

No.	Comments	Responses to Comments
Overview		
1	<p>Because the Guide prepared by the JPO relies heavily on the laws and court decisions of the United States, Germany, the United Kingdom and the People’s Republic of China, with only a few references to Japanese court precedent, the applicability of the obligations to patent holders in Japan under Japanese law is unclear.</p> <p>Furthermore, because the foreign court decisions cited by the JPO are based on different legal principles, such as contract law, unfair competition law and antitrust/antimonopoly laws, and no attempt is made in the Guide to explain the differences in these laws and the results reached by courts in the cited decisions, readers may be given an inaccurate view of their obligations under the laws of Japan and these other countries.</p> <p>Finally, the Guide fails to adequately explain the legal and substantive differences between SEPs and non-SEPs and why a patent holder’s legal obligations vary, often significantly. This, again, may give readers an inaccurate view of their obligations under the laws of Japan.</p> <p>For this reason, we recommends that the Guide should be referred to as a brochure or explanatory document and not be titled a “guide”.</p>	<p>While the legal basis for limiting an injunction concerning a FRAND-encumbered SEP varies from country to country according to their respective legal systems, in many cases, it seems to have been different factual situations that have led courts in different countries to reach different conclusions. Recent years have seen increasing cross-border convergence in case law as to how parties should behave in SEP licensing negotiations based on the dedication to a factual inquiry into good faith negotiations. 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. With the environment surrounding SEP licensing negotiations continuing to transform, we plan to review and revise this Guide as appropriate in an open and transparent process so that it continues to evolve and remains “living.”</p>
2	<p>There is guidance available from courts and enforcement agencies in multiple jurisdictions. At the same time, however, this is a rapidly-evolving field in which courts and enforcement agencies are regularly recalibrating and adjusting their guidance. Therefore, the effort to capture a current “snapshot” of collective guidance is quite challenging, and risks codifying as norms a potentially incomplete and/or soon-to-be out-of-date summary of the state of guidance. For this reason, and the reasons set out below, we respectfully suggest that the JPO reconsider the possibility of not issuing a formal Guide, resting instead on previously-issued government agency guidance, including most recently the Guidelines for the Use of Intellectual Property under the Antimonopoly Act issued by the Japan Fair Trade Commission in January, 2016.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
3	<p>More clarity is needed as to whether it will be regularly updated.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

4	<p>We are concerned that the stature of the Guide as a JPO endorsed publication may lead some to take the position in licensing negotiations or elsewhere that the JPO Guide is “the way” to negotiate SEP licenses or presents a strong safe harbor for negotiation positions. We, therefore, recommend that JPO expressly state that the Guide should not be given undue weight or priority over other public and private educational resources about SEPs.</p>	<p>Based on the comments you kindly provided to the JPO, we reviewed and revised the entire description, in order to clarify that this Guide is not legally binding.</p>
5	<p>We are concerned that some in industry may consult only the JPO Guide before taking action on SEP issues. As discussed above, rights and remedies concerning SEPs vary on a country-by-country basis and the particular patents, products, parties and circumstances presented. We, therefore, recommend that JPO expressly state that the Guide is no substitute for advice from learned legal counsel and that prudent readers will seek such advice before taking action on SEP issues.</p>	
6	<p>We are concerned that the Guide statements that it is not prescriptive, binding or a recipe for SEP licensing is undermined by many instances within the Guide that indicate certain actions are required by one party or another. For example, many times the Guide makes statements about what actions a party “should” do, and the word “should” inadvertently may lead a reader to believe that such action is required. We, therefore, recommend that JPO review the text of the Guide to change mandatory terms like “should” to more permissive language, such as “may”, or otherwise revise the language to ensure that a party may not pull specific language from the JPO Guide to argue that a party is required to take certain action.</p>	
7	<p>More clarity is needed as to whether the JPO Guide will serve any purpose other than informational.</p>	
8	<p>The JPO Guide discusses various national perspectives. This would lead to a mistaken perception that certain national approaches to SEP licensing are international norms.</p>	

9	The Guide should avoid any use of terms suggesting that it is mandatory, such as statements as to what parties “should” do in particular situations.	
10	It is not obvious what is the relationship of the draft to any current responsibilities of the JPO. It is critical for JPO to clearly state in the document how this guideline is consistent with its current responsibilities. It is not enough that the information may be helpful. Why it is published by JPO and how it relates to current JPO responsibilities is important information.	
11	<p>Despite the JPO’s statements of limitations on the weight to be given to the Guide, it is likely that the Guide will be seen as and treated as a template for specific conduct in specific steps in a specific order that is required in SEP licensing negotiations, exactly contrary to the JPO’s intent. Nor do we believe that additional cautions from the JPO not to so treat the Guide will change that outcome.</p> <p>We regularly see that conduct by parties who are not, in fact, willing to negotiate in good faith, and who use that tactic to give the appearance of engaging in negotiation while masking their refusal to actually sit down and discuss the issues.</p>	Based on the comments you kindly provided to the JPO, we reviewed and revised the entire description, in order to clarify that this Guide is not legally binding.
12	If the JPO does issue a Guide, we applaud its efforts to warn against that interpretation of the Guide, and suggest that the JPO should emphasize repeatedly throughout the Guide that the Guide is not a “rulebook” for step-by-step conduct of the parties in a SEP negotiation.	
13	Requiring more detail in the model behavior described in the Guide will often make matters worse rather than better. In our experience, the level of detail at which model conduct is described in guidance is inversely related to the ability to make any progress with an implementer intent on holding out. The more detail, the easier it is for an implementer to avoid any actual discussion of the license by pointing to those details and claiming they have not yet been satisfied, thus hiding bad faith intent behind claims of failure by the patent holder to comply with the Guide.	

14	<p>It would be helpful for the JPO to provide real guidance in all parts of the document. When that it is not possible, the discussion should be shortened or even in some cases eliminated. There is indeed a wide body of legal and economic literature discussing the positions taken by stakeholders on SEP licensing issues, as well as the existing case-law. Thus, a general discussion of the position of the parties is of limited value. If the JPO wants to maintain Part II, Section B and Part III, it should acknowledge that they are mainly intended to discuss the various legal arguments that have been made with respect to the licensing of SEPs, and that instead of encouraging parties to debate these arguments – to which no concrete and unified answers have so far been given throughout the world – in licensing negotiations, parties should negotiate “in good faith” in order to agree on a FRAND license.</p>	<p>Based on the comments you kindly provided to the JPO, we reviewed and revised the entire description, in order to clarify that this Guide is not legally binding.</p>
15	<p>The fact that JPO is issuing the Guide could, as a practical matter, cause businesses to put greater weight on the Guide’s authority than intended. This might lead parties away from consulting legal counsel or other reliable sources about SEP licensing issues.</p>	
16	<p>We encourage JPO to avoid language elsewhere in the Guide that could be interpreted as a legally required course of action.</p>	
17	<p>We strongly encourage JPO to provide a much more complete discussion about the relationship between standard setting and competition law in Section I and elsewhere in the Guidance. JPO should reinforce its alignment with the global consensus that standard setting naturally gives rise to competition issues, and that competition law has a significant role in preserving the utility of the open standards system through ensuring fair access to patents essential to standards when an SEP holder has voluntarily made a commitment to license its SEP(s) on FRAND terms.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.A.</p>

