* (U.S., CAFC 2012), the court stated that actual licenses for the patented technology are highly probative as to what constitutes a reasonable royalty for those patent rights, because such actual licenses most clearly reflect the economic value of the patented technology in the marketplace.

<sup>118</sup> As the basic concept of calculating SEP royalties, some say that royalty should be calculated using a “top-down” approach (Guide to Fair Value Calculation of Standard Essential Patents for Multi-Component Products (METI, Japan, 2020)).

The following are examples of factors that have been considered in court cases and practice in determining whether a license is comparable:

- (1) Whether the license is for the same or similar patents,
- (2) Whether the license covers unrelated technology or different products<sup>119</sup>,
- (3) Whether the license has a similar fee structure (e.g., lump-sum or running royalty)
- (4) Whether the nature of the license is the same in terms of exclusivity<sup>120</sup>
- (5) Whether the license applies to similar territories (e.g., a regional or global license)
- (6) Whether the terms of the license are widely accepted
- (7) Whether the license has been achieved through a court settlement or through normal negotiations
- (8) How recent the license is, and
- (9) Whether the licensee has a sufficient negotiating strength to enable balanced negotiations.

#### **(a) Comparable Licenses Held by the Same Patent Holder**

In practice, it is often difficult to identify existing licenses that are identical or sufficiently similar to a potential license under discussion. On the one hand, when existing licensing agreements were concluded under circumstances that differ from the parties' present circumstances, the existing licenses may generally be referenced when the parties determine the royalty rate if they can account for the differences, but the effectiveness of such references may vary depending on the level of difference.<sup>121, 122</sup>

---

<sup>119</sup> In *ResQNet v. Lansa* (U.S., CAFC, 2010), the court stated that the trial court should not rely on unrelated licenses to increase the reasonable royalty rate above rates more clearly linked to the economic demand for the claimed technology.

<sup>120</sup> In *Lucent v. Gateway* (U.S., CAFC, 2009), the court stated that GPF3 (exclusive or nonexclusive) is applicable as a consideration factor.

<sup>121</sup> In *Ericsson v. D-Link* (U.S., CAFC, 2014), the court stated that allegedly comparable licenses may cover more patents than are at issue in the action, include cross-licensing terms, cover foreign intellectual property rights, or, as here, be calculated as some percentage of the value of a multi-component product.

<sup>122</sup> In *Virnetx v. Cisco* (U.S., CAFC, 2014), the court stated that the "degree of comparability" of the license agreements is applicable as a consideration factor.

When there are great differences between the circumstances of an existing license and present circumstances and it is difficult to reasonably account for such differences, it may then be difficult to consider the existing license as being comparable and it will have less value in determining an appropriate royalty rate.<sup>123</sup>

### **(b) Comparable Licenses Held by Third Parties**

In referring to the existing licensing terms of third parties who hold SEPs for the same standard, it may be possible to calculate an appropriate rate by comparing the number of SEPs owned by the rights holder to those held by the third party and multiplying the ratio obtained.

In this case, the rate may be adjusted taking into account the value of the specific SEPs. It should also be noted that some third parties inflate the number of SEPs through divisional patent applications.

Some view the limited availability of comparable licenses held by third parties and the difficulty of evaluating other parties' portfolios as standing in the way of making comparisons of licensing terms.

### **(c) Patent Pools**

As a reference in determining a FRAND rate, parties may compare the rate charged by a patent pool for the same standard. It may be possible to calculate an appropriate rate by comparing the number of SEPs owned by the rights holder to those of the patent pool and multiplying the ratio obtained..

It may also be necessary to note that, in some patent pools, a relatively low royalty is set as a result of taking into account the fact that negotiations, contracts, and the management of royalties are streamlined in many patent pools.<sup>124</sup>

---

<sup>123</sup> In *Laser Dynamics v. Quanta* (U.S., CAFC 2012), the court stated that the propriety of using prior settlement agreements to prove the amount of a reasonable royalty is questionable. On the other hand, there are some arguments that licenses in litigation could also be referred to as comparable licenses.

<sup>124</sup> In *Microsoft v. Motorola* (U.S., federal district court, 2013), the court concluded that the royalty was triple the pool royalty.

The licensing terms of a patent pool are not always comparable. The coverage rate and licensing record of the patent pool may be considered to assess whether there is comparability.<sup>125</sup>

There may also be cases where the patent pool situation differs from that of licenses negotiated bilaterally because the rate is set by multiple rights holders. It should also be noted that some rights holders are inflating SEP numbers through divisional patent applications.

### **b. Top-Down Approach**

*(Overview)*

Determining an appropriate rate by calculating the ratio of the contribution of all the SEPs for the standard in the calculation base is generally known as the top-down approach. In this approach, the aggregate royalty rate is calculated as the extent of the contribution of all SEPs to the standard (total royalty rate for all SEPs that cover the standard), then allotted to individual SEPs.<sup>126</sup>

*(Avoiding Royalty Stacking)*

When many rights holders individually demand royalties, there may be cases in which each royalty “stacks up,” making the cost for practicing the standard excessively high. This is called royalty stacking, and is an issue that may occur when there are many rights holders that hold SEPs for the same standard.

As the extent of the contribution of all SEPs to the standards defines the total rate, there is a view that the top-down approach is effective in avoiding such royalty stacking. From this standpoint, when the bottom-up approach is used, it may be

---

<sup>125</sup> In *Microsoft v. Motorola* (U.S., federal district court, 2013), the court stated that the problem with using patent pools as the de facto RAND royalty rate is that the patent-counting royalty allocation structure of pools does not consider the importance of a particular SEP to the standard or to the implementer’s products as the court’s hypothetical negotiation requires.

<sup>126</sup> In *Apple v. Samsung* (Japan, IP high court, 2014), the court adopted a top-down approach and set the aggregate royalty rate at 5% for 3G based on the claims of the parties. In addition, in *TCL v. Ericsson* (U.S., federal district court, 2017), the court set the aggregate royalty at 5% for 2G/3G and at 6% or 10% for 4G. In *Huawei v. Conversant* (China, Nanjin Intermediate Court, 2019), the court adopted the top-down approach and indicated a formula to determine the royalty rate of SEPs (the aggregate royalty rate in the specific industry in China x the contribution rate of one SEP family).



beneficial to check for royal stacking by also making a calculation using the top-down approach.

While some parties believe that royalty stacking is occurring in practice, others suggest that there is no concrete proof of this.

#### **4. Other Factors to Consider in Determining Rates**

In addition to the calculation base and the rate described above, other factors may also be considered in practice, as identified below.

##### **a. Number of Licensees that Agreed to the Royalty Rate**

The more licensees have agreed to a particular rate, the easier it may be to show that it is an established royalty rate and FRAND. Therefore, the number of existing licensees may be taken into consideration.

On the other hand, some point out that the number of licensees may not be relevant in the initial phase of licensing activities.

##### **b. Scope of License<sup>127</sup>**

In determining the appropriate royalty, the parties may also consider whether there is a restriction on where or to whom to sell the products.

##### **c. Essentiality/Validity/Infringement of Patent**

If a patent turns out to be inessential to a standard or invalid, or if there is no infringement, there is normally no need to obtain a license for the patent in order to implement the standard. An implementer, however, may make a business judgement to sign licensing agreements, even if it not convinced of essentiality, validity, or infringement, because of the risks and costs of litigation, or in view of future implementation of the standard. In such cases, the implementer may seek a suitable discount to the royalty.

The number of existing patents changes over time. Where there are patent rights which expire, patent rights which are acquired or divested, or patent rights which are newly registered, the number of patents subject to licensing will change.

---

<sup>127</sup> Corresponding to GPF3.

#### **d. Value of Individual Patents**

Since the value of individual SEPs is inherently different, in calculating an appropriate royalty, sometimes weights are used rather than a simple ownership ratio to reflect the value of individual patents more accurately.<sup>128</sup> In such cases, some argue that patents that are extremely important to the standard should command a higher rate, while patents that are less important should command a lower rate. Others suggest that patents that have been inflated through divisional patent application should command a lower rate.

In cases where the parties involved find it not practical to accurately analyze the value of individual patents, however, the value of individual patents is treated as equal (pro rata).<sup>129</sup>

#### **e. Negotiating History**

The negotiation history between the parties is another factor that influences the determination of an appropriate royalty. If there is no difference in the royalty agreed with an implementer who has engaged in negotiations in good faith and that with an implementer who has acted in bad faith, there will be little incentive to negotiate in good faith. From that perspective, one approach is to give a suitable discount to a licensee who concludes a license soon after receiving a license offer, or one who requests a license before an offer is made.

In this way, the length of the negotiating period for an implementer compared to that for other implementers in similar situations may be a factor in determining an appropriate royalty. There is a possibility that an implementer who delays or impedes negotiations will pay a substantially higher royalty.

---

<sup>128</sup> In *In re Innovatio* (U.S., federal district court, 2013), for example, the rights holder's patents were all of moderate to moderate-high importance to the standard, and therefore warranted a higher rate as compared to other patents essential to the standard. In *Unwired Planet v. Huawei* (UK, high court, 2017), the court allowed both parties to call expert witnesses to weigh the value of each patent. In *Apple v. Samsung* (Japan, IP high court, 2014), the court took patent weighing into consideration in determining that the contribution of the patent subject to litigation was not large.

<sup>129</sup> In addition, one royalty allocation method is based on the number of technologies adopted among contributions at the standard formulation stage, not the number of declared patents. This method can eliminate the influence of non-essential patents.

Likewise, the royalty may become higher after a lawsuit has been initiated, as compared to a case in which the parties came to an agreement in the negotiations. In license negotiations, a rights holder may offer pre-litigation licensing rates at a discount. This indicates that once litigation starts, what is considered a reasonable royalty may become higher.<sup>130</sup>

On the other hand, some argue that because FRAND terms require rights holder to license SEPs to a wide range of parties, it is not suitable to give discounts to parties acquiring licenses early, or to demand high royalties from parties who delayed negotiations or took the rights holder to court.

## **B. Non-discriminatory Royalties**

SEP holders can demand royalties at FRAND terms from implementers, but those royalties have to be non-discriminatory. There are disputes regarding what constitutes non-discriminatory.

### **1. Concept of Non-Discrimination**

Although FRAND licensing terms have to be non-discriminatory, this does not mean that all potential licensees must obtain licenses at the same royalty rate and amount. Some argue that it is instead considered to mean that similarly situated licensees should not be treated differently.<sup>131</sup> Factors in considering whether licensees are similarly situated include whether the standard technology is used in the same way, the level of the company in the supply chain, and the geographic scope

---

<sup>130</sup> In *Laser Dynamics v. Quanta* (U.S., CAFC 2012), the court recognized that licensing rates in settlement agreements entered into during litigation may be higher than the rate that would have been reached outside of litigation due to the coercive nature of litigation itself.

<sup>131</sup> In *TCL v. Ericsson* (U.S., federal district court, 2017), regardless of whether it generally distorts the development of competition or standards, even if the implementer is alone, the court stated that it is discriminatory if the difference in the royalty rates causes damage.

of the licensees' business activities.<sup>132</sup> <sup>133</sup> On the other hand, in some court rulings, the court determined that even if favorable licensing terms are provided to some licensees, it may not be discriminatory under certain conditions.<sup>134</sup> <sup>135</sup>

## 2. Royalties for Different Uses

In an IoT era, ICT is being used in various industries, and some rights holders consequently argue for different royalty rates and amounts for the same standard technology according to the particular use of that technology in the end product.

Specifically, in the ICT field, there is a view that it is not discriminatory for a rights holder to apply different royalties for the same standard technology for products that fully utilize the functions of the technology (e.g., high-speed, high-capacity; low latency) and those that only use some of the functions of the technology (e.g., massive Machine Type Communications).

On the other hand, some implementers argue that the same royalty rates and amounts should be applied for the same standard technology regardless of the means by or extent to which it is used.

---

<sup>132</sup> In *TCL v. Ericsson* (U.S., federal district court, 2017), the court concluded that the following factors could be considered in determining whether two companies are similarly situated: the geographic scope of the companies, the licenses required by the companies, and sales volumes. The court also concluded that the following factors should not be considered in determining whether two companies are similarly situated: overall financial success or risk, brand recognition, the operating systems of their devices, and the existence of retail stores.

<sup>133</sup> With regard to the issue of whether or not the FRAND rate should be a range, in *Microsoft v. Motorola* (U.S., federal district court, 2013), the court determined an upper and lower bound of the FRAND range for Motorola's SEP portfolio. In *Unwired Planet v. Huawei* (UK, high court, 2017), the court determined that each region has only one FRAND royalty rate apiece. In *Unwired Planet v. Huawei* (UK, EWCA, 2018), however, it was held that a number of sets of terms may be FRAND in a given set of circumstances

<sup>134</sup> In *Sisvel v. Haier* (Germany, Supreme Court, 2020), the court ruled that the right holder was allowed to provide a license to some licensees in their favorable licensing terms, if it could be objectively justified.

<sup>135</sup> In *Unwired Planet v. Huawei* (U.K., Supreme Court, 2020), the court stated that considering the process of formulating the ETSI's IPR Policy, the rights holder did not have any obligation to grant a license in terms equivalent to the most favorable terms for licensees. (The court also stated that the non-discrimination limb was not hard-edged, but general.)

Specifically, they argue that if different rates and amounts are allowed according to the means of utilization of a technology, it could lead to the value created by downstream inventors being allotted to rights holders, running counter to the “ex ante” principle.

In addition, there is one view that where suppliers are granted licenses based on SSPPU, because the application of the suppliers’ components is unknown, it can be difficult to apply different royalties depending on the end-product.

## **C. Other**

There are several methods for paying royalties, and different methods will be selected depending on the circumstances.

### **1. Fixed Rate and Fixed Amount**

There is a fixed royalty rate and a fixed royalty amount. A fixed royalty rate is determined as a ratio of the price of the whole product and the price of product components. It is necessary for implementers to know the price of products at all times when the price fluctuates according to market conditions, involving complicated procedures.

In order to reduce such complications, in practice, a method of deciding on a fixed amount of royalties per unit regardless of fluctuations in the price of a product may be used. Although it then becomes relatively simple to collect royalties in such a case, when the price of a royalty-bearing product varies over time, this may result in the royalties on product prices becoming too high or low for implementers.

### **2. Lump-Sum Payment and Running Royalty Payments**

There are lump-sum payments and running royalty payments for paying royalties.<sup>136</sup>

---

<sup>136</sup> In *Lucent v. Gateway* (U.S., CAFC, 2009), the court stated that a running royalty is risky to rights holders because such a royalty is subject to the sales of the implementer, while a lump-sum payment does not require monitoring of sales. On the other hand, the court stated that a lump-sum payment has the benefit of being easy to calculate but may not accurately reflect the value of the patent to the technology.

For lump-sum payments, there are advantages in being able to avoid the risks of non-payment of royalties and the burden of monitoring whether the technology is being used. At the same time, with the royalty fixed and paid before the future sales performance of the implementer's product (the actual usage of the technology in the market) has been established, royalties may in hindsight be too high or too low. Consequently, where both the rights holder and the implementer seek to conclude a lump-sum royalty agreement, they generally set terms that take into consideration predicted product sales.

For running royalty payments, although it is possible to calculate royalties that reflect the actual usage of the technology, this adds the cost of monitoring to make sure the amount to be paid will increase or decrease appropriately in response to changes in sales.

### **3. Past Component and Future Component**

Royalties paid by those implementing SEPs from the past into the future can be calculated by considering both past and future implementation. In such cases, different formulas are used to calculate past and future royalties. For example, there are cases where the past royalty component has been calculated as a lump sum while the future component is calculated using a fixed-rate running formula.

### **4. Volume Discounts and Cap (Paid-up)**

As an incentive to large-scale implementers, a discount rate may be applied for royalty payments over a certain level, or a ceiling set for royalty payments.

## Postscript

Why has the Japan Patent Office engaged with the issue of SEP licensing negotiations? A year ago, it was proposed that JPO look into the introduction of an administrative adjudication system to determine SEP licensing terms. We concluded that a system based on implementer petitions would upset the balance between rights holders and implementers. We were also concerned that introducing such a system would send the wrong message at home and abroad that JPO is dismissive of rights holders' concerns.

How, then, could we address implementers' concern that the smooth introduction of new technologies could well be blocked depending on the way in which SEPs were exercised? Our answer was to provide information that would help implementers without experience in this field to engage in licensing negotiations more effectively and efficiently, forestall disputes, and achieve early dispute resolution.

From fall 2017 through to spring 2018, we sought the views of experts here and abroad to gain a sense of the debates underway around the world. There was no way to absorb such a massive amount of constantly evolving information. We decided to concentrate on setting up the most open process we could manage to garner a broad range of information and opinions, identify the key issues, and present these in a balanced and straightforward manner.

This Guide was compiled by a small team in a limited amount of time, and is consequently far from perfect. 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.

That convergence will eventually emerge as technologies and markets continue to evolve and cases of dispute resolution accumulate, while new issues too will inevitably emerge. We look forward to updating this Guide as appropriate with reference to advice from experts here and abroad.

Naoko Munakata  
Commissioner  
(June 5, 2018)

## Postscript of the 2nd Edition

Four years have passed since the JPO published the "Guide to License Negotiations for Standard Essential Patents." In the meantime, the situation surrounding standard essential patents continues to change on a daily basis, with the accumulation of judicial precedents and the governments of various countries studying them.

We decided to revise this Guide in order to keep the information provided in the guide up-to-date. However, new information emerged during the revision process, which we had to consider reflecting in the Guide, and we felt that the debate over standard essential patents was growing. In conjunction with the solicitation of opinions on the proposed revision, an online symposium on standard essential patents was held, where heated discussions took place, highlighting once again the differences in views between patent holders and implementers.

Due to the COVID-19 pandemic, there were restrictions on opportunities and methods for exchanging opinions. However, thanks to the cooperation of many people, including online hearings and written submissions, we were able to create this revised guide with you. We would like to take this opportunity to thank you.

We hope that this Guide and its revision process will serve as a reference when considering policies related to standard essential patents in each country and contribute to the promotion of innovation in the industry.

As stated in the first edition, this guide will be "reviewed from time to time in an open and transparent process to ensure that it continues to evolve and remain a "living" guide". We will continue to update this guide as we closely monitor trends in standard essential patents.

Kiyoshi Mori  
Commissioner  
(June 30, 2022)



## Reference

### <Japan>

- *Apple v. Samsung* (Japan, IP high court, 2014)  
Case No. 2013 (Ne) 10043
- *Imation v. One-Blue* (Japan, district court, 2015)  
Case No. 2013 (Wa) 21383
- *Softbank v. Kanematsu* (Japan, IP high court, 2015)  
Case No. 2015 (Ne) 10069

### <U.S.>

- *Apple v. Motorola* (U.S., CAFC, 2014)  
*Apple, Inc. v. Motorola, Inc.*, 757 F.3d 1286 (Fed. Cir. 2014), *overruled on other grounds by Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015).
- *CSIRO v. Cisco* (U.S., CAFC, 2015)  
*Commonwealth Scientific and Indus. Research Organization v. Cisco Sys., Inc.*, 809 F.3d 1295 (Fed. Cir. 2015).
- *Continental v. Avanci* (U.S. District Court of Northern Texas, 2020)
- *Continental Automotive Systems v. Avanci, LLC*, No. 20-11032 (U.S., 5th Cir. 2022)
- *Cornell University v. Hewlett-Packard* (U.S., federal district court, 2009)  
*Cornell University v. Hewlett-Packard Co.*, 609 F.Supp.2d 279 (N.D.N.Y. 2009).
- *eBay v. MercExchange* (U.S., Supreme Court, 2006)  
*eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006).
- *Ericsson v. D-Link* (U.S., CAFC, 2014)  
*Ericsson, Inc. v. D-Link Systems, Inc.*, 773 F.3d 1201 (Fed. Cir. 2014).
- *FTC v. Qualcomm Inc.*, 969 F.3d 974 (U.S., 9th Cir. 2020)
- *Fujitsu v. Netgear* (U.S., CAFC, 2010)  
*Fujitsu v. Netgear*, 620 F.3d 1321 (Fed. Cir. 2010).
- *In re Innovatio* (U.S., federal district court, 2013)  
*Innovatio IP Ventures, LLC Patent Litigation*, No. 11-c-9308, 2013 WL5593609 (Oct. 3, 2013).
- *LaserDynamics v. Quanta* (U.S., CAFC, 2012)  
*LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51 (Fed. Cir. 2012).
- *Lucent v. Gateway* (U.S., CAFC, 2009)  
*Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009).

- *Microsoft v. Motorola* (U.S., federal district court, 2012)  
*Microsoft Corp. v. Motorola, Inc.*, 864 F. Supp. 2d 1023 (W.D. Was. 2012).
- *Microsoft v. Motorola* (U.S., court of appeals for the ninth circuit, 2012)  
*Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872 (9th Cir. 2012)
- *Microsoft v. Motorola* (U.S., federal district court, 2013)  
*Microsoft Corp. v. Motorola, Inc.*, No.c-10-1823JLR, 2013 WL 2111217 (W.D. Was. Apr. 25, 2013).
- *Quanta v. LG* (U.S., Supreme Court, 2008)  
*Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008).
- *Realtek v. LSI* (U.S., federal district court, 2013)  
*Realtek Semiconductor Corp. v. LSI Corp.*, 946 F. Supp. 2d 998 (N.D. Cal. 2013).
- *ResQNet v. Lansa* (U.S., CAFC, 2010)  
*ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860 (Fed. Cir. 2010).
- *TCL v. Ericsson* (U.S., federal district court, 2017)  
*TCL Comm. Tech Holdings, Ltd v. Ericsson*, No.8-14-cv-00341 (C.D. Cal. Dec. 21, 2017).
- *Therasense v. Becton* (U.S., CAFC, 2011)  
*Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (*en banc*).
- *Virnetx v. Cisco* (U.S., CAFC, 2014)  
*Virnetx, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308 (Fed. Cir. 2014).

<EU>

- *GAT v. Luk* (EU, CJEU, 2006)  
Case C-4/03, Gesellschaft für Antriebstechnik mbH & Co. KG v Lamellen und Kupplungsbau Beteiligungs KG. [2006] CJEU
- *Huawei v. ZTE* (EU, CJEU, 2015)  
Case C-170/13, *Huawei Technologies Co. Ltd v ZTE Corp., ZTE Deutschland GmbH* [2015] CJEU
- *Motorola v. Apple* (EU, EC, 2014)  
European Commission, DG Competition, Decision of 29 April 2014, C(2014) 2892 final, Motorola Mobility Inc.
- *Nokia v. Daimler* (EU, CJEU, 2021)  
Case C-182/21, *Nokia Technologies Oy v Daimler AG* [2021] CJEU
- *Samsung v. Apple* (EU, EC, 2014)  
European Commission, DG Competition, Commitment Decision of 29 April 2014, C(2014) 2891 final, Samsung Electronics Co., Ltd., et. Al.

< Germany >

- *NTT DoCoMo v. HTC* (Germany, district court, 2016)  
LG Mannheim, Case 7 O 66/15, Order of 29 January 2016
- *Philips v. Archos* (Germany, district court, 2016)  
LG Mannheim, Case 7 O 19/16, Order of 17 November 2016
- *Sisvel v. Haier* (Germany, high court, 2016)  
OLG Düsseldorf, Case I-15 U 66/15, Order of 17 November 2016
- *Sisvel v. Haier* (Germany, Supreme Court, 2020)  
BGH, KZR 36/17, Order of 5 May 2020
- *St. Lawrence v. Deutsche Telekom and HTC* (Germany, district court, 2015)  
LG Mannheim, Case 2 O 106/14, Order of 27 November 2015
- *St. Lawrence v. Vodafone and HTC* (Germany, district court, 2016)  
LG Düsseldorf, Case 4a O 73/14, Order of 31 March 2016
- *Sisvel v. Wiko* (Germany, District Court of Mannheim, 2019)  
LG Mannheim, Case 7 O 115/16, Order of 4 September 2019
- *Nokia v. Daimler* (Germany, District Court of Munich, 2020)  
LG Muenchen, No. 21 O 3891/19
- *Sharp v. Daimler* (Germany, District Court of Munich, 2020)  
LG Muenchen, No. 7 O 8818/19, Order of 10 Sep 2020
- *Conversant v. Daimler* (Germany, District Court of Munich, 2020)  
LG Muenchen, No. 21 O 11384/19 Order of 23 Oct 2020

< UK >

- *Unwired Planet v. Huawei* (UK, high court, 2017)  
*Unwired Planet v. Huawei* ([2017] EWHC 711 (Pat), 5 Apr. 2017)
- *Unwired Planet v. Huawei* (UK, EWCA, 2018)  
*Unwired Planet v. Huawei* ([2018] EWCA Civ 2344, 23 October 2018)
- *Unwired Planet v. Huawei* (UK, Supreme Court, 2020)  
*Unwired Planet v. Huawei* ([2020] UKSC 37, 26 August 2020)

< China >

- *Huawei v. Conversant* (China, Nanjin Intermediate Court, 2019)  
Case No. 232, 233, 234 of 2018
- *Huawei v. Conversant* (China, Supreme People's Court, 2020)

Case No. 732, 733, 734 of 2019

- *Huawei v. Samsung* (CN, intermediate court, 2018)  
Case No. 816 of 2016
- *OPPO v. Sharp* (China, Shenzhen Intermediate Court, 2020)  
Case No. 689 of 2020
- *Xiaomi v. InterDigital* (China, Wuhan Intermediate Court, 2020)  
Case No.169 of 2020
- *ZTE v. Conversant* (China, Shenzhen Intermediate Court, 2020)  
Case No. 335-1of 2018
- *Samsung v. Ericsson* (China, Wuhan Intermediate Court, 2020)  
Case No. 743 of 2020

<India>

- *InterDigital v. Xiaomi* (India, Delhi High Court, 2020)  
Interdigital Technology Corporation & Ors. v. Xiaomi Corporation & Ors. (I.A. No. 8772/2020 in CS (COMM) 295/2020)