18	<p>We remain concerned with the false differentiation being made by others before the JPO (and other policymakers) between “innovators” and “implementers” which seek to label companies with SEP licensing programs as “innovators” and those who utilize open standards (and the patents essential to such open standards) as “implementers.” With respect to the standards, both upstream and downstream inventions are important to the advancement and uptake of new products by end users, and we urge JPO to avoid assigning such labels or in favoring particular business models. We are encouraged by JPO avoiding making such a false dichotomy in its Draft Guidance and support such an approach.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>
19	<p>The Guide should explicitly recognize that SEP licensing disputes involve innovators who seek to maximize the return on their investment in innovation, on the one hand, and implementers who want to use the fruits of others’ successful innovations and pay as little as possible for it, on the other hand. In identifying these fundamental interests, the Guide should continue to recognize both as legitimate goals.</p>	<p>This Guide is created to achieve a balance between the interests of concerned parties, aiming to organize fundamental factors that the parties should consider when conducting licensing negotiations on SEPs. Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
20	<p>There are areas of the Guide where maintaining this balance and emphasizing that both implementers and innovators have legitimate interests worth protecting requires adding recognition of innovators’ interests and the risks they undertake in the SEP licensing process. One way to appropriately strike this balance is to state the importance of incenting innovation through strong patent rights. This statement is consistent with, and especially important in light of, the JPO’s role as Japan’s innovation agency. Relatedly, the Guide should note the ease with which the risks borne by innovators in the SEP licensing process can be forgotten.</p>	<p>This Guide is created to achieve a balance between the interests of concerned parties, aiming to organize fundamental factors that the parties should consider when conducting licensing negotiations on SEPs. Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

21	<p>Despite the best efforts of sophisticated enforcement agencies such as the JPO, however, it is very difficult, if not impossible, to write a Guide that will be seen as even-handed and completely neutral, one that cannot be read as “tilting” in one direction or the other, and therefore appearing to favor either patent holders or implementers.</p> <p>Yet guidance that can be read as not completely even-handed risks encouraging either hold up by patent owners, or as we have seen, hold out by implementers. Either effect would undercut the laudable objectives of the JPO 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’).”</p>	
22	<p>We note that (1) Licensing Negotiation Methods / Efficiency (II.B) and (2) Royalty Calculation Methods (III), struck the right balance and impartial tone. On the other hand, the section on Licensing Negotiation Methods (II.A) can be interpreted as a framework or set of guidelines on what market participants should or shouldn’t do. We, therefore, recommend that Part II.A be redrafted to have the neutral and impartial tone of the rest of the Guide.</p>	<p>This Guide is created to achieve a balance between the interests of concerned parties, aiming to organize fundamental factors that the parties should consider when conducting licensing negotiations on SEPs. Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
23	<p>The JPO should further clarify that the JPO Guide presents its own views, which may not reflect the law or what is required by law.</p>	
24	<p>Additionally, the statement does not reflect the current views of the U.S. federal antitrust enforcement agencies on this issue. The trend in judicial authority also is to the effect that injunction applications by SEP owners are not presumptively or typically subject to antitrust attack.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the entire description to clarify the sources as much as possible.</p>

25	<p>On page 8 and at various subsequent pages the draft describes examples of bad faith in negotiations. It is true that some parties will agree with these statements. But others may disagree with these statements. Whenever the term “bad faith” is used it is important to reference the sources. Readers of the final guideline document may believe that the examples sprinkled through the document of such “bad faith” are the position of the JPO. We do not believe this is intended. On the other hand, if it is intended that such discussions of “bad faith” are the position of JPO this must be clearly stated and related to JPO responsibilities.</p>	
26	<p>The draft Guide should not only focus on court injunctions, but also on all measures producing an equivalent effect, which is to threaten manufacturers of standard-compliant products of incurring significant losses by blocking their products from entering or staying on the market to coerce them to accept licenses at terms that are not FRAND. The goal here is not to prevent SEP holders to obtain fair compensation for their patents, but to prevent that the limits that have been placed on the use of injunctions in the EU and elsewhere be circumvented. In this respect, the draft Guide should state that all measures producing an equivalent effect to an injunction in that they have the effect of preventing products complying with the standard in question from appearing or remaining on the market should be subject to the same restrictions as court injunctions.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the entire description to clarify the sources as much as possible.</p>
27	<p>The Guide should, wherever possible, include cites to economics literature to substantiate its points.</p>	
28	<p>There is no reflection of primary sources for rights and obligations addressed in the JPO Guide—that is, the TRIPs Agreement and other international treaties and conventions. It is these international instruments which are all transposed into the national law/ case law, and which should be part of the core contextual framework for the JPO Guide.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
29	<p>The statement in the Guide does not reflect sound economic analysis on the issue of hold-up and injunctions.</p>	

30	<p>It is important to underline that the European Communications has a wider scope, acknowledging the interplay between transparency measures – licencing negotiations – and enforcement rules. The JPO draft guide, in contrast, appears to focus on the second of the three issues. We would therefore welcome any efforts by the JPO to explain in the document, maybe in the introduction, the interlinkages of the three areas.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
31	<p>What is absent, however, is a discussion of the central role that standard-setting organizations (SSOs) play, not only in setting standards, but also in establishing polices governing how licenses are to be negotiated and contracted.</p> <p>While the JPO correctly notes the need “to achieve a balance between the interests of rights holders and implementers with respect to negotiation procedures and methods of calculating royalty rates,” there is no mention of the role that SSOs play in striking this balance for themselves.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

No.	Comments	Responses to Comments
I . Purpose of the Guide		
A. SEP Issues and Background		
32	It may be misleading to describe patents and standards as in tension. Strong patent rights are necessary to incentivize risky investment in the new technologies needed to drive complex technical standards forward and the owners of standard-essential patents have an interest in the broad diffusion of standards to recoup their investment.	Based on the comments you kindly provided to the JPO, we revised the description in I.A.
33	The proposed Guide's assertion that intellectual property rights and standards 'in principle, are in conflict with each other' is incorrect and divisive.	
34	While phrased in general terms, the second paragraph contains statements that should be amended to reflect more recent and sophisticated approaches to the competitive analysis of SEPs. The appearance of a conflict, however, is superficial. Aided by more sophisticated economic analysis, modern precedents and scholarship recognize that patent law and competition law are in fundamental harmony.	
35	We propose that the Guide, while noting that disputes do arise, should highlight how standards and patents cooperate in a sound ecostructure. Both patents and standards promote innovation and economic growth, by promoting new product generations with advanced technology. It would be helpful for an authority like JPO to advance a narrative of synergy at the intersection of patents, standards, and competition.	
36	We respectfully submit there is no reason to frame the relationship between IP protection and standardization as a conflict. While there may be a "growing number of SEP disputes" when comparing the early 1990s and today, that trend is dwarfed by the scale of innovation in at least the consumer electronics and communications industries over the same time-period. We respectfully requests that the JPO's final guidance recognize that it is the value of SEPs and their technical contributions to products and standards employing them that frequently results in licensing disputes.	

37	<p>About the conflict between patents and standards: FRAND solves this dichotomy and addresses this conflict by guaranteeing access to technologies and associated essential patents. We recommend mentioning this fact.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.A.</p>
38	<p>The potential for SEP hold-up is a significant concern for standardization, and raises important issues for competition law oversight. This has been recognized by many international jurisdictions. We urge the JPO to make a strong statement recognizing this threat.</p> <p>Safeguards are needed against the risk that good-faith technology users threatened with an injunction accept licensing terms that are not FRAND, or in the worst case, are unable to market their products. Abusive demands, which stem from the threat of injunctions, are made possible by the misuse of SEPs and coercive licensing practices in violation of the FRAND commitment.</p>	<p>We would like to maintain the description because the point of your comment is already stated in I.A.</p>
39	<p>To the extent that the Guide’s focus on disputes that may arise in the context of SEP licensing is driven by concerns regarding the risk of patent “hold-up”, we respectfully submit that such concerns are not justified by market evidence. Despite not only the extensive literature about the subject as a theoretical concern but also disputes that have arisen between negotiating parties, there is very little empirical evidence that patent hold-up is a problem.</p>	
40	<p>The granting of injunctions is at the discretion of the courts and remain unfettered.</p>	<p>We would like to maintain the description because the point of your comment is already stated in II.A.5.</p>
41	<p>Paragraph 4 materially overstates the degree to which “guiding principles” are “beginning to emerge” with regard to the antitrust consequences of SEP licensing. Judicial decisions are constantly emerging, and the state of the law is evolving and dynamic. Therefore, there is a danger that the Guide will suggest that a particular set of principles is government-approved or is meant to be permanent, which in fact may not prove correct in light of emerging judicial rulings. The Guide should state unequivocally that the ultimate source of authoritative and relevant guidance remains statute law and regulations, as interpreted by courts.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.A. and II.A.5.</p>

42	<p>A key example includes the statement in paragraph 4, to the effect that “injunctions are permitted only in limited situations” due to “hold-up” concerns. This miscasts the law in several significant jurisdictions – including the U.S. and the EU – where the usual principles for granting injunctive relief apply to an application for an injunction against the infringement of SEPs.</p> <p>The Guide somewhat understates the recognition now given by judicial decisions in other jurisdictions to the possibility of “hold-out.”</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.A. and I.B.</p>
43	<p>Several empirical studies have shown that patent holdup and royalty stacking are not systemic problems, at least in the mobile industry.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.b.</p>
44	<p>We understand that as far as the risk of the so-called patent “hold-up” is concerned this describes not the risk of injunctions that implementers might face but the risk of charging excessive royalties by SEP owners once implementers are locked-in into a standard. Nevertheless, up to today no evidence has been presented which would show that such risk is real. At the same time, it is important to recognize the importance of an efficient possibility to enforce intellectual rights including SEPs</p>	<p>We would like to maintain the description because the point of your comment is already stated in I.A.</p>
45	<p>The standardization of cellular technology (via the 3GPP partnership), involves a competitive process whereby different technology are presented by different contributors addressing a technical challenge. In general, one of those technologies will be chosen to become part of the standard. Patents are used in the first instance to protect the ideas in the technology when compared with other (competing solutions). It is not the patents that led to disputes.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.A.</p>
46	<p>The increase of disputes is indicative of a growing problem of hold out whereby users of the standards are less willing to enter into good faith negotiations targeted at the conclusion of a license agreement.</p>	<p>We would like to maintain the description because the point of your comment is already stated in I.A.</p>

47	<p>We clarify that standardization of technologies while protecting them with patents has been one of the many business models for innovation for a long time and, according to some studies, can be a cost-reducing, product performance-enhancing model for the design and development of new platform technologies. In addition, research suggests that SEP disputes have been a small fraction (less than one-third) of all patent-related disputes in the wireless industry. Finally, SEP-related disputes in the smart phone industry reached a peak in the 2010-11 timeframe in light of newer industry entrants in some companies (which together explained 60% of the litigation activity), and have been falling ever since. In light of the above facts, we respectfully request that the JPO modify Section I.A</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.A.</p>
48	<p>The introduction of the Guide refers to the idea that SSOs exist in part to “ensure the appropriate recovery of investment in research and development related to SEPs”. Care must be taken to not misinterpret this statement by falsely seeking to balance out individual investments. On the individual level, patents can be no more and no less than an incentive for innovation. Linking FRAND royalties to a ‘return on R&amp;D’ would incentivize inefficient innovation by eliminating the need for technology developers with licensing models to focus on future market requirements.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.A.</p>
49	<p>We would note that the vast majority of PAE cases, at least in the US, are based on non-SEPs. Outside the US, PAE cases are relatively rare. We recommend adding a disclaimer clarifying that PAE assertion has not created a systemic problem, that impact of PAEs outside the US is virtually in-existent, and that PAEs who assert FRAND-committed patents must still abide by that commitment.</p>	<p>Since there are some cases in which patent assertions entities (PAEs) exercise their SEP rights, we would like to maintain the description.</p>
50	<p>Paragraph 7 mentions that Patent Assertion Entities (“PAEs”) “are also parties to SEP disputes.” Recently a number of major jurisdictions have studied PAEs intensively but the emerging evidence seems to indicate that PAEs are involved in only a small proportion of SEP disputes. Accordingly, it may be preferable to omit this reference to PAEs, as it may suggest inordinate concern with an insignificant category of SEP controversies.</p>	<p>Since there are some cases in which patent assertions entities (PAEs) exercise their SEP rights, we would like to maintain the description.</p>