<Other>

- “Good Faith Negotiation Guidelines for Standard Essential Patent Licenses”, Ministry of Economy, Trade and Industry of Japan (2022)  
[https://www.meti.go.jp/policy/economy/chizai/sep\\_license/index.html](https://www.meti.go.jp/policy/economy/chizai/sep_license/index.html)
- “Benefits of Arbitration for Commercial Disputes”, American Bar Association  
[https://www.americanbar.org/content/dam/aba/events/dispute\\_resolution/committees/arbitration/arbitrationguide.authcheckdam.pdf](https://www.americanbar.org/content/dam/aba/events/dispute_resolution/committees/arbitration/arbitrationguide.authcheckdam.pdf)
- European communication (2017)  
Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee: Setting out the EU approach to Standard Essential Patents
- Pilot study for essentiality assessment of Standard Essential Patents (2020)  
[https://publications.jrc.ec.europa.eu/repository/handle/JRC119894#:~:text=and%20growth%20Standards-,Pilot%20study%20for%20essentiality%20assessment%20of%20Standard%20Essential%20Patents,Standard%20Essential%20Patents%20\(SEPs\)](https://publications.jrc.ec.europa.eu/repository/handle/JRC119894#:~:text=and%20growth%20Standards-,Pilot%20study%20for%20essentiality%20assessment%20of%20Standard%20Essential%20Patents,Standard%20Essential%20Patents%20(SEPs))
- IEEE-SA Standards Board Bylaws (2015)  
<http://standards.ieee.org/develop/policies/bylaws/approved-changes.pdf>
- Makan Delrahim, Assistant Attorney General, Antitrust Division, U.S. Department of Justice, “Take it to the Limit: Respecting Innovation Incentives in the Application of Antitrust Law,” Remarks as

prepared for delivery at USC Gould School of Law – Application of Competition Policy to Technology and IP Licensing (Nov. 10, 2017) (“Innovation Incentives Speech”)

<https://www.justice.gov/opa/speech/assistant-attorney-general-makan-delrahim-delivers-remarks-usc-gould-school-laws-center>

- New York Convention  
<http://www.newyorkconvention.org/>
- The Japan Fair Trade Commission the “Guidelines for Use of Intellectual Property under the Antimonopoly Act”  
[http://www.jftc.go.jp/en/legislation\\_gls/imonopoly\\_guidelines.files/IPGL\\_Frand.pdf](http://www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines.files/IPGL_Frand.pdf)
- “Guide to Fair Value Calculation of Standard Essential Patents for Multi-Component Products”, Ministry of Economy, Trade and Industry of Japan (2022)
- U.S. Dep’t of Justice and Federal Trade Commission, Antitrust Guidelines (2017)  
U.S. Dep’t of Justice and Federal Trade Commission, Antitrust Guidelines for the Licensing of Intellectual Property (Jan. 12, 2017)
- U.S. Dep’t of Justice, U.S. Patent and Trademark Office and National Institute of Standards and Technology, Policy Statement (2019)
- U.S. Dep’t of Justice and U.S. Patent and Trademark Office, Policy Statement (2013)  
U.S. Dep’t of Justice and U.S. Patent and Trademark Office, Policy Statement on Remedies for Standard-Essential Patents Subject to Voluntary FRAND Commitments (Jan. 8, 2013)



Related Paragraph	Comments <b>*Proposed Changes are shown in red texts.</b>	Responses to Comments
page 1 paragraph 3	There is little or no evidence of hold-up whereas courts have documented many cases of hold-out. The documented problem of hold-out should be a greater concern for regulators, rather than the theoretical concern of hold-up.	It was underscored that there is still a gap between rights holders and implementers over "hold-up" and "hold-out," even as to whether they are a real problem or merely a concern. Therefore, we revised the description as in page 1 paragraph 4 to page 2 paragraph 1.
page 1 paragraph 4	Proposed Change: "Hold-up" is a situation whereby businesses using SEPs are forced to accept disadvantageous terms of license due to the threat of injunction for infringement of patent rights after the companies are locked into using a standard. <b>Because companies are locked into a standard, hold-up is particularly pernicious in the context of SEPs.</b> Legal precedents across the world seem to be converging toward permitting injunctions concerning FRAND-encumbered SEPs (i.e., SEPs for which a FRAND declaration has been made) only in limited situations. However, in cases when either party negotiates in bad faith, courts have continued to grant injunctions, and it can be said that hold-up remains an issue for implementers. Nonetheless, some doubt whether there is any hold-up, <b>though courts, regulators, and empirical studies consistently recognize that it exists. Most recently, the U.S. Federal Trade Commission's Chair Khan and Commissioner Slaughter filed a public interest letter with the U.S. International Trade Commission that recognized that SEP owner 'holdup' discourages "standards setting activities and collaboration, which can delay innovation."</b>	
page 1 paragraph 4	In the last sentence beginning with, "Nonetheless, some doubt...", replace "any" with "truly evidence of," so the sentence will read "Nonetheless, some doubt whether there is <b>truly evidence of any</b> hold-up."	
page 1 paragraph 4	Please note that hold-up supposes the use of market power to extract excessive rents. The use of such market power is depending upon the courts as the SEP holder can only enforce its patents via intervention by the courts and stop the unauthorized (and unlicensed) use of its technology.	
page 1 paragraph 4	This is not accurate. Injunctions are, indeed, granted when the implementer acts in bad faith. If the SEP holder acts in bad faith (as well) it is questionable whether an injunction will be granted.	
page 1 paragraph 5	We believe that the characterisation of hold-up as a situation is inaccurate given that there is still barely any evidence that it is anything beyond a theoretical concern. Hold-out on the other hand has substantial evidential backing and has been recognised by several courts in Europe.	
page 1 paragraph 5	Add 2 footnotes this paragraph. New footnote : But see Brian J. Helmers & Christian Love, An Empirical Test of Patent Hold-Out Theory: Evidence from Litigation of Standard Essential Patents 3 (Santa Clara Univ. Legal Studies Research Paper Oct. 26, 2021) ("results provide little support for the mechanism proposed by theory that links SEPs and hold-out, particularly with respect to pre-litigation hold-out"). New footnote : Letter from 77 Former Government Enforcement Officials and Professors Regarding Speeches on Patents and Holdup to Makan Delrahim, Assistant Att'y Gen., U.S. Dep't of Just., at 2 (May 17, 2018) (explaining "[t]he potential for holdout exists on both sides of contracts, occurring 'when one side refuses to perform in good faith or negotiate reasonably.' In contrast, the holdup problem and accompanying lock-in value exist only on one side of the exchange").	
page 1 paragraph 5	In the paragraph that begins with "On the other hand...", change the last part of the sentence so that it reads "...fails to engage in negotiations in good faith by rejecting or delaying licensing negotiations, <b>in anticipation that an injunction will be denied on SEPs.</b> "	
page 1 paragraph 4	We observe there is no one definition of patent hold-up or hold-out.	
page 2 paragraph 2	We suggests the JPO to amend this reference to FRAND 'principles' or FRAND 'framework' given it is not a policy.	
page 2 paragraph 3	We encourages the JPO to remove references to over declaration. The Guide should contextualise the declaration process to an SDO.	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 2 paragraph 3	"At the same time, there is a strong call for enhancing transparency in relation to the essentiality and validity of SEPs. For some SSOs, if rights holders consider their patents <b>may be or become</b> SEPs during the standardization process,"	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 2 paragraph 3	Some point out that such overdeclaration has been encouraged at least partly by the <b>industry practice</b> of determining royalties at least partly in proportion to the number of SEPs out of the total number held in relation to a certain standard. Don't think this is industry practice.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.

page 3 paragraph 3	In the sub-section on "Paradigm Shift in Licensing Negotiations", in the paragraph starting with "With the spread of IoT...", replace "may" with "are very likely to" in the sentence "In the future, ..." so the sentence instead would read "In the future, companies from other industries <b>may are very likely to</b> be involved in SEP licensing negotiations."	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 3 paragraph 3	"Also, some companies that do not hold SEPs are entering the market." There are many more companies implementing standards than there are companies contributing to the creation of the standardised technologies.	We would like to maintain the description from the perspective of balancing the interests of concerned parties. We do not intend to evaluate whether the number of company that do not hold SEPs is large or small. We merely mentioned the existence of companies that do not hold SEPs.
page 3 paragraph 3	For example, in addition to those telecommunications companies holding SEPs, negotiations <b>may now</b> involve end-product manufacturers, such as automobile makers, as a main implementer of standard technology. In the future, companies from other industries may be involved in SEP licensing negotiations.  As originally drafted, it seems to suggest that end-device manufacturers have just begun taking licences which is, however, not the case. In the ICT-field licences were traditionally taken by end-device manufacturers.	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 3 paragraph 4	In the following paragraph beginning with "Further there are now cases...", add "purchased from third parties" after "patents," so the sentence would read "Further, there are now cases in which Patent Assertion Entities ("PAEs") that are not engaged in business operations but rather generate revenue solely by asserting patents <b>purchased from third parties</b> also become party to negotiations and disputes concerning SEPs."	We would like to maintain the description because the body where PAEs purchase patents is irrelevant to this issue.
page 5 paragraph 2	In the paragraph starting with "In these circumstances...", add the acronym FRAND between "appropriate" and "compensation" so the sentence now reads "In these circumstances, this Guide aims to offer an explanation of what actions companies can take to make it more likely for them to be recognized as "negotiating in good faith," helping implementers to avoid an injunction and rights holders to secure appropriate <b>FRAND</b> compensation."	We would like to maintain the description because we declare in page 4 paragraph 4 that the SEPs addressed in this Guide are those presented by rights holder to an SSO as a FRAND-encumbered SEP.
page 5 paragraph 3	<b>Our hope is therefore that this Guide might be used by qualified experts when advising small and medium enterprises (SMEs) and other parties with limited experience in dealing with SEP issues.</b>  Reinserting text from previous Guide.	We would like to maintain the description because background of the revision is stated in Chapter I Section C.
page 5 paragraph 6	The draft goes in details on these matters and we do not see the need of high-level, incomplete summaries here. Suggest deleting.	We would like to maintain the description because the details are stated in Chapter II.
page 5 paragraph 7	In Sisvel v Haier decision, the Court refers primarily to the notification of infringement not to the offer which could follow later. 'Notification of infringement' is preferable. Adding "at least in that case" seems inaccurate.	We would like to maintain the description. Generally speaking, a court decision refers to individual cases.
-	If kept, change with " <b>suggested, without binding effect, by some members of the SEP Expert Group organized by the EC...</b> " There was no unanimous support for this suggestion.	In the footnote, it was clearly stated that the report is not binding on the European Commission, nor is it supported by all the members of the Expert Group. Moreover, the descriptions in page 5 paragraph 4-6 and page 6 paragraph 2 are the official opinions of the CJEU, the German Supreme Court and the METI, and for the sake of balance, we have decided to delete the description pertaining to the report from the SEP Expert Group that do not correspond to those opinions mentioned above.
page 6 paragraph 2	METI guidelines are the result of a semi-closed study group through an untransparent process that was not object to public review. Our understanding is also that such guidelines are not yet finalized. Furthermore, they cannot and should not be compared to case law and do not carry the same weight. We suggest removing all references to it.	We would like to maintain the description because "Good Faith Negotiation Guidelines for Standard Essential Patent Licenses" was officially established by Japanese government.
page 6 paragraph 3	Given the now appointed USPTO and NIST leadership did not contribute to the 2021 Draft Policy Statement, we encourages the JPO to revise the footnote to indicate only the DoJ released the 2021 Draft Policy Statement for public comment, and that this policy statement did not reflect a whole of government approach or US law on remedies for standard essential patent subject to volumtary F/RAND commitments. The 2019 Joint Statement remains in force, which should also be noted.	Based on the annoucement of withdrawal of 2019 Policy Statement of the US, we reviewd and revised the description in footnote 8.
page 6 paragraph 3	Any comment on draft decisions or positions should be deleted.	