51	<p>The Draft Guide notes cases in which patent assertion entities (PAEs) have been parties to SEP disputes “particularly in the United States”. This observation is consistent with my own empirical research. In addition, we note that PAEs are asserting SEPs with increasingly regularity in Europe.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>
52	<p>It is important to recognize the wide range of different entities that license SEPs and not adopt a one-size-fits-all approach that may curtail the ability of certain innovators (such as small businesses, universities and research institutions) to engage in licensing negotiations, resulting in reduced ability of these entities to continue investing in research and development in certain technology areas. We therefore respectfully request that the JPO consider the different types of entities who may be licensors of SEPs, and to adopt final guidelines that are flexible and adaptable to the circumstances of the individual parties and their negotiations.</p>	<p>We would like to maintain the description because the point of your comment is already stated in I.A.</p>
53	<p>Patent holders typically do not declare that their patents are SEPs but rather disclose patents with subject matter that they believe are or may become essential. In fact, they are encouraged to do so by SSOs during development of the standard and before they could be evaluated for essentiality.</p>	
54	<p>Industry practice regarding proportionality is not about counting the number of SEPs but rather about assessing relative SEP portfolio value.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.A.</p>
55	<p>Patent declarations are not intended as a licensing tool, but rather a mechanism for the SDO and the working groups to continue the standardization activities knowing that access to the standardized technology will be available on FRAND terms.  Furthermore, a FRAND declaration is a promise to license on FRAND terms if the IPR is or becomes and remains essential.  We suggest rephrasing the paragraph “Due to these practices . . . the implementation of a standard.” to reflect the above facts.</p>	

56	<p>In almost all cases declarations are made before the patent is granted and often before a standard is settled. Or the standard may change and a previously essential patent cases to be so, or there may be two patents covering a way of doing something. If one expires before the other, the latter ceases to be essential. One can think of other examples – remember it is all dynamic. Overdeclaration is inevitable. It is true that some overdo it deliberately, but even conservative companies who get their declarations checked independently will overdeclare.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.A.</p>
57	<p>The Guide suggests that the incentive to over-declare arises from “industry practices to determine royalties in proportion to the number of SEPs held covering a standard.” However, there are several other incentives that arise from possible risks to both under-declare and over-declare, which may be worth clarifying.</p>	
58	<p>The draft Guide includes a brief reference to patent hold-out, describing it as a strategy that implementers might use if they are confident that the SEP rights holder will be unable to obtain an injunction. We respectfully suggests that the Guide also note that the hold-out problem may be a more serious impediment to continued innovation than patent hold-up.</p>	<p>We would like to maintain the description because the point of your comment is already stated in I.A.</p>
59	<p>We appreciate the recognition that hold-out is an issue in the industry. However, it should be made clear throughout the Guide, and certainly at the outset, that hold-out is in fact a growing problem, especially in some areas of the world, that needs to be addressed and disincentivized.</p>	
60	<p>Patent hold out, patent hold up, and royalty stacking are not assumptions that exist at law, and at most can be described as economic theory.</p>	

61	<p>The problem of hold-out is real. Implementers turn to free-riders and follow hold-out strategies while the financial pressure on SEP owners increases. Innovators or Licensing Administrators have already sunk investments in R&amp;D and the standard setting process, but they are left exposed to risks with regard to the generation of stable and reasonable income. With systemic hold-out they are forced to invest in costly litigations, which can involve many different implementers and possibly also different courts in different jurisdictions: not all implementers are active in the same main markets.</p> <p>It must also be noted that hold-out also leads to unfair competition by those who refuse to enter into a license against those that play by the rules (by not accounting for royalties that are due).</p>	
62	<p>We note that at the time of negotiations, the power of an implementer to “hold-out” is drastically greater than the “hold-up” power of an SEP owner that has agreed to an obligation to license under FRAND terms. That asymmetry becomes even greater to the extent injunctive relief becomes less available to rights holders. In that situation, an implementer potentially faces no consequences for infringing because it does not need to fear an injunction, yet has the seeming security and predictability of the established royalty rate paid by other implementers limiting the ability of rights holders to punish an intransigent implementer with higher licensing fees. This phenomenon has become so common that it is now referred to as “efficient infringement.” We respectfully request that the JPO’s final Guide not place such difficult conditions on obtaining an injunction to encourage such actions.</p>	<p>We would like to maintain the description because the point of your comment is already stated in I.A.</p>
63	<p>We would suggest that the JPO take a formal stance in advocating for simplified pool and platform licensing, similar to what the European Commission did in their paper that was released in November 2017. In section 2.3, they state “the creation of patent pools or other licensing platforms, within the scope of EU competition law, should be encouraged.” SEP licensing can be simplified if one-stop licensing solutions exist to provide licenses in a more efficient, predictable and transparent manner.</p>	<p>We would like to maintain the description because the point of your comment is already stated in II.B.6.</p>

B. Nature of this Guide		
64	The statement in paragraph 4—that the Guide “does not present ‘recipes’ which can be used to automatically calculate the appropriate royalty rate”—deserves greater prominence and emphasis. It is doubtful that any prospective agency Guide could anticipate and prescribe the range of negotiating approaches or tactics that could be considered lawful for future negotiations.	We believe that you are basically in support of the contents of this Guide.
65	We appreciate statements in the Guide to the effect that it is “is not legally binding,” “is not intended to be prescriptive,” etc.	
66	We commend the JPO for clarifying that “[the] Guide is not legally binding and does not forejudge future judicial rulings.” In order to stay true to this spirit (and to clarify that the use of “should” throughout the Guide is not meant to be prescriptive), we respectfully request that the JPO add the further clarification.	
67	In terms of scope, while the Guide indicates that it “may also be relevant to non-FRAND SEPs as well as commercially essential patents”, we submit that the FRAND commitment creates a specific context, including in terms of competition law considerations. Therefore, we believe that the guidance that is being provided around SEP licensing should be limited to patents for which a voluntary commitment has been provided to license on FRAND terms.	Based on the comments you kindly provided to the JPO, we revised the description in I.B.
68	While the Guide attempts to identify consensus views, there is in fact very little consensus within industry or academia, among enforcement agencies, or in the courts regarding issues involving FRAND-encumbered SEPs. In light of the importance of these issues and in recognition of the fact that the licensing of FRAND-encumbered SEPs involves cross-jurisdictional businesses and interests, the impact and significance of which extent far beyond the borders of Japan, we respectfully request that the JPO make the scope of its guidance clear in the document. In particular, we suggest that the Nature of this Guide section (at pages 3 to 5) state that the scope and applicability of the Guide are limited to the JPO’s area of expertise: patents granted by the JPO and negotiations regarding licenses to such patents.	

69	<p>While the Guide appropriately states that it is not “legally binding” or prescriptive, it also suggests that the principles discussed therein “may also be relevant to non-FRAND SEPs as well as commercially essential patents (those that are not technically essential and could be avoided by using a substitute technology, but where the cost of such a change may be too high).” We respectfully disagree with that suggestion, which could be used to support efforts by would-be licensees to impose obligations and restrictions on the rights of IP holders—not because of rights holders’ FRAND commitments, but simply because the IP is highly attractive to implementers that would prefer to pay less for the right to use the technology. We suggest that the Guide not refer to other types of intellectual property.</p>	
70	<p>We have questions about the assertion that the Guide may be relevant to non-FRAND SEPs as well as commercially essential patents. We would like to better understand Japan’s views on what elements of the guide may apply to non-SEPs or commercially essential patents.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.B.</p>
71	<p>The Guide refers to the fact that it “may also be relevant to non-FRAND SEPs as well as commercially essential patents”. It is important however to clarify that the meaning of some of the competition law considerations around SEP licensing come into play due to the fact that the SEP holder has provided a commitment to license its SEPs on FRAND terms. The relevant context is therefore different for patents for which the patent holder has not provided such voluntary FRAND commitment, and we do consider it important to distinguish both situations.</p>	

72	<p>The first paragraph asserts that the Guide “may also be relevant to non-FRAND SEPs as well as commercially essential patents.” Aside from this assertion, the Guide focuses exclusively on SEPs subject to FRAND commitments and does not further mention commercially essential patents. We recommend omission of this reference, for several reasons: The legal constraints that may be appropriate for licensing of SEPs that are not subject to FRAND commitments are substantially less than those applicable to FRAND-committed SEPs. Consequently, a set of principles developed with a focus on FRAND-committed SEPs would not be appropriate for SEPs lacking any FRAND commitment. As for “commercially essential patents,” this term is not widely recognized and may not be capable of a simple and objective definition. Identifying the precise differences between SEPs and “commercially essential patents,” and developing appropriate guidance for the latter in light of those differences, would involve additional layers of complexity and thus engender additional uncertainty regarding applicable legal obligations.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in I.B.</p>
73	<p>On page 3 there is reference to the SEPs that are the focus of the guidelines. It is also stated that “commercially essential” patents may be relevant. It is critical to state in such a guideline document that what is most important is the commitment a patent holder has made to an SDO. It may seem as if there are not important differences in SDO patent policies, but this would be a critical mistake.</p>	
74	<p>The Guide states that it “may apply to non-FRAND SEPs.” It is not clear what is intended by this statement. The Guide should be cautious in suggesting that standards rules may apply to parties detached from the FRAND regime. If a company decides not to join or participate in a standards effort, and may in fact compete with the standard, how and whether the Guide applies should be carefully considered.</p>	
75	<p>The JPO states that “[the] Guide may also be relevant to non-FRAND SEPs as well as commercially essential patents.” In recognition of the Guide’s intended coverage, we respectfully request that the JPO remove the latter statement.</p>	

76	<p>There is a serious question whether any agency is positioned to devote the effort that would be required to remain current on the numerous judicial decisions affecting the field of SEP licensing in multiple jurisdictions around the world. The law applicable to the determination of FRAND royalty rates and the calculation of damages for infringement of FRAND-committed SEPs is still evolving. As such, it may make sense to shift focus from trying to assure constant updating of a “living” document towards simply leaving the possibility open in the future to creating a new Guide to replace this one.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
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No.	Comments	Responses to Comments
II . Licensing Negotiation Methods		
A. Good Faith		
77	<p>The Guide articulates a process for licensing negotiations, drawing from European precedent. Although perhaps intended to be only an illustrative example, this part of the Guide could be misinterpreted (or mischaracterized) as a JPO-recommended “best practice,” which could lead frustrated or disappointed parties to accuse counterparties that do not follow the framework of acting in bad faith. We therefore respectfully suggests that the Guide be revised to acknowledge more clearly that there are many different acceptable frameworks for licensing negotiations, that the process outlined in the Guide is only one such possible approach, and that the framework that is most appropriate in a given situation will depend on facts specific to the negotiation and the parties, standard, and SEP involved.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.</p>
78	<p>In general, the Guide could be more explicit and supportive of negotiation as the best way to reach an agreement. The focus of the Guide is, at least at a high level, on minimizing risks vis a vis recent court cases. This is very useful, but maybe a sentence or a paragraph could be added in the introduction and conclusion to point out the efficiencies of a good-faith, collaborative approach without immediate focus on litigation.</p>	<p>The Guide is created to achieve a balance between the interests of concerned parties, aiming to organize fundamental factors that the parties should consider when conducting licensing negotiations on SEPs. Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
79	<p>The CJEU indicated that FRAND is a two-way street, whereby both rights holders and implementers have to negotiate in good faith. We suggest deleting “and continue using standard technologies, regardless of the differences in the legal bases for stipulating the negotiation rules for FRAND encumbered SEPs” as it is unclear, likely very much fact specific, and not per se a general rule.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.</p>

80	<p>We fully support the decision by the CJEU, including the fact that it left certain details to be further analyzed and clarified by the lower courts. No “one size fits all” works in licensing negotiations and disputes, and different circumstances may require different approaches by courts. Therefore, we do not see the absence of specific details about negotiations as a drawback of the decision, but rather a strength. We recommend rephrasing the paragraph “This framework, however, does not provide specific details . . . undermined predictability of licensing negotiations.” to reflect this fact, and avoid any negative connotation thereof.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.</p>
81	<p>While we agree with the idea that the notion of FRAND includes both procedural and valuation aspects, we would not go as far as to indicate that “there are two meanings in FRAND”. A FRAND commitment is a commitment to license on fair, reasonable and non-discriminatory terms. The terms-and-conditions aspect is key. The procedural aspect comes into play when parties are engaged in disputes around whether the proposed terms and conditions are FRAND, and in particular in case injunctions are being sought. In order to place injunction requests in the right context, courts and competition agencies have built up procedural aspects of the FRAND commitment to avoid injunctions being enforced on ‘willing’ licensees. Therefore, the terms-and-conditions aspect remains key to the FRAND commitment, of which the procedural aspect is a key component. But one should be careful not to split the commitment into two separate sections.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.</p>
82	<p>We respectfully suggest that the final guidelines make clear that “FRAND” means “fair, reasonable, and non-discriminatory” to rights holder and implementer. While the negotiation process and terms and conditions of the resulting license are both relevant to the determination of whether an offer qualifies as FRAND, those factors are distinct from the meaning of the FRAND obligation itself.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.</p>
83	<p>We think there is not enough emphasis on the contractual nature of a FRAND commitment at the outset. As far as we know no court anywhere has refused to recognise contract where it has been argued. In those countries where it has not been argued competition law is used to enforce the obligation but contract is actually a better tool – providing as it does a complete defence against a patentee who has not made any or a manifestly not FRAND offer.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.</p>