page 7 paragraph 1	Given the referral was not considered by the CJEU and did not result in a decision, references to the Nokia v Daimler CJEU referral should be removed from the Guide.	Based on the comments you kindly provided to the JPO, we have removed the description "also drew attention." We would like to maintain the description pertaining to the referral to the CJEU as a fact that had occurred prior to the revision of the Guide.
page 7 paragraph 1	We do not see any value in including this here, as this case did not produce any outcome.	
page 8 paragraph 3	In the paragraph beginning "One is contracts..." delete "In some countries...", at the beginning of the second sentence, so the sentence instead reads " <del>In some countries,</del> That commitment, is contractually binding between the SSO and rights holder, and the contract will be governed by a particular (e.g. French law in case the case of a contract with ETSI)."	Since it cannot be concluded that the commitment is binding in all the countries, we would like to maintain the description.
page 9 paragraph 2	This framework details the rules of negotiations from the perspective of competition law in Europe, and not every court decision <del>in each country outside of Europe</del> follows this framework. In Europe they do (and have to).	We would like to maintain the description because it is stated that "this framework details the rules of negotiations from the perspective of competition law in Europe".
page 9 paragraph 2	Courts (in the UK, Netherlands and lately also Germany) have interpreted Huawei v ZTE as a 'safe harbour', this means that if parties comply with this ruling they are on the safe side.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 9 paragraph 3	Proposed Change: The framework, however, does not provide specific details about negotiations, such as the scope of information that the parties should submit at each stage of the negotiation and the period given to make a response. In recent years, some court decisions in <del>some countries</del> determined some specific details, but there are still unclear parts, <del>and agencies in other countries, such as the United States, continue to recognize that a good-faith negotiation can be accomplished in more than one way.</del> While some parties regard the lack of specific detail as increasing the flexibility of negotiations, others suggest that it undermines the predictability of licensing negotiations.	Based on the announcement of withdrawal of 2019 Policy Statement of the US, we would like to maintain the description.
page 9 paragraph 3	Proposed Change: In Sisvel v Haier (Germany, Supreme Court, 2020), the court made judgment based on the framework presented by the CJEU. The court stated that when a rights holder offered a licensing negotiation, but if it took several months for an implementer to express its willingness to obtain a license, such silence would <del>typically</del> mean no interest in the license. Based on this, the court ruled that an implementer who did not respond to licensing negotiation offer for one year did not have intention to obtain a license. Nonetheless, the court did not clarify specifically how long a period to respond to the offer should be allowed. <del>In a more recent case IP Bridge v. Ford (Germany, Munich Regional Court, 2022), the court similarly found the car manufacturer Ford to be unwilling to license on FRAND terms when it did not submit a counteroffer to Avanci.</del>	We would like to maintain the description because the text of the court decision has not yet been published as of June 2022.
page 9 paragraph 3	<del>However, the CJEU decision in Huawei v ZTE rightfully provided a generally-applicable framework, and left it to local courts to decide on specifics matters that are more fact-specific, but there are still unclear parts.</del>	We would like to maintain the description because the court did not clarify specifically how long a period to respond to the offer should be allowed as explained in footnote 18.
page 10 paragraph 4	<del>"Once again, this Guide is not intended to be prescriptive, and "</del> Reinserted from previous Guide. Useful statement.	We would like to maintain the description because the points you raised is already stated in page 4 paragraph 5.
page 11 paragraph 1	When there is a patent pool through which the SEP holders are licensing, it should be the implementer's obligation to reach out to the patent pool to open licensing negotiation, rather than the obligation of the pool to reach out to the implementer.	Since this Guide is not intended to be prescriptive, we would like to maintain the description.
page 11 paragraph 2	(Footnote 22) <del>Besides these, there is a view that rights holders may demonstrate their good faith by, for example, presenting evaluations by third-party experts and examples from past cases, etc.</del> We do not recall a single case where a court has said something similar. This should be deleted.	We would like to maintain the description from the perspective of balancing the interests of concerned parties. Not all the contents of this Guide are based on court decisions.
page 12 paragraph 2	Meanwhile, by presenting claim charts, the rights holders may demonstrate that they are providing information in good faith to implementers <del>and that the duty of notification was met.</del> According to Sisvel v Haier (and several other German cases), this goes one step further: by sharing claims it is regularly assumed that the notification duty was met.	We would like to maintain the description because the points you raised is already stated in footnote 25.
page 12 paragraph 3	Last sentence of Footnote 25 should be deleted because the court did not say this.	We would like to maintain the description of the last sentence in footnote 25 because it is clear that it is not part of the court decision.

page 12 paragraph 3	It should be noted that FCJ in the Sisvel v. Haier decision held that a SEP holder's obligation to provide information does not go beyond what they are reasonably required to provide in contractual negotiations for a portfolio license.	We would like to maintain the description because the points you raised is already stated in footnote 25.
page 12 paragraph 3	Footnote 13 of "Good Faith Negotiation Guidelines for Standard Essential Patent Licenses" (the METI Guidelines) should be reflected in the Revised Guide.	We would like to maintain the description because we decided to cite only the main text of the METI Guidelines.
page 12 paragraph 3	Footnote 25 is an understatement and not entirely correct: According to German case-law, presenting claim charts is just an option which the SEP holder can use to make sure that the notification is adequate; if the SEP holder does not provide claim charts, (German) courts have never identified bad faith conduct so far, but just focus on the content of the actual notification of the SEP holder in detail.	We would like to maintain the description because it is clearly stated in footnote 25 that "claim charts would be sufficient as documentation to be presented but not mandatory."
page 13 paragraph 2	In Higher District Court of Karlsruhe, 09.12.2020, 6 U 103/19, the court considered the fact that the implementer refused to sign an NDA without providing any compelling reasons swiftly as an (additional) indication of unwillingness.	We would like to maintain the description because the points you raised is already stated in footnote 41.
page 13 paragraph 3	The Revised Guide should reflect that the European Commission has also communicated its desire to establish a system of essentiality checks and that whether such systems would provide the benefits.	We would like to maintain the description because it is not confirmed that European Commission provide a system of essentiality checks.
page 13 paragraph 3	Delete page 13 paragraph 3-4. There is no link with the notification of infringement.	We would like to maintain the description because they are related to "Documents Demonstrating the Essentiality of SEPs".
page 14 paragraph 1	"(2) Not clarifying how SEPs are being infringed, such as documents identifying the SEPs and the standards, when offering licensing negotiations to an implementer" This is not what the Sisvel v Haier decision quoted said. It seems also to be a confusion between claim charts and other 'documents' such as lists of portfolio patents or information on which standards are involved.	We would like to maintain the description because (2) does not directly cite the Germany court decision.
page 14 paragraph 1	"(3) Claiming that it will not provide documentation mapping SEP claims to the standards and/or products to the implementer unless the implementer concludes a confidentiality agreement, even though the documentation does not include confidential information; " Industry practices have made this point obsolete and incorrect. Moreover, to our knowledge this is not supported by case-law.	We would like to maintain the description from the perspective of balancing the interests of concerned parties. Not all the contents of this Guide are based on court decisions.
page 15 paragraph 1	Another important clarification arising from the FCJ's decision in Sisvel v Haier relates to the conduct requirements of a willing licensee. The Court pointed out that a potential licensee must actively engage in the licensing negotiations with the clear, distinct and unconditional intention of obtaining a license. A mere statement of willingness without real engagement is not sufficient. The potential licensee must engage in target-oriented negotiations with the intention of concluding a license on FRAND terms. This should be reflected to the Guide.	We would like to maintain the description because the points you raised is already stated in footnotes 33 and 42.
page 15 paragraph 2	"After receiving documents including those identifying the SEPs and as well as eventually claim charts from the rights holder, " The current wording could give the impression that providing claims charts along with the notification of infringement is mandatory.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 15 paragraph 3	"Others take the view, however, that parties should first conduct discussions about essentiality, validity, and infringement before the implementer expresses its willingness to obtain a license." This view has not been confirmed by the courts.	We would like to maintain the description because there certainly is the view. Not all the contents of this Guide are based on court decisions.
page 16 paragraph 1	"In practice, a rights holder and an implementer in licensing negotiations may not see eye-to-eye, and may fail to reach an agreement on essentiality, validity or infringement."  It is important to highlight the decision of the UK Supreme Court in Unwired Planet v Huawei, and Conversant v ZTE, where the Supreme Court states in paragraph 60 of its decision: Operators in the telecommunications industry or their assignees may hold portfolios of hundreds or thousands of patents which may be relevant to a standard. The parties accept that SEP owners and implementers cannot feasibly test the validity and infringement of all of the patents involved in a standard which are in a sizeable portfolio. An implementer has an interest in taking its product to the market as soon as reasonably possible after a standard has been established and to do so needs authorisation to use all patented technology which is comprised in the standard. The implementer does not know which patents are valid and infringed by using the standard but needs authority from the outset to use the technology covered by such patents. Similarly, the owner who declares a SEP or SEPs does not know at this time which, if any, of its alleged SEPs are valid and are or will be infringed by use pursuant to the developing standard. The practical solution therefore is for the SEP owner to offer to license its portfolio of declared SEPs. That is why it is common practice in the telecommunications industry for operators to agree global licences of a portfolio of patents, without knowing precisely how many of the licensed patents are valid or infringed. It is a sensible way of dealing with unavoidable uncertainty.	We would like to maintain the description because the points you raised is already stated in page 37 paragraph 3-6.

page 16 paragraph 2	<p>"(6) Whether the patents have not been exhausted." The only case cited in the footnote said rather the opposite.</p> <p><del>Nonetheless, in LG v. TCL (Germany, District Court of Mannheim, 2021), the implementer presented a counteroffer of licensing terms including a condition to exclude products, for which the patents were exhausted [MORE PRECISELY: 'WERE ALLEGEDLY EXHAUSTED ON GROUNDS OF A (IN THE MEANTIME EXPIRED) LICENCE WITH A CHIPSET MANUFACTURER.'], from the calculation of the license fees, but the court held that the counteroffer would reserve a right to be exempted from the payment of the license fees by raising the issue of patent exhaustion did not clarify the royalty amount payable and thus not satisfy FRAND terms.</del></p>	<p>The citation in footnote 39 is intended to explain that there are exceptions of (6). We reviewed and revised the description as in footnote 39.</p>
page 17 paragraph 2	<p>Regarding the negotiation timeframe or response period, strict timelines may be difficult to determine given the different factors that can come into play in relation to SEP licensing negotiations. However, in "standard cases", our experience shows that the entire process should be achieved within 1 year.</p> <p>With regard to the appropriate timeframe for SEP licensing negotiations, reasoning of the German Federal Court of Justice in Sisvel v Haier should be detailed in this guide.</p>	<p>We would like to maintain the description because the points you raised is already stated in footnotes 42 and 70.</p>
page 17 paragraph 3	<p>The reasonable amount of time needed for the implementer to express its willingness to obtain a license after receiving such information from the rights holder may vary depending on various factors, such as the number of patents at issue, the complexity of the technology, the level of knowledge the implementer may have about the technology, any prior relationship, business transactions, and the state of a dispute on essentiality, validity, and infringement between the parties. <del>Although no strict deadlines have emerged and a case-by-case assessment is needed, courts, especially in Germany, have clearly indicated that the respective time period is rather short:</del></p> <p>Portfolio license does not necessarily require a negotiation over each individual patent (cf. UK Supreme Court decision in Unwired Planet v Huawei).</p>	<p>We would like to maintain the description from the perspective of balancing the interests of concerned parties. Also, details of the timeframe is already stated in page 28 paragraph 1 to page 29 paragraph 2.</p>
page 17 paragraph 5	<p>On the other hand, if there are a significant number of patents at issue and the implementer is unfamiliar with the technology, several months or more may be a more reasonable time frame. <del>For example, when a SEP-implementing component supplied by a third party is used in an end-product, the end-product manufacturer, if involved in the negotiations on the implementers' side, may need to obtain technical details about that component from the third-party supplier and thus may need more time to respond.</del> If the initial substantive response requires more time, it may help to</p> <p>This is not supported by case-law so far.</p>	<p>We would like to maintain the description from the perspective of balancing the interests of concerned parties. Not all the contents of this Guide are based on court decisions.</p>
page 18 paragraph 2	<p>We suggest that a complete lack of response of any kind from the implementer, particularly in the context of patent pool licensing given the amount of information about the particular pool's licensing known to the implementer, should be included in the list of "examples of actions by an implementer that may increase the likelihood of the implementer being perceived as acting in bad faith"</p>	<p>We would like to maintain the description because the points you raised is already stated in page 18 paragraph 2. (1) of page 18 paragraph 2 states "refusing to negotiate at all, even while continuing to use the infringing technology."</p>
page 18 paragraph 2	<p>A great deal more than a mere statement that it is willing to license on FRAND terms should be required of an implementer in engagement with a patent pool that has met the threshold of reasonably broad acceptance in the market. After initiating engagement with the patent pool the implementer should have an ongoing obligation to act in a manner consistent with a desire to obtain a license at each step of the process.</p>	<p>We would like to maintain the description because the points you raised is already stated in footnote 33.</p>
page 18 paragraph 2	<p>In Step 2, in the section on Notes on Implementers' Actions (4), starting with "Refusing to conclude a confidentiality agreement...", add the word "unreasonable" between "repeated" and "revisions," so the sentence would read "Refusing to conclude a confidentiality agreement, while demanding that the rights holder provide claim charts, including detailed claim interpretations containing confidential information, or making repeated <del>unreasonable</del> revisions to confidentiality agreement conditions to delay negotiations;"</p>	<p>We would like to maintain the description from the perspective of balancing the interests of concerned parties.</p>
page 18 paragraph 2	<p>Proposed Change: U.S. Dept of Justice and U.S. Patent and Trademark Office, Policy Statement (2013); In Apple v. Motorola (U.S., CAFC, 2014), the court stated that an injunction may be justified where an infringer unilaterally refuses a FRAND royalty or unreasonably delays negotiations to the same effect. After that, the Policy Statement (2013) was withdrawn, and new Policy Statement (2019) was jointly released by U.S. DOJ, USPTO, and the National Institute of Standards and Technology (NIST). <del>As in the case of the Statement (2013), in this new Statement (2019), an injunction can be justified. Note that the 2013 DOJ and PTO and 2019 DOJ, PTO, and NIST Policy Statements referenced are currently being redrafted. The draft revised statement notes that under prevailing U.S. precedent, injunctive relief for SEP holders subject to a FRAND commitment functionally is unavailable because "[a]s a general matter . . . monetary remedies will usually be adequate to fully compensate a SEP holder for infringement." See U.S. Dep't of Just., U.S. Pat. &amp; Trademark Office, Nat'l Inst. of Standards &amp; Tech., Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments, at 8 (Dec. 6, 2021).</del></p>	<p>Based on the announcement of withdrawal of 2019 Policy Statement of the US, we reviewed and revised footnote 40.</p>
page 18 paragraph 2	<p>"The following are examples of actions by an implementer that may increase the likelihood of the implementer being perceived as acting in bad faith:"</p> <p>Add: table counter-offers that are obviously unreasonable and unacceptable for the rights holder (e.g. a licensing rate of just 0.001 per cent per patent family) and/or tabling a counter-offer only once litigation has been initiated.</p>	<p>We would like to maintain the description because the points you raised is already stated in page 23 paragraph 1.</p>