84	<p>We strongly urge the JPO to additionally include the fact that the JFTC's guidance states that a refusal to license, or bringing an injunction against a party who is "willing" to take a license based on FRAND terms, can be considered exclusionary conduct under Japan's Antimonopoly Act. Further, we urge for a similar reference to the JFTC's policy in the JPO's discussion of rights holders' actions that may be viewed as bad faith.</p>	<p>We would like to maintain the description because the point of your comment is already stated in II.A.5.</p>
<p>1. Step 1: Licensing Negotiation Offer from Rights Holder</p>		
85	<p>Patent holders are not "required to prove the infringement". Infringement is not "proved" in negotiations. It would, however, be reasonable to expect a patent holder to substantiate at least examples of its claims of infringement.</p>	
86	<p>During licensing negotiations, a rights holder in the U.S. is not required to "prove" infringement in the initial step of, or at any time during, negotiations. "Proof" is not required until the negotiations have failed and the dispute has turned into an active litigation for a judge or jury to resolve. We are unaware of any support in case law or otherwise requiring "proof" of infringement during licensing negotiations. Accordingly, a rights holder engaged in SEP licensing negotiations should only be required to show it has a good faith belief that certain products infringe. Otherwise infringers, particularly those interested in delaying resolution of the dispute for as long as possible, may find more reason to do so by arguing that the rights holder has not "proven" infringement and they are therefore not required to take any further steps towards resolution. We respectfully suggest that the final guidelines do not impose such an unduly onerous burden on rights holders or create further bases for infringers to delay dispute resolution.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
87	<p>Also, patent holders are not "required" to provide claim charts. Claim charts for exemplary claims of exemplary patents may be useful to the parties in negotiations.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>

88	<p>It is our understanding that the CJEU and most courts in Europe understand this step as a mere communication of the facts to the implementer. Courts in Germany only request, amongst other things, the patent number(s) and information about the contested infringing act by reference to the relevant standard(s). It is our understanding that the German courts do not consider the presentation of claim charts (whether mapping claims to the standard or mapping claims to the feature of a product) to be mandatory in order to duly put the implementer on notice as described by the CJEU.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
89	<p>Footnotes 8–10: In the Sisvel vs. Haier case the court followed argumentation that when parties discuss licenses for a patent portfolio instead of a single license for each patent the presentation/discussion of a so-called “proud list of patents” is sufficient. The number of 10–15 representative patents was introduced to the court in the context of portfolios of more than a hundred patent families. This topic was also discussed in the Samsung commitment towards the EU Commission or in the NTT DoCoMo case where claim charts of just six representative patents were considered sufficient. Nevertheless, it is important to note that this topic does not relate to the question of the notice of infringement but is discussed in the context of a portfolio license offer as being FRAND.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
90	<p>It might be helpful for the Guide to note that “In some instances, the steps laid out may vary or may be combined. For example, an implementer (and not the SEP holder) may start the negotiation process by contacting the SEP holder, which may affect step 1 of the protocol.” Moreover, it might also be noted that the Huawei decision outlines high-level steps, but that details are being addressed in follow-on cases.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
91	<p>Footnote 7: If this statement is not supported by any court decisions, we suggest deleting this footnote.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>

92	<p>Courts have found NDAs to be industry practice, and an infringer’s refusal to enter an NDA as evidence of bad faith. Confidentiality protection via NDA may be appropriate.</p> <p>Protection of proprietary claim charts via NDA is not bad faith behavior of the rights holder.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
93	<p>On p. 8, the draft Guide says that “if a rights holder forces•••in bad faith.” This language is problematic due to the following reasons: (i) most claim charts, especially those in the telecommunications industry, are confidential information since expert opinions of products’ technical features and explanation of the patent claims are involved; and (ii) implementers regularly refuse to enter into a confidentiality agreement so as to delay the negotiation process.</p> <p>The above language does not correspond to industry practice, whereby the implementer is usually the one who refuses to enter into a confidentiality agreement or plays delaying tactics. As presently formulated, the draft Guide would have the right holder face two unattractive scenarios, either (i) all its confidential information included in claim charts would become public information (due to the delaying tactics of the implementer) as it could not request a confidentiality agreement if it wants to be seen as entering in negotiation in good faith; or (ii) it would not provide the claim charts to the implementer (to protect their confidentiality), in which case it might be seen as not complying with its FRAND obligation. As both options would be harmful to rights holders, we suggest deleting this sentence.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
94	<p>The Guide appears to take an inconsistent position on pages 7 and 8 by suggesting that if a right holder refuses to provide claim charts to an implementer that refuses to enter into a confidentiality agreement, that may be evidence of a lack of good faith negotiations on the part of the right holder. Even if the claim chart does not contain confidential information, there may still be good and appropriate legal reasons for a right holder to refrain from providing its claim charts to an implementer that refuses to sign a non-disclosure and use agreement.</p> <p>We recommend that the JPO delete the language on pages 7 and 8 that suggests that a right holder’s refusal to provide claim charts in the absence of a non-disclosure and use agreement may be evidence of bad-faith negotiations on the part of the right holder.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>

95	<p>When applying the syllogism of Fujitsu v Netgear, it should be noted that some SSOs may define “essential claims” to include those needed to implement “options” as well as those always needed to practice the basic standard. So if a company practices the basic standard without the option, their product may not necessarily infringe a SEP covering the option.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
96	<p>It may be helpful to note that: “In portfolio licensing or where a patent(s) has been widely licensed so the application is well-known, claim charts may not be necessary or desired by the parties. Also, where there are numerous SEPs, providing claim charts for some of the patents may be adequate.”</p>	
97	<p>Requiring claim charts in all cases could inflate transaction costs so much that the cost of making even an initial offer becomes prohibitive, which is unfair to rights holders. We suggests that the parties should be left to decide whether claim charts are necessary in each negotiation, and a requirement – if there is such – should be no more than the rights holder providing the basis for its good faith belief that the implementer infringes.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
98	<p>By presenting claim charts, the right holder is demonstrating infringement. Such infringement claim should be taken seriously by the implementer. We recommend adding a sentence along these lines.</p>	<p>We would like to maintain the description because the point of your comment is already stated in II.A.1.</p>
99	<p>It is also helpful to note that the Guide shares the view that when an SEP holder makes the sharing of claim charts conditional upon concluding a confidentiality agreement, the seeking of injunctive relief should not be allowed.</p>	<p>The Guide is created to achieve a balance between the interests of concerned parties, aiming to organize fundamental factors that the parties should consider when conducting licensing negotiations on SEPs. Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

100	<p>We fully agree with the comments on page 8, when rights holders and implementors cannot agree on essentiality of patents, they may obtain an analysis of essentiality from independent evaluators as a 3rd party. This provides both parties a neutral view on essentiality as they continue further licensing discussions. This is a key point also in the European Commission paper in terms of the advantages of being in a pool or platform – ‘offering better scrutiny on essentiality’.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>
101	<p>The Guide at the bottom of page 7 seems to suggest that SEP holders only disclose patents to SDOs that they believe are actually essential to the standard. In actuality, most SDOs that have disclosure requirements seek the disclosure of patents and applications that potentially may be or may become essential to a relevant standard.</p> <p>We agree with the last sentence of page 7 that disclosure documents “do not necessarily demonstrate that the patents are essential from an objective point of view.” However, we recommend that the language in the Guide that suggests that right holders believe that the disclosed patents are actually or necessarily essential be revised to reflect the actual language of disclosure statements.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
102	<p>In particular Small and Medium-sized Enterprises, but also larger undertakings, increasingly face patent holders that do not seek to substantiate the claims they raise, and require potential licensees to sign highly restrictive NDAs before even providing a basic level of information. Being faced with such excessive NDA terms, we have experienced the detrimental consequences such behavior has on the ability to verify compliance with FRAND obligations, and we therefore strongly support the Guide’s view that such behavior is abusive or should be “viewed as acting in bad faith”.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>
103	<p>On p.8, the draft Guide says that “The following actions by a rights holder, for example, may be viewed as bad faith: (1) Demanding injunctive relief before or immediately after sending a warning letter to the implementer”.</p> <p>The problem with SEP holders seeking an injunction without first properly negotiating can also occur at the beginning of the negotiation process where the SEP holder will open the negotiation and abandon it by seeking an injunction if it does not immediately obtain what it wants.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>

104	<p>The draft Guide says on p.9 that it may be viewed as bad faith if a right holder “(2) Not sufficiently disclosing . . . to an implementer; and . . . .”</p> <p>The problem here is that the word “sufficiently” is quite vague and it might be better for the Guide to be more specific. The word “and” may indicate that all three items must be met at the same time to constitute the bad faith of a right holder.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
105	<p>The Guide appears inconsistent on whether insistence on a non-disclosure agreement (NDA) in a licensing negotiation constitutes evidence of “bad faith.” The bad faith example on p. 9 (“Claiming that they [the rights holders] will not provide claim charts to the implementer unless they conclude a confidentiality agreement”) appears inconsistent with the example on p. 12 (“[Implementer] Refusing to conclude a confidentiality agreement, while demanding the rights holder to provide claim charts”). NDAs are a common practice in license negotiations for a SEP, in part because they are generally very important to the parties. Accordingly, the Guide should be amended to clarify that a party’s insistence on an NDA would rarely, if ever, constitute evidence of bad faith.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
106	<p>We believe that it can be decided only on a case-by-case basis whether a right holder is acting in bad faith. For example, last year the Beijing IP Court in <i>IWNCComm v. Sony</i> ruled that claim charts could contain confidential information and therefore the request for an NDA was considered reasonable.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
107	<p>The draft Guide says at the end of this subsection that “However, some courts . . . but that has since expired.”</p> <p>This approach may be problematic when the licensed portfolio of the SEP licensor has been changed significantly (e.g., because patents have been added to the portfolio or have expired).</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>
108	<p>Courts in the U.S. have emphasized that bad faith should be determined based on the totality of the circumstances in each case. Thus, we respectfully suggest that factors indicating bad faith need not be categorically prescribed.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.</p>

2. Step 2: Expression of Willingness from Implementer to Obtain a License		
109	Often times business discussions and technical discussions proceed in parallel, especially after an initial technical discussion is held. We suggest deleting the sentence “In practice, however • • • obtain a license.”	Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.
110	In terms of timing to move through the licensing process, in our experience it should be flexible depending on the situation. For example, past court decisions or situations with large portfolios may allow the discussions to move quicker as it is easier to conclude whether a license is actually needed.	Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.
111	The Guide should provide additional way(s) implementers can demonstrate good faith. Designating certain actions as “good faith” encourages implementers to take those actions, which can facilitate communication between implementers and innovators and add to the efficiency and predictability of the negotiation process.	Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.
112	We are concerned that enumerating grounds that an implementer may raise to challenge the necessity of a patent license is unproductive. The JPO’s final guidelines should therefore not enumerate categories of permissible grounds on which an implementer may refuse a license, particularly when some of those grounds may conflict with national laws. Instead the final guidelines should remain focused on efficient procedural mechanisms for resolving licensing disputes rather than substantive issues of patent law that may or may not be applicable.	Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.
113	We also are concerned that the Draft Guide may be interpreted as requiring continued negotiations even after it becomes clear that further negotiations would not be productive and that a third party is needed to resolve the dispute. We respectfully suggest that the final guide acknowledge that either party may fairly conclude that further negotiations may not be productive, and given a sufficient basis for such conclusion, no inference about the good faith of such party should be drawn in those circumstances.	Based on the comments you kindly provided to the JPO, we revised the description in II.A.
114	The Guide should include additional examples of information that would be useful for implementers to provide in challenging certain issues in the negotiation.	Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.

115	<p>A period of “several months” may not be a reasonable time-period for parties to respond to a point in dispute where a response can be provided much more quickly. The JPO should urge all parties to respond to each other’s communications with reasonable urgency and without delay, based on the totality of the parties’ circumstances.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>
116	<p>We recommend referencing section II.B.1. “Notification of a Timeline” in this section “(Reasonable Amount of Time for Response)”.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>
117	<p>It may be evidence of bad faith for an implementer to provide no reasonable basis for a challenge to a patent.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
118	<p>We recommend adding:  “(7) Asking for numerous or repeating technical discussions, or presenting extremely basic technical questions;  (8) Completely ignoring communications and/or requests for a meeting by the rights holder, either from the outset or after an initial response where licensee notifies rights holder of its willingness to negotiate a license on FRAND terms.”</p>	<p>We would like to maintain the description because we believe that the point of your comment is included in the description in II.A.2.</p>
119	<p>The first example of bad faith behavior may be interpreted to suggest that the simple existence of “an explanation” would be sufficient for an implementer to act in good faith. The result of this could be that a simple “explanation,” regardless of how reasonable, would suffice to justify delaying tactics. Furthermore, a late reply as such can be viewed as a delaying tactic and thus bad faith behavior by the implementer. The fact that there can be a potential justification should not impact the general principle that a delay or refusal to reply may be viewed as bad behavior. We would therefore suggest deleting the following words from the first bullet ‘Not explaining any reason for’.</p>	<p>We would like to maintain the description because we believe that the point of your comment is included in the description in II.A.2.</p>

120	<p>We would disagree with the statement that a potential licensee should be considered as acting in bad faith, in case it would seek to hold off negotiations “unless all grounds for essentiality and validity of the SEPs are first provided when the parties have not yet agreed whether to conduct licensing negotiations for an entire portfolio of patents”. A potential licensee should remain free to determine whether it wishes to conclude a portfolio license, and free to determine that the claims are not sufficiently substantiated and that it therefore prefers to seek to resolve validity and/or essentiality claims in court.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>
121	<p>While we question more broadly whether such so-called ‘tactics’ do exist, the fact that a potential licensee is “demanding the rights holder to provide information that cannot be disclosed due to confidentiality agreement(s)” should not be deemed unreasonable delay when the potential licensee is seeking information required to understand and assess the patent holder’s FRAND offer. The confidentiality agreement should legitimately seek to protect only truly confidential information; however, in many cases, a patent holder demands an NDA that sweeps in far more than that. Today, NDAs are often construed in such way that they cover nearly any type of information. Enforcing this clause broadly therefore is contrary to the stated goal of trying to ensure transparency in licensing negotiations, and hence we suggest deleting this reference.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
122	<p>While we appreciate certain information is commercially sensitive, NDAs cannot be used as a tool to keep licensees ‘in the dark’, and enforce terms and conditions that go beyond the realm of what is fair, reasonable and non-discriminatory. Furthermore, refusing to sign such overly restrictive NDAs should not be considered an act of bad faith on behalf of the implementer. The Guide seems to indicate that an implementer may be considered as acting in bad faith if it is “refusing to conclude a confidentiality agreement, while demanding the rights holders to provide claim charts, including detailed claim interpretations”. This seems contrary to the transparency goals that the Guide is defending.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>