page 19 paragraph 1	<del>"When discussions about essentiality, validity, and infringement of the SEPs are still ongoing, it may not necessarily be viewed as acting in bad faith if an implementer does not promptly express its willingness to obtain a license. On the other hand, s</del> Some courts have ruled..." We cannot recall a decision where was articulated like this. The actual state of case-law is rather mirrored in the following sentence.	We would like to maintain the description from the perspective of balancing the interests of concerned parties. Not all the contents of this Guide are based on court decisions.
page 19 paragraph 2	We request that the JPO remove the reference to the METI Guidelines and incorporate the Phoenix v. Harting decision into the Guide which affirms the Huawei v. ZTE framework for the provision of effective patent protection and timely enforcement of intellectual property rights.	We would like to maintain the description because "Good Faith Negotiation Guidelines for Standard Essential Patent Licenses" was officially established by Japanese government and Phoenix v. Harting decision is not related to the paragraph.
page 19 paragraph 2	An implementer engaging with a patent pool may have been able to obtain an exemplar copy of the pool's license agreement. The implementer should have the obligation to obtain and study all this information. Implementer should not be entitled to begin discussions with the pool as if working from a blank sheet of paper, asking broad, general questions; rather, the implementers must be prepared to engage on the basis of having read and studied the information, and therefore, if it has questions, to ask focused questions about specific issues on which it needs clarification.	Since this Guide is not intended to be prescriptive, we would like to maintain the description.
page 19 paragraph 2	"Nonetheless, in some court decisions, the court stated that <del>such the obligation would not arise to make an offer is not triggered</del> until an implementer clearly expresses its willingness to obtain a license. " Not the obligation to substantiate the FRAND conformity of the offer.	We would like to maintain the description because it is clear what the obligation refers to.
page 20 paragraph 3	Delete the footnote referring to Germany court decisions. The court rather noted that a comparison with third licensing programs can be made only when the other portfolios are comparable to the SEP's portfolio in terms of quality and scope.	We would like to maintain the description because this paragraph assumes existence of comparable license program with "if any" in (2).
page 20 paragraph 4	"(3) Presenting an initial offer that is clearly unreasonable given court rulings and comparable licensing terms, and sticking to that offer during the negotiation process ;" It seems strange make this statement here and then cite only cases which actually say the opposite. SEP holder's offer is just the 'starting point' of negotiations; the implementer must review the offer, even if it is not 'perfectly FRAND' in every aspect, since otherwise license negotiations would be obsolete. The implementer should, basically, also react when the SEP holder's offer is 'evidently un-FRAND'. In this case, it will be, however, sufficient to just identify why the offer is 'evidently un-FRAND'.	We would like to maintain the description because the description refers to an unreasonable offer and sticking to it, this Guide does not state the situation as you pointed out.
page 21 paragraph 2	It is suggested that the FRAND licensing framework be described as referring to conduct, and the overall licensing terms and conditions.	We would like to maintain the description because the points you raised is already stated in page 10 paragraph 3.
page 21 paragraph 2	Once a patent pool has met the threshold of reasonably broad acceptance in the market its licensing terms should be presumed to be FRAND. Also, in the context of negotiations with a pool that has met the threshold of reasonably broad acceptance, the counteroffer must be as specific and detailed as the pool offer, and the "grounds demonstrating that its counteroffer is on FRAND terms" must be as specific as the grounds offered by the pool demonstrating that its offer is on FRAND terms.	Since this Guide is not intended to be prescriptive, we would like to maintain the description.
page 22 paragraph 2	Not sure how an implementer is expected to come up with comparable licenses? By different licensors?	We would like to maintain the description because we clearly stated "including royalties paid to, or received from, other companies for equivalent technologies, royalties by patent pool, etc."
page 22 paragraph 3	The Guide should recognise that what constitutes a reasonable amount of time to provide a counteroffer may also depend on the level of technical expertise and knowledges that a potential licensee possesses. We recommends JPO to include the level of technical knowledge the potential licensee has and to which extent it has the necessary information about the implementation of the standard available as an additional important factor that will determine what may constitute a reasonable timeframe to respond to a FRAND offer.	We would like to maintain the description because the points you raised is already stated in page 17 paragraph 3 and page 28 paragraph 2.
page 22 paragraph 3	The reasonable time period from when an implementer receives an offer on FRAND terms from a rights holder until the implementer presents a counteroffer is determined on a case by case basis. <del>When the technologies of the SEPs are not complicated, the implementer may present its counteroffer in a relatively short period of time. When technological complexity or other issues require a certain amount of work to prepare a response, it may be deemed reasonable for an implementer to respond in several months or more.</del> We do not recall a case where this was said in this form. It seems to me that the time requirements for the declaration of willingness and those for making a counteroffer are mixed up here. Maybe it would be valuable to remind that Huawei v ZTE requires the counteroffer to be made 'promptly' (this can hardly be 'more' than several months.)	We would like to maintain the description from the perspective of balancing the interests of concerned parties. Not all the contents of this Guide are based on court decisions.



page 23 paragraph 2	An implementer who does not provide a counteroffer on FRAND terms may not immediately be viewed as being in bad faith <del>when further discussions are needed to determine the technical relationship between the subject patents and the standards as well as the validity of the patents, or</del> when a rights holder does not provide any specific offer on FRAND terms or the basis thereof.  We do not recall a case where this was articulated in this form.	We would like to maintain the description from the perspective of balancing the interests of concerned parties. Not all the contents of this Guide are based on court decisions.
page 23 paragraph 3	The Guide notes that many arguments have been made in favor of arbitration as a mechanism for resolving issues in the negotiation, particularly in preference to litigation. We respectfully disagree. We do not believe that either arbitration or mediation is a useful or effective resolution mechanism in SEP disputes, for several reasons.	As indicated in page 24 paragraph 5, the guide acknowledges the disadvantages of ADR.
page 25 paragraph 2	The Guide ought not to endorse mandatory Alternative Dispute Resolution (ADR) as part of a willingness standard. It states, "Either way, while the refusal of ADR options may not immediately be viewed as bad faith, continuing to do so may be seen as bad faith in some cases". ADR is, and must remain, a voluntary endeavour in order to preserve both parties' fundamental rights.	The Guide does not endorse mandatory ADR. Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 25 paragraph 3	Under the framework presented in the CJEU decision in the case between Huawei v. ZTE, the court stated that when an alleged infringer has used SEPs before concluding any licensing agreements, from the time its counteroffer is refused, the alleged infringer is required to provide appropriate security in accordance with recognized commercial practices "in <b>Europethe field</b> ", for example by providing a bank guarantee or by placing the necessary amounts on deposit. It also stated that "[t]he calculation of that security must include, inter alia, the number of the past act of use of the SEP, and the alleged infringer must be able to render an account in respect of those acts of use." This is based on the idea that it would be contradictory and therefore unfair for the implementer to assert its willingness to pay the license fee but actually fail to do so even while using the <b>productpatent</b> .	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 25 paragraph 4	Although providing such security may be a factor in considering good faith, an implementer's failure to offer security may not necessarily increase the likelihood of being viewed as bad faith in regions outside Europe, such as Japan and the United States. <del>There is a view; however, that where an implementer lacks the financial capability to meet its financial obligations under a license ultimately to be concluded; the implementer could be viewed as acting in bad faith for not providing appropriate security.</del>  This seems a bit inconsistent: If the implementer has no money to pay for the licence, it will act in bad faith if it does not have the money for a security payment?	We would like to maintain the description because there certainly is the view stated in the paragraph.
page 25 paragraph 6	The obligations of an implementer, and therefore the actions of an implementer, must be different where the implementer is dealing with a patent pool than when the implementer is dealing with an individual rights holder. In short a "willing" implementer should be obligated to act differently in dealing with a patent pool than in a bilateral negotiation, and its conduct "as a whole" must be consistent with what is required of it in dealing with a patent pool.	Since this Guide is not intended to be prescriptive, we would like to maintain the description.
page 26 paragraph 2	The Revised Guide misses one important point; damages are almost never an adequate remedy for the infringement of a large portfolio of SEPs. A SEP owner can only litigate a limited number of patents in any given lawsuit. Damages for the infringement of those asserted patents may only represent a fraction of a F/RAND royalty for a SEP portfolio – and would be typically looking only to past, not future, damages for the patent owner. Therefore, damages on their own are unlikely to be an adequate remedy in the context of a large SEP portfolio because the patent owner cannot cost effectively litigate its entire portfolio in every relevant jurisdiction.	We would like to maintain the description because page 26 paragraph 2 does not say monetary damages is the sufficient remedy as your comment. Reasonable royalties are stated in chapter III.
page 26 paragraph 2	In Huawei v. ZTE (EU, CJEU, 2015), the court <del>established mutual affirmative conduct obligations for both sides of licensing negotiations, making the availability, respectively defence against an injunction subject to the fulfillment of those duties identified the steps that the rights holder must take before seeking injunctive relief, such as alerting the implementer or presenting a specific, written offer for a license on FRAND terms. The court held that if the implementer improperly delays after these steps are taken by the rights holder, an injunction will not violate competition law and seeking injunctive relief will be justified.</del>	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 26 paragraph 3	We agree that, in the U.S., antitrust policies toward SEPs have varied with changes in administration, and the current approach outlined by the U.S. antitrust agencies may be revised again. But it is also important to note that U.S. courts have remained consistent when addressing issues related to SEPs and, as of today, no U.S. court has found an SEP holder's request for an injunctive relief to be in violation of U.S. antitrust laws. It bears emphasis that even in Europe, courts have recognized that an SEP holder's request for an injunction would trigger antitrust liability only in very rare circumstances. The refusal to impose broad antitrust liability reflects the acknowledgement that holding a patent right inherently confers the lawful right to exclude, and the use of such right can be considered abusive only in "exceptional circumstances."  The JPO might consider softening the language in the Guide, so that the statement about the competition law violation is appropriately contextualized.	We would like to maintain the description because the language is already softened with "may". Also, based on the announcement of withdrawal of 2019 Policy Statement of the US, we reviewed and revised the description.
page 26 paragraph 3	We suggest deleting the sentence below (together with its two footnotes): <del>The competition authority in the United States does not agree that this conduct comprises the basis for a competition violation, although it might be reviewed after the change of administration.</del>	We would like to maintain the description in page 26 paragraph 3 as a fact that had occurred in the U.S. by the time of the revision of the Guide.

page 26 paragraph 3	The competition authority in the United States does not agree that this conduct comprises the basis for a competition violation, <del>although it might be reviewed after the change of administration.</del> Attention must be paid to the future trends of how the authorities in each country respond to this situation.	Based on the announcement of withdrawal of 2019 Policy Statement of the U.S., we reviewed and revised the description in footnote 69.
page 26 paragraph 3	Also, competition authorities in Japan and Europe <b>have suggested</b> that demanding an injunction against an entity that is willing to obtain a license on FRAND terms may be a violation of competition law. In Europe the decisions precede the CJEU decision in Huawei/ZTE.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 27 paragraph 2	"To conduct licensing negotiations smoothly, it is also important to consider efficiency along with good faith. The following sections address key points that should be considered for the efficient conduct of FRAND-based negotiations. " What is meant by that? Is this an additional criterion on top of good faith? What are the consequences if no 'efficiency' is given?	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 28 paragraph 4	We do not think that specific timelines for negotiation processes are appropriate, because each negotiation varies, and many are quite different depending on a broad range of factors. Therefore, we propose deleting the content of that footnote. • Proposed Change: <del>While the overall negotiation timeframe will vary by case, some suggest as a rough reference to what timeframe needed for prompt completion might look like that complex cross-licenses with vast portfolios might complete in 12 months, oneway licenses with fewer SEP families at stake in 9-12 months, and simple one-way licenses with a few patents in 6-9 months. Others, however, do not like the idea of any numerical benchmark for negotiation timeframes.</del>	Based on the comments you kindly provided to the JPO, we reviewed and revised the description in footnote 70 to reflect various views.
page 28 paragraph 6	Patent owners cannot force implementers to accept any terms. So this concern is unfounded.	Based on the comments you kindly provided to the JPO, we reviewed and clarified the description that the price hike of products is related to a situation where the licensing term is not FRAND.
page 29 paragraph 3	Any discussion on licensing level must begin with the recognition that FRAND is not a compulsory licensing regime. Patent holders commit to offer a license on FRAND terms if they seek compensation from an implementer, they do not agree to license as implementers demand. FRAND commitments permit patent holders to obtain maximum FRAND value for their patents, and therefore there is nothing contrary to FRAND in leaving the power to choose licensing level for SEPs the same as it is for all patents: in the hands of the patent holder. In addition, it might be helpful to note that, in practice, the question about the licensing level is generally unproblematic if companies recognize that a FRAND royalty does not change simply because the patent holder agrees to license its SEPs at a different level of the value chain. Disagreements arise if a company refuses to acknowledge this concepts and argue level of licensing to decrease the royalty payment for SEPs.	We would like to maintain the description because the points you raised is already stated in page 30 paragraph 1, page 48 paragraph 5 and footnote 71.
page 29 paragraph 3	A challenge is that it is often (some would say "nearly always") the case that a particular component does not practice all the claims of a patent (or all the claims of all the patents in the patent pool license), for example claims covering interaction between the component and others components or portions of a system. This, in turn, would necessitate licensing both at the component level and also at a minimum at one additional level, likely the complete ready-to-sell end product. A related challenge is that it is virtually impossible to ensure that there is no "double dipping" if licenses are available at all levels of the value chain. Therefore, licensing at multiple levels of the value chain would increase the complexity, difficulty, cost, and uncertainties of SEP licensing. It is exactly to avoid those effects that patent pools in general have chosen to license at the finished product level. At the same time, because we (and many other patent pools) charge a stated amount (rather than a percentage) we avoid the consequences that flow from a percentage-based royalty being applied to end products of widely different selling prices, and therefore avoid the debate between EMV and SSPPU as the base.	We would like to maintain the description because the points you raised is already stated in page 32 paragraph 3 to page 34 paragraph 3 and page 57 paragraph 4 to page 57 paragraph 5.
page 29 paragraph 3	With the spread of IoT, the use of standards has become more common. One issue often arising during negotiations is <del>which entities who in the manufacturing supply chain is entitled to a licence as a beneficiary under the FRAND commitment should be parties to licensing negotiations</del> The actual issue is who will take the licence, respectively who is entitled to a licence as a beneficiary under the FRAND commitment (and not who will participate in negotiations: suppliers could, e.g., exceptionally be consulted on technical issues)	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 29 paragraph 4	Footnote 71 should be deleted This is unsubstantiated. In fact, evidence from Qualcomm v Apple points in the opposite direction: royalties paid by manufacturers are very reasonable as compared with the price of user devices. Avanci's royalty rates also support this position.	We would like to maintain the description because there certainly is the view.
page 30 paragraph 2	Delete this paragraph. This debate has been settled and clarified by recent court decisions.	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 30 paragraph 3	We invite the JPO to also consider the US Court of Appeal decision in FTC v Qualcomm. The Court considered the question whether Qualcomm had an antitrust duty to license its SEPs to rival chipmakers. The Court found that there was no duty in antitrust to license to rival chipmakers, and that Qualcomm's business model of end-product licensing was not an anticompetitive violation of the Sherman Act.	We would like to maintain the description because the court does not determine exactly who in the supply chain should be licensed. FTC v. Qualcomm was added in footnote 106.

page 30 paragraph 3	The Revised Guide discusses the competing concepts of "license to all" and "access for all". It should be noted that 'license to all' is an unclear concept, and one that has never been tried. To the extent that the concept is understood, it seems to involve an obligation to grant licences to all members of a value chain or to all members of a value chain who request a licence. 'License to all' seems to wilfully ignore that it is not legally possible to provide the same licence, for the same technology, to multiple levels of the value chain. The rules of patent rights exhaustion preclude this, even if it is requested by the putative licensees. Therefore, a 'license to all' obligation is from a legal point of view not possible to implement.	We would like to maintain the description because this Guide does not state "license to all" is a clear concept and it is explained in footnote 72 that "[t]he idea... is commonly referred as "license to all." The points you raised is also stated in page 32 paragraph 3 to page 33 paragraph 2.
page 30 paragraph 3	<del>In one of these cases, the referral was made to the CJEU, seeking preliminary ruling as to whether they had an obligation to license suppliers on a priority basis. Nonetheless, since the initial litigations reached settlement, the referral was withdrawn, and the CJEU did not provide any views in this regard.</del> Meanwhile, there are some cases in which suppliers conducted negotiations as the party and obtained a license. Seems unnecessary as the referral did not result in any outcome.	We would like to maintain the description concerning the referral to the CJEU as a fact.
page 30 paragraph 3	"Meanwhile, there are some cases in which suppliers conducted negotiations as the party and obtained a license." Not sure that this is a relevant 'counter-example'. The previous sentence refers to court cases where the courts established that the patent holder was free to choose the level in the supply chain where it would license. This sentence is a further example of that.	We would like to maintain the description because the sentence refers to examples where suppliers obtained license.
page 30 paragraph 3	Continental v Avanci (US Court of Appeals for the 5th Circuit) should be added.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description as in footnote 76.
page 31 paragraph 2	This paragraph should be deleted because it seems to be difficult (and rather confusing) to determine what an 'essential part' is.	We would like to maintain the description because there certainly is a view stated in the paragraph.
page 31 paragraph 3	"In any case, since there is a risk that injunctive relief against infringement may be granted against entities regardless of whether they are suppliers or end-product manufacturers if no entity in the supply chain obtains the license, all supply chain entities need to be aware of the status of conclusion of licensing agreements." Unclear what the consequences are. Information duty of the SEP holder or the implementer?	We would like to maintain the description because the description is not intended to be created a duty or an obligation.
page 33 paragraph 2	Page 33 paragraph 2 should be deleted. This cannot occur, when licences are granted only at one level of the supply chain, the end-device level. When did this 'problem' actually emerge in practice? Also, please refer to the have made rights that are foreseen in article 6.1 of the ETSI IPR Policy	We would like to maintain the description because there certainly is the view stated in the paragraph. Also, the points you raised is already stated in page 30 paragraph 3 and its footnotes.
page 33 paragraph 5	"When the rights holder requests payment of licensing fees after the product is sold, how this payment burden should be distributed within the supply chain sometimes becomes an issue." This can be an issue, but it has nothing to do with FRAND and the conduct duties of the SEP holder. In case the implementer (end product manufacturer that sells the product) would make sure to have a license before commercializing its products, this situation cannot occur. Our view is that the whole chapter (sharing the burden of licensing fees) is not really relevant for this Guide, as it refers only to the relationship between the OEMs and their suppliers.	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 34 paragraph 1	"There are certain industries in which a patent indemnification agreement may be concluded whereby the supplier shoulders the payment of licensing fees. In such situations, <del>even when the license fee negotiated by the end-product manufacturer as the party is excessive and disproportionate to the price of the component,</del> the supplier may be requested to bear the burden." As long as the fees are FRAND, it is irrelevant whether they are 'disproportionate' with respect to the price of the component.	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 34 paragraph 2	"To avoid such a situation, some patent indemnification agreements exempt SEPs. Some argue that, in order to avoid an excessive burden on suppliers, licensing fees should be apportioned out across the supply chain according to the essential parts of the invention within the scope of the patent claim." This is not practically feasible and, at a minimum, will increase the licensing costs.	We would like to maintain the description because there certainly is the view stated in the paragraph.
page 34 paragraph 3	"Others suggest that it may be reasonable to incorporate in a patent indemnification agreement a provision to exempt the supplier from responsibility to pay the licensing fee if the supplier was not given the chance to be involved in the licensing negotiations. Some have also suggested that it might be reasonable to include a provision that exempts suppliers from the responsibility to pay more than an amount corresponding to the price of the component ."Another opinion is that if suppliers are required to shoulder licensing fees, the price for their components should reflect the technical value of the SEP." There is no relationship between the price of a component and the value of the standardised technology. Cellular standards enable devices to be connected to networks; the value of that technology bears no relationship whatsoever with the price of making a chip. German courts have pointed to that fact in relation to TCUs (Nokia v Daimler case).	We would like to maintain the description because there certainly is the view stated in the paragraph.

page 36 paragraph 3	We encourage the JPO remove the reference to the METI Guidelines on Page 36.	We would like to maintain the description because "Good Faith Negotiation Guidelines for Standard Essential Patent Licenses" was officially established by Japanese government.
page 37 paragraph 2	<del>On the other hand, often the existence and the content of the licensing agreement are not treated as confidential so that the agreement may be assessed as a "comparable license" in the future.</del> The parties may want to consider, in view of the above, for example, whether all terms and the existence of an agreement will be confidential, whether only its monetary terms will be confidential, or whether only sales volume information (e.g., past sales) will be confidential, etc.  In our experience, it is not true that especially the 'content' of the licensing agreement is 'often' not treated as confidential.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 37 paragraph 5	As an example, in a case involving several hundred SEPs, the parties may hold discussions on just part of those patents deemed the most valuable, or select random samples to efficiently assess the total value. They might also independently categorize the patents into tiers, analyze the top few from each tier to get an idea of the topology of the overall portfolio's quality, and get together to compare results. In such cases, one view is that concluding <del>all licensing agreements</del> a license covering all SEPs for a given standard, including those SEPs that were not the subject of discussion, as a single package is an efficient approach in terms of administration.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 37 paragraph 6	"The parties may also discuss whether the negotiations will include non-SEPs in addition to SEPs. While it is up to the parties to choose which particular patents will be included, it may, for example, be efficient to include in the negotiation a commercially essential patent (a patent for which there exists a technical alternative but which is practically inescapable due to cost/performance issues) or non-SEPs. There are also cases of licensing through frameworks whereby implementers can choose which SEPs they wish to license."  Couldn't this wording create the false impression that there is SEP by SEP licensing? Even in the case described in the footnote, i.e. the optional parts, it is still a question of portfolio licensing, i.e. all SEPs that read on the/are relevant for the optional part of the standard that is meant.	We would like to maintain the description because of footnote 87 clarifies the points.
page 38 paragraph 3	It is necessary to elaborate that the UK courts will set terms for a global license without ASI.	We would like to maintain the description because the points you raised is already stated in page 39 paragraph 3 to page 40 paragraph 4.
page 39 paragraph 4	"Regarding the geographical scope of licensing agreements, we will introduce a jurisdiction of international litigations of SEPs." This is unclear.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 39 paragraph 5	We suggests that the JPO to include reference to declaratory judgments of global FRAND rates through reference to the 2021 Sharp v. Oppo decision.	We would like to maintain the description because the points you raised is already stated in footnote 93.
page 39 paragraph 5	Patent rights are independent in each country, and in applying the Patent Law to patent rights, the principle of territoriality <del>may be</del> appropriate. <del>For jurisdiction of international litigations, whether or not the jurisdiction is appropriate shall be determined, apart from the territoriality principle.</del>  There is not much doubt that national courts can exercise jurisdiction only on national patents. As long as patent infringement is part of the proceedings, I do not think that one court set aside the territoriality principle.	We would like to maintain the description because whether or not the jurisdiction is appropriate shall be determined, apart from the territoriality principle.
page 40 paragraph 2	We suggest that the JPO consider including further context to the sections of the Guidelines addressing anti-suit injunctions. We suggest adding an explanation to highlight how courts in the U.S. have approached anti-suit injunctions to footnote 95 on page 40: • Proposed Change: Regarding ASI, there are various activities such as the request of consultations from the EU to China in the dispute settlement process of the WTO and attention should be paid to the future trends. <del>In the United States, however, Microsoft v. Motorola remains an instructive precedent, where the court issued an anti-suit injunction to stop German injunctions that would have interfered with the RAND-rate setting proceeding that the court was undertaking. Microsoft v. Motorola, 871 F.Supp.2d 1089, 1103-04 (W.D. Wash. 2012), aff'd, 696 F.3d 872 (9th Cir. 2012). See also Jorge L. Contreras, Anti-Suit Injunctions and Jurisdictional Competition in Global FRAND Litigation: The Case for Judicial Restraint, 11 N.Y.U.J. of Intell. Prop. &amp; Ent. Law 171, 174-180 (2021) (discussing the benefits and protections that anti-suit injunctions allow parties, including, that in some cases, courts have found that anti-suit injunctions are a legitimate means to protect their jurisdiction from parties engaged in vexatious litigation across multiple forums).</del>	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 40 paragraph 3	However, in some cases, an order to further prohibit ASI in the foreign country (Anti-ASI) is issued, <del>and courts have found that the filing or the threat of filing a motion for an ASI impacting national infringement proceedings can be considered as a sign of unwillingness on the side of the implementer which would, in turn, prevent the latter from successfully raising a FRAND-defence by claiming ASI, the court determined to be in bad faith.</del>	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 40 paragraph 4	<del>Regarding the international jurisdiction, some argue that</del> ASIs could restrict the exercise access to courts by rights holders of their exclusive rights and create barriers to legitimate trade <del>and early settlement is desirable.</del>	We would like to maintain the description because there certainly is the argument.