123	<p>The Guide seems to indicate that an implementer may be considered as acting in bad faith if it is “refusing to conclude a confidentiality agreement, while demanding the rights holders to provide claim charts, including detailed claim interpretations”. This seems contrary to the statements highlighted above, and we suggest that it should therefore be deleted.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>
124	<p>It is worth considering why, and whether, this information (page 12, item (4)) should be considered confidential to the SEP holder. The only information that could conceivably be confidential is the SEP holder’s interpretation of how its patent claims cover the standard in question. While such an interpretation might, under ordinary commercial conditions, constitute confidential information (e.g., analyses developed in anticipation of litigation), this is not necessarily the case in the area of standardization. Information that must be provided to everyone in the industry should not be considered confidential. Accordingly, it seems incongruous to treat claim charts and interpretation as confidential to the SEP holder.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>
125	<p>Not taking a license because others have not taken a license may suggest “bad faith” in some instances but may not reflect “bad faith” in others. On the other hand, there may be less acceptable motives for a party refusing a license when others are not licensed.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>
126	<p>The mere expression of willingness was considered insufficient by the CJEU in the Huawei/ZTE case. The implementer should not only say that it is willing but also act correspondingly in order to avoid an injunction.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>

127	<p>Good faith commercial negotiations is the model and requires more of an implementer than merely a statement of its “willingness”:  Where the implementer is determined to hold out, for whatever commercial reason, we see conduct that does not match the model of good faith commercial negotiations in which each party desires the outcome of concluding an agreement. What we see instead is what we describe in more detail elsewhere in these Comments: a determination by the implementer to endlessly debate whether we have conformed to whatever model of ideal behavior the implementer decides to designate, based on statements cherry-picked from Huawei and other sources, and thereby never get to the point of actually sitting down to discuss licensing. Some companies, in fact, turn down all attempts to meet face-to-face. In each such case, the implementer will have stated “a willingness to obtain a license” but nothing else about the implementer’s conduct will be consistent with or show any signs of such willingness. And, if the implementer does make a counter, it is rarely made with a justification, explanation, or other backup, and indeed, is often not justified on its face.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>
128	<p>In our experience it does not require reference to external guidance to be able to distinguish between those implementers who are “willing” and those who are “unwilling.” A willingness to license is, and must be, evidenced by more than a statement that the implementer is “willing to obtain a license to a valid, essential patent on terms it agrees are FRAND;” it must be proven by the implementer’s actions.</p>	
129	<p>The draft Guide provides that “Even when reference . . . necessary reference materials.”  This language may be used by the SEP holder to press for a negotiation even when it has not provided the relevant reference materials to the standard implementers, hence forcing to negotiate in the dark.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>

130	Recent concerns extend not only to potentially infringing acts by implementers, but to knowing, “efficient infringement” as well, since litigation in response to such infringement is unlikely and, when it occurs, “can generally be dispatched inexpensively.” We commend the JPO for identifying this course of implementer action as “bad faith,” and suggest that the JPO emphasize the danger of efficient infringement.	Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.
<b>3. Step 3: Specific Offer from Rights Holder on FRAND Terms</b>		
131	We appreciate the Guide’s recognition that when the right holder makes a FRAND offer, it should do so by “indicating its royalty calculation method”, but also that it should “specifically explain why the offer is on FRAND terms”, in order for the implementer “to appropriately determine whether the presented terms and conditions are reasonable and non-discriminatory”. It is particularly important to note that such information should include “a list of comparable licenses and their terms and conditions”. These requirements are important to ensure compliance with the non-discrimination part of the FRAND commitment. The fact that such requirement would however be subject to existing confidentiality requirements should only be supported if these requirements or agreements seek to protect truly confidential business information (and as mentioned above, not be used as a means to seek to hide information that is highly relevant to determine whether a license or offer complies with FRAND terms and conditions).	We believe that you are basically in support of the contents of this Guide.
132	The Guide should include industry and expert reports on prevailing license fees.	Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.
133	We recommend that JPO include language that a licensee is assumed to have fulfilled his obligations of providing a FRAND offer by referring to a standard licensing royalty and its acceptance in the market.	Based on the comments you kindly provided to the JPO, we revised the description in II.A.3.

134	<p>It should be considered that the implementers already have lots of information if not even more information than the SEP holder about issues such as the market, other licensing requests from other SEP holders and their own pricing structure. We would also like to draw your attention to the opinion of AG Wathelet in the Huawei case where he stated: "Secondly, the SEP-holder must, in any event, present to the alleged infringer a written offer for a license on FRAND terms that contains all the terms normally included in a license in the sector in question, in particular the precise amount of the royalty and the way in which that amount is calculated." having in mind that in the Huawei case, while negotiating a cross-license, the offers were based on a percentage of the price of the product. It is clear from the wording that one should look at what is common business in the licensing field and which information parties normally include in a license agreement.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.3.</p>
135	<p>The draft Guide provides that "[p]resenting an initial offer that is unreasonable on its face" by a rights holder, may be viewed as bad faith. This is problematic. If the initial offer refers to the first offer the right holder provided to the implementer, then it would be unreasonable. The right holder may only be viewed as bad faith if it insists on an unreasonable and unfair rate during the license negotiation process.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.3.</p>
136	<p>We urge the JPO to recognize that complex licensing negotiations may indeed be unnecessary where there are established licensing terms and royalty rates in the relevant market. The Guide should make clear that an established royalty in the market and/or established licensing terms may enhance efficiency and vitiate the need for protracted negotiations.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.3.</p>
<p>4. Step 4: Specific Counteroffer from Implementer on FRAND Terms</p>		
137	<p>It is generally very difficult to draw meaningful and substantial comparisons between patent pools and bilateral negotiations. Further comparability of FRAND terms between standards may not always be relevant given the important difference that exist between the governance (and IPR Policy) of different standard setting organizations. We would therefore recommend deleting the text between parentheses of (2).</p>	<p>We would like to maintain the description because the point of your comment is already stated in III.A.3.a.(c).</p>

138	<p>Point (2) “Providing a list . . . by patent pool, etc.)” is problematic. First, it does not correspond to industry practice as it is very uncommon for implementers to provide a list of comparable licenses during the negotiation process. Moreover, the licenses that have been signed by standard implementers for other patent portfolios rarely assist in the determination of a FRAND rate. Finally, royalties by patent pool are an unreliable benchmark to determine FRAND rates.</p>	<p>We would like to maintain the description because the point of your comment is already stated