page 41 paragraph 2	"Where a rights holder participates in a patent pool, the general practice is for that rights holder to approach licensing negotiations with implementers through the body managing the patent pool." We do not believe that this is entirely correct. Antitrust/competition law generally requires that licences be available from both a pool and from the patent owner. And in many instances pool members do license outside of the pool. We believe that it is too strong to state that it is the "general practice" to license through the pool.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 41 paragraph 2	"Where a rights holder participates in a patent pool, the general practice is for that rights holder to approach licensing negotiations with implementers through the body managing the patent pool. <del>We note that bilateral licensing is still an option for those implementers that would prefer it.</del> "	
page 41 paragraph 3	In sub-section 6 on Patent Pool Licensing, in the paragraph starting with "Additionally,..." change the paragraph so it instead reads, "Additionally, <del>at least some of the</del> patent rights that are registered in a pool are <del>normally</del> checked to some extent for essentiality by a third party. Although this does not <del>necessarily</del> guarantee essentiality, it is expected that it may lead to greater SEP transparency."	We would like to maintain the description from the perspective because the language is already softened with "to some extent."
page 41 paragraph 4	Page 41 paragraph 4 should be deleted. This whole paragraph seems confusing. It seems to imply that there should be one single pool granting licenses exclusively (=no bilateral licensing, no other pools?) and covering also non-SEPs ("commercially essential patents"?) as well. This is, however, not feasible, especially since (a) it is required to keep the option for bilateral licensing open and (b) in principle, you cannot "bundle" SEPs (=technically essential) and non-SEPs (= "commercially essential").	We would like to maintain the description because it does not say there should be one single patent pool.
page 41 paragraph 6	<del>"Implementers aiming to resolve disputes through cross licensing must bear in mind that this will not be possible with bodies managing patent pools that are not implementing the invention. There is also a view that p</del> Patent pool participation does not rule out cross licensing, and that an implementer can simply pay the royalties of those pool members with which it does not have a cross licensing agreement."  There are mechanisms to account for cross licenses or other incumbrances. This is routine in pool agreements.	We would like to maintain the description because it does not say cross licensing is always impossible.
page 42 paragraph 1	"Enhancing transparency in regard to the essentiality and validity of SEPs <del>could improve efficiency in licensing negotiations, provided that it is accompanied by measures further enhancing incentives to negotiate, for instance, measures to constrain hold-out leads to more efficient licensing negotiations.</del> The European Communication <del>encouraged SDOs to improve quality and accessibility of existing databases expects SSOs to promote the development of databases with information on SEPs.</del> It also expects rights holders to provide information on SEPs to SSOs, so the SSOs can then update their information."	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 42 paragraph 2	"With SSOs building up databases and widely providing information on SEPs, it will become easier for rights holders to obtain the necessary documents when presenting offers for licensing negotiations or FRAND licensing terms. It will also become easier for implementers to obtain information on SEPs related to relevant standards. "  Not clear what these necessary documents are. SEP holders should in general have the relevant information concerning their own patents.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 43 paragraph 2	FRAND licensing terms include not only royalties but also non-monetary aspects such as cross-licensing, but because there are no established criteria for reasonable and non-discriminatory royalties in SEP licensing negotiations, the parties often disagree on the appropriate FRAND <del>terms rates.</del>  This paragraph seems to mix and match FRAND terms and conditions and FRAND royalties. It would be better to consistently mention FRAND terms and conditions.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 43 paragraph 4	We strongly encourages the JPO to refrain from providing guidance on royalty calculation – in particular SSPPU - and amend the footnotes referring to CSIRO v. Cisco to include the below statement from the Court: The rule Cisco advances—which would require all damages models to begin with the smallest saleable patent-practicing unit—is untenable.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description as in footnote 106.
page 43 paragraph 4	There is an extended discussion in the Revised Guide of royalty calculations and of the entire market value rule (EMVR) and of the smallest saleable patent practicing unit (SSPPU). What often gets lost in the discussion of EMVR and SSPPU is that what we are really trying to figure out is the value of the technology in question. Independently determining the value of cellular connectivity for a given product is a better approach. Licences seek to accommodate for the value attributable to the use of the technology by means of a royalty calculation, which may be on a per unit basis or based on the product(s) that are the subject of the licence – or by some other means.	We would like to maintain the description because the points you raised is already stated in page 45 paragraph 1 and page 47 paragraph 4.

page 43 paragraph 4	<p>A. Comparable Licenses v. Top-Down Method</p> <p>Currently, in most disputes involving SEPs, courts have based the determination of FRAND royalties on the analysis of comparable licenses. Although the top-down method and the comparable licenses analysis were initially considered equally reliable methodologies to determine FRAND royalties, over time, courts have opted to rely on comparable licenses whenever available. These decisions inherently recognize the fundamental economic principle that the price agreed upon by parties in a voluntary transaction best reflects what market participants consider to be a fair price for the sold good or service.</p> <p><del>Patent counting is not an appropriate methodology to determine a portfolios' value because it, incorrectly, treats every patent the same.</del></p>	We would like to maintain the description because the points you raised is already stated in footnote 106 and page 54 paragraph 1.
page 43 paragraph 4	<p>We state the royalty as a fixed amount, with a different fixed amount for product categories. The use of fixed amounts focuses the licensee immediately on the core pricing proposition.</p> <p>Moreover, stating royalties as fixed amounts avoids the contentious debates both over how to calculate the royalty base and how to calculate the percentage royalty rate. Stating royalties as a fixed amount rather than a percentage is common among all the most successful pools operated over the past decades, and is likely a major factor in the ability to sign up hundreds of licensees with comparatively little litigation.</p>	We would like to maintain the description because the points you raised is already stated in page 57 paragraph 5.
page 43 paragraph 4	<p>"This approach may also be applied to the calculation of SEP royalties. There has been intense discussion, however, on issues such as how to <del>handle-deal with</del> the value added after a technology has been incorporated into a standard, how to identify the calculation base, and how to calculate the royalty rate. These issues are discussed further below."</p>	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 44 paragraph 1	<p>"There is a view that SEP royalties should reflect only the value of the patented technology before the standard is widely adopted in the market (generally called "ex ante"). This is based on the idea that, when a technology is being considered to form part of a standard, it is selected from multiple technological options, while once it is incorporated into the standard, it is used only out of necessity to adhere to the standard."</p> <p>It is strange to value a technology that is chosen (and thus preferred) by reference to a technology that is rejected (and thus of lesser value); also, standards are used in many different products/services/applications, many of which are not known at the moment of standardization.</p>	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 44 paragraph 2	<p>"Based on this premise, <del>there are cases wheresome argue that</del> the royalty is assessed at a point in time before the standard is widely used and set promptly after the standard is announced, then kept at that level regardless of the success or failure in the markets of the products implementing the SEPs."</p> <p>Not clear what these cases are (and there is nothing referenced)</p>	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 44 paragraph 3	<p><del>On the other hand, there is a view that the "ex ante" approach is not practical in calculating the damages for infringement of patent rights because the amount of damages should incorporate the value of the patented invention at the time of implementation, and a part of such value is created by the technology successfully becoming the standard.</del> Furthermore, there is also a view that it is inappropriate to adopt the "ex ante" approach because it would lead to the profit from standardization being distributed only to implementers and not to rights holders.</p> <p>This seems out of place here: The chapter is about royalty calculation not determination of damages for patent infringement. These are different exercises and should not be mixed up, since the discussion commences at a different starting point.</p>	We would like to maintain the description because the approach to calculating damages could be used as a reference to determine reasonable royalties as stated in page 46 paragraph 3.
page 44 paragraph 3	<p>"In Unwired Planet v. Huawei (UK, high court, 2017), the court stated that the rights holder could appropriate some of the value that is associated with the inclusion of the technology into the standard and the value of the products using the standards."</p> <p>We should add Nokia v Daimler decision of the District Court of Mannheim.</p>	We would like to maintain the description because the points you raised is already stated in footnote 112.
page 45 paragraph 1	<p>We requests that the JPO to amend Footnote 105 by removing the text after the first sentence.</p>	
page 45 paragraph 1	<p>We invites the JPO to note as well that the US Court of Appeal in FTC v Qualcomm also discussed the issue of whether the smallest salable patent-practicing unit (SSPPU) is the appropriate royalty base.</p>	Based on the comments you kindly provided to the JPO, we reviewed and revised the description as in footnote 105 and 106.
page 45 paragraph 1	<p>Cellular and Wi-Fi chips are available for purchase on the open market, and a U.S. court has held that a baseband chip is the proper SSPPU for cellular devices and rejected an argument that the patent related only to end-products.</p> <p>Proposed Change: In many cases, the price of "components" is assumed to be "SSPPU" while the price of "end product" of the supply chain downstream is assumed to be "EMV." <del>Nonetheless, in reality, since components are not saleable, end products can be SSPPU in theory. Also, since patent claims are for end products, inventions are being worked only in end products from the wording. As a result, in some cases, end products can be considered as SSPPU.</del></p>	

page 45 paragraph 1	<p>Although it is correct that the court in CSIRO v. Cisco declined to accept Cisco's argument that royalties must be based on using the SSPPU as a royalty base, the court did not explicitly state a preference for using comparable licenses. Further, it is incorrect to say that "in most court rulings in the U.S." the comparable license approach is used.</p> <p>Proposed Change: In Cornell Univ. v. Hewlett-Packard (U.S., District Court, 2009), <b>decided by Chief Judge Rader of the U.S. Court of Appeals for the Federal Circuit</b>, in which an infringement case was disputed over non-SEP patents, SSPPU was introduced, as the smallest unit of calculation base related to patent technologies should be selected so that excess damage amounts would not be calculated under the jury system. Nonetheless, in most court rulings in the U.S., when there are sufficient comparable licenses, <b>courts may evaluate royalties using comparable licenses instead of SSPPU.</b> (CSIRO v. Cisco (U.S., CAFC, 2015)).</p>	<p>Based on the comments you kindly provided to the JPO, we reviewed and revised the description as in footnote 106.</p> <p>As for the name of the Judge, we would like to maintain the description because it is not mentioned in other citation of court cases.</p>
page 45 paragraph 1	<p>We note that the Revised Guide states the following: In court rulings, such as Nokia v. Daimler (Germany, District Court of Munich, 2020), Sharp v. Daimler (Germany, District Court of Munich, 2020), Conversant v. Daimler (Germany, District Court of Munich, 2020), the court determined that the price of end products should be royalty base. We believe that this is incorrect. Neither court determined that the price of the end products (the automobiles) should be the royalty base. This should be corrected in the Revised Guide.</p>	<p>Based on the comments you kindly provided to the JPO, we reviewed and revised the description as in footnote 112.</p>
page 45 paragraph 1	<p>We note that global courts have widely rejected the contention that the SSPPU must be used as a royalty base for FRAND royalties—a note that the JPO might consider adding to the Guide.</p> <p>By now, courts around the world have recognized that "[s]ophisticated parties routinely enter into license agreements that base the value of the patented inventions as a percentage of the commercial products' sales price," and "[t]here is nothing inherently wrong with [that]."</p> <p>Already in Ericsson v. D-Link, the U.S. Court of Appeals for the Federal Circuit found that it is appropriate to rely on comparable licenses that used the end-products price as the royalty base to calculate damages for the infringement of FRAND-committed SEPs. In HTC v. Ericsson, a U.S. district court rejected the contention that a FRAND commitment made to the European Telecommunications Standards Institute (ETSI) requires the use of the SSPPU as a royalty base.</p> <p>In FTC v. Qualcomm, the U.S. Court of Appeals for the Ninth Circuit rejected the contention that a royalty was "unreasonable" because it used the price of the end-product as the royalty base. And in Nokia v. Daimler, the Mannheim Regional Court found that the end-product price was the correct royalty base for a FRAND royalty.</p> <p>In sum, there is a general recognition that a FRAND royalty does not need to use the SSPPU as a royalty base.</p>	<p>We would like to maintain the description from the perspective of balancing the interests of concerned parties.</p> <p>As for FTC v. Qualcomm, based on the comments you kindly provided to the JPO, we reviewed and revised the description in footnote 106.</p>
page 45 paragraph 1	<p>Proposed Change: In LaserDynamics v. Quanta (U.S., CAFC, 2012), the court stated that it is generally required that royalties be based on the SSPPU approach, citing the concept of "the smallest salable infringing unit" in Cornell University v. Hewlett-Packard (U.S., federal district court, 2009), but stated that if it can be shown that the patented feature drives the demand for an entire multicomponent product, <b>there is a narrow exception to the SSPPU rule that allows that the entire product (EMV) could be used as the royalty base, and rights holders may be awarded damages as a percentage of revenues or profits attributable to the entire product.</b> See LaserDynamics, Inc. v. Quanta Computer, Inc., 694 F.3d 51, 67 (Fed. Cir. 2012).</p>	<p>We would like to maintain the description from the perspective of balancing the interests of concerned parties.</p>
page 45 paragraph 1	<p>"In the U.S., as for the calculation base of damages equivalent to a reasonable implementing fee in infringement litigations for patents, including SEPs, debate has centered on whether the smallest salable patent practicing unit ("SSPPU") or the entire market value ("EMV") should be adopted. <b>This debate has, however, taken a very clear direction against the use of SSPPU after the FTC v Qualcomm case (US CoA 9th Circuit, 11.08.2020, 19-16122).</b> Also in countries ..."</p> <p>Referring to methods for the calculation of damages for patent infringement is, in principle, not proper when it comes to the determination of FRAND royalties.</p>	<p>We would like to maintain the description from the perspective of balancing the interests of concerned parties. The approach to calculating damages could be used as a reference to determine reasonable royalties as stated in page 46 paragraph 3.</p>
page 45 paragraph 1	<p>Footnotes of page 45 paragraph 1. Is it still relevant to cite all these older cases in light of the clarity provided in the recent ones mentioned above and below?</p>	<p>We would like to maintain the description because those cases are cited to explain how the concept of SSPPU was developed.</p>
page 46 paragraph 3	<p>"As stated above, <b>while</b> the SSPPU and EMV are approaches devised by the US courts in calculating damages equivalent to a reasonable implementing fee in patent infringement cases, <del>they could also be used as a reference to determine reasonable royalties in actual licensing negotiations. In some licensing negotiations, for example, the price of "components" is assumed to be "SSPPU" while the price of "end product" of the supply chain downstream is assumed to be "EMV."</del> "</p> <p>This is not in line with current case-law.</p> <p>Unwired Planet v Huawei in the UK, the German automotive cases against Daimler (Nokia v Daimler, Mannheim; Conversant v Daimler, Munich) and the FTC v Qualcomm case of the US CoA 9th Circuit all indicate that the end-device (that is the 'EMV' approach) is decisive. What is more, in the German Daimler-cases in Mannheim and Munich, the courts have highlighted that making a (counter)offer based on the price of the TCU is not FRAND and could render the licensee 'unwilling'.</p>	<p>We would like to maintain the description from the perspective of balancing the interests of concerned parties.</p> <p>The description is merely intended to introduce each example of SSPPU and EMV.</p>

page 47 paragraph 2	<p>There are many cases in which the rights holder has insisted that the EMV should be used as royalty base, from the view point that the <del>value of the technology is only realized at end-product level</del>, SEP technology contributes to the function of the entire end product and drives product demand. Likewise, there are many cases in which the end-product manufacturer has insisted that the SSPPU should be used as royalty base, <del>from the view point that the contributions of the SEP technology are confined to just a portion or component of the overall end product</del>.</p> <p>Not sure that that is a correct statement. Technically the software is flashed onto the chip, but the invention is not confined to the chip. The standardised technology is not confined to the chip; we do not standardize chips. The standardised technology enables a device to connect to a network and interoperate with other devices via that network.</p>	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 47 paragraph 3	<p>"In the days when debate focused on cellular phones, where communication technology was central to functionality, <del>many parties consolidated industry practices</del> supported the use of EMV as royalty base. <del>The emergence of products such as smart phones and connected cars for which communications technology accounts only for a part of the product's functions, however, has raised debate over the use of SSPPU or EMV as royalty base.</del>"</p> <p>This seems a bit outdated given the many court cases mentioned above that have provided clear and uniform guidance on this question.</p>	We would like to maintain the description because there is still debate ongoing over SSPPU and EMV as can be seen from this public comment process.
page 47 paragraph 4	<p>The Guide should recognise that cognitive biases such as "anchoring" can affect the outcome of a royalty determination when the royalty base is too large. "Anchoring": information and data first introduced acts as a reference point for an individual's decision making process. The results of this bias are evident in United States court decisions where juries tend to award damages in patent infringement cases close to 10 percent regardless of the royalty base chosen.</p> <p>Choosing a large royalty base, such as an end product, runs a high risk that a royalty demand based on the end product will systematically overvalue the patents that cover only a small portion of the component's features. For this reason, we believe, that unless warranted by the patent claims in specific cases, the royalty base selected as part of the royalty calculation should not be the end product, but the relevant component thereof in order to accurately ascertain a fair and reasonable royalty rate for the infringed SEPs.</p>	We would like to maintain the description because the points you raised is already stated in footnote 106.
page 47 paragraph 4	This paragraph is unclear. Delete.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 47 paragraph 5	<p>What is the other option?</p> <p>The second sentence also seems to suggest that it could be ok to use SSPPU if the circumstances of the individual case allow, but this does not mirror the recent case-law mentioned above, where courts have dismissed SSPPU theories as a matter of principle.</p>	We would like to maintain the description because the points you raised is already stated in page 47 paragraph 6 to page 48 paragraph 5.
page 48 paragraph 2	<p>"Even when the SEP technology goes beyond a particular chip, there is a view that the SSPPU is an effective starting point for discussion in accumulatively and elaborately analyzing the product portions to which the SEP technology contributes. This view emphasizes that the basis of the calculation should not exceed the scope of the contribution of the essential part of the SEP technology for which a license is being sought."</p> <p>Delete this paragraph.</p>	We would like to maintain the description because there certainly is the view.
page 48 paragraph 5	This sentence is unclear.	Based on the comments you kindly provided to the JPO, we reviewed and revised the description.
page 49 paragraph 1	<p>"Of the many different approaches to determining an appropriate royalty rate, two frequently identified in court decisions are (i) determining the royalty rate, by independently evaluating the value of <del>individual a SEP portfolios</del> (<del>bottom-up comparable licenses</del> approach) ; and (ii) calculating the share in the calculation base of the contribution of all SEPs for a given standard and then allotting a share to individual SEPs (top-down approach)."</p> <p>Judging from the following analysis, it appears the approach based on comparable licensing agreements is meant here. If this is so, I think it is not precise to say that this approach focuses on the value of individual SEPs. The language previously in the GUIDE was much clearer. Suggest reverting back.</p>	We would like to maintain the description. As stated in page 49 paragraph 4 in this Guide, comparable licenses approach is explained as one of bottom-up approach.
page 49 paragraph 4	<p>"In the bottom-up approach, the value of <del>individual a SEPs portfolio</del> might be evaluated by, for example, referring to comparable licenses. Specifically, examples of comparable licenses to be referred to include those of patents owned by the same rights holder and patents owned by others essential to the same standard or a similar standard."</p> <p>Again (see previous comment), this is not accurate, since the question is not the value of individual SEPs (this would amount to a patent-by-patent valuation, which the courts have not done so far, to my knowledge).</p>	
page 50 paragraph 1	<p>Delete (3), (6), (8) and (9).</p> <p>We are not aware of case law using these criteria.</p>	<p>We would like to maintain the description from the perspective of balancing the interests of concerned parties.</p> <p>Not all the contents of this Guide are based on court decisions.</p>



page 51 paragraph 5	Although pool licenses might be informative to determine a FRAND royalty, there is a need for caution when comparing the value of patent portfolios based on numerical proportionality. Counting the number of patents is not a reliable methodology to determine a portfolio's value, because it fails to account for the heterogeneity in the value of patents. Determining a FRAND royalty based on the number of SEPs would lead to royalty determinations that overcompensate SEPs of marginal value and undercompensate those that cover foundational technologies. In addition, "negotiating rates by counting patents within a portfolio creates a perverse incentive to over-declare. Pool rates may not be an appropriate benchmark if most licensing in an industry is done outside of pools.	We would like to maintain the description because the points you raised is already stated in page 54 paragraph 1. This Guide does not promote particular method for calculation.
page 51 paragraph 5	We respectfully suggest that the text is not a productive approach for judging rates of bilateral licenses. The reason is that patent pool rates are a function of many forces, one of which is the inherent efficiencies of patent pool licensing. Bilateral licensing lacks those same efficiencies; as a result bilateral licensing rates are FRAND at several multiples of pool rates.	We would like to maintain the description because the points you raised is already stated in page 52 paragraph 1-2.
page 51 paragraph 6	It may also be necessary to note that, in some patent pools, a <del>relatively low</del> <b>lower (than individually negotiated, aggregate)</b> royalty is set as a result of taking into account the fact that negotiations, contracts, and the management of royalties are streamlined in many patent pools.	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 52 paragraph 2	There may also be cases where the patent pool situation differs from that of licenses negotiated bilaterally because the rate is set by multiple rights holders. <del>It should also be noted that some rights holders are inflating SEP numbers through divisional patent applications.</del> Generally pools set a limit on the number of family members that can count towards distribution precisely to obviate to this potential problem.	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 52 paragraph 3	Does this sentence tries to indicate the denominator but there seems to be no reference to the numerator? Perhaps delete the first sentence as the second sentence provides a better description?	We would like to maintain the description because the second sentence details the first sentence which explain the essence of the approach.
page 52 paragraph 3	Add Unwired Planet v Huawei in UK High court in footnote 126.	We would like to maintain the description because the points you raised is already stated in footnote 116.
page 52 paragraph 5	"As the extent of the contribution of all SEPs to the standards defines the total rate, there is a view that the top-down approach is effective in avoiding such royalty stacking. From this standpoint, when the bottom-up approach is used, it may be beneficial to check for royal stacking by also <del>making a calculation</del> <b>performing a cross-check</b> using the topdown approach. <b>However, this cross-check is not straightforward. It requires, at a minimum: 1. an equally thorough assessment of the relative value of the individual SEP portfolio over the aggregate SEPs in industry; 2. a clear understanding of the minimum statistical requirement for assessing the aggregate SEPs in industry, and the corresponding limitations, if statistical sampling is used; 3. a sound and thorough understanding of what a reasonable/unreasonable aggregate royalty would be to achieve the objectives of the IPR policy.</b> "	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 54 paragraph 1	We would note here that this approach is rather not viable when it comes to licensing very large global portfolios, since reverting to a patent-by-patent evaluation would make licensing negotiations impossible. This has also been recognised in Unwired Planet v Huawei, UK Supreme Court, 26.08.2020, (2020) UKSC 37.	We would like to maintain the description because the points you raised is already stated in page 54 paragraph 2.
page 54 paragraph 3	One of the most important of the JPO's contributions to the discussion of SEP licensing is the statement in the Guide that the negotiation history between the parties is a factor relevant to royalty determination. This recognition—that it is important to provide the correct incentives for implementers to act in good faith because good faith is determined by the overall course of conduct of the party—adds important substance to the Guide's observation that "simply satisfying the various elements noted in this Guide provides no guarantee of recognition of good faith."	We believe that you are basically in support of the contents of this Guide.
page 54 paragraph 6	On the other hand, some argue that because FRAND terms require rights holder to license SEPs to a wide range of parties, it is not suitable to give discounts to parties acquiring licenses early, or to demand high royalties from parties who delayed negotiations or took the rights holder to court. <b>It is worth noting, however, that the UK Supreme Court has accepted that it is reasonable to offer lower rates to the first ever party taking a licence ('first mover advantage'): Unwired Planet v Huawei, 26.08.2020, (2020) UKSC 37.</b>	We would like to maintain the description because the points you raised is already stated in page 54 paragraph 3.
page 55 paragraph 3	We strongly agree with the Guide's statements that the requirement that FRAND licensing terms be non-discriminatory "does not mean that all potential licensees must obtain licenses at the same royalty rate and amount" but rather means that "similarly situated licensees should not be treated differently."	We believe that you are basically in support of the contents of this Guide.
page 55 paragraph 4	Regarding the differential treatment of SEP implementers, we note that there is broad agreement indicating that the non-discrimination limb of the FRAND commitment is interpreted to mean that similarly situated licensees should generally have access to the same licensing terms. Therefore, SEP implementers who do not qualify as similarly situated cannot expect to be offered the same terms.	We would like to maintain the description because the points you raised is already stated in page 55 paragraph 4.
page 55 paragraph 4	Add Sisvel v Haier in footnote for page 55 paragraph 4.	We would like to maintain the description because the points you raised is already stated in footnote 134.

page 56 paragraph 4	The current Guidelines make numerous references to use-based licensing. Such licensing practices are not FRAND. So-called "use-based" or "end-product based" royalties where valuation is based on the price of the end-product using the standard are an improper means to tax innovations that are unrelated to the standard. Rather, FRAND licensing fees should be determined based on ex ante value – i.e., value of the patented technology prior to its incorporation in, and adoption of a standard and without the inherent lock-in value that accrues after a standard is adopted. Any argument for valuing a SEP license based on developments that take place after adoption of a standard – and after the commercialization by various implementers of diverse products and services – cannot be FRAND. Specifically, we suggest revising the paragraph beginning "On the other hand," on page 56 as follows: Proposed Change: On the other hand, some implementers argue that the same royalty rates and amounts should be applied for the same standard technology regardless of the means by or extent to which it is used. <b>Further, use-based licensing is generally not considered FRAND licensing.</b>	We would like to maintain the description from the perspective of balancing the interests of concerned parties.
page 56 paragraph 4	Delete page 56 paragraph 4. If this is applied, there might be difficulties to argue that terms are non-discriminatory, given that one would treat "unequal" situations uniformly.	We would like to maintain the description because there certainly is the view stated in page 56 paragraph 4.
page 57 paragraph 4	"There is a fixed royalty rate and a fixed royalty amount. <b>A fixed royalty rate is determined as a ratio of the price of the whole product and the price of product components.</b> It is necessary for implementers to know the price of products at all times when the price fluctuates according to market conditions, involving complicated procedures. "  One could also have a fixed royalty rate in the form of a (fixed) amount per device, not necessary a percentage Not sure that that is correct. Consider deleting.	We would like to maintain the description because the points you raised is already stated in page 57 paragraph 5.
page 57 paragraph 5	Caps and floors are routinely used to address this concern.	We would like to maintain the description because the points you raised is already stated in page 58 paragraph 4.
-	We encourages the JPO to approach any revisions to its guidelines from a global perspective.	We tried to approach this revision from a global perspective.
-	We encourages the JPO to incorporate an express reference to the scenario where a licence is sought before launching a product to market which implements standard essential patents.	We would like to maintain the description because the points you raised is already stated in footnote 21.
-	We propose that once a patent pool has met a threshold of reasonably broad acceptance in the market, thus demonstrating that its rates and terms are FRAND, the pool and its SEP holders should be entitled to a rebuttable presumption to that effect and implementers should be subject to a heightened level of obligations when negotiating with the patent pool as compared with when they are negotiating bilaterally.	Since this Guide is not intended to be prescriptive, we would like to maintain the description.
-	There are a few instances in the Guidelines where additional citations should be provided if available.	We are trying to be transparent, and would appreciate if you understand that some opinions are provided on an anonymous basis.
-	Change all instances of "implementer" or "implementers" to "product innovator" or "product innovators," respectively.	We would like to maintain the description because the word "Product innovator(s)" is less relevant to patents than "implementer(s)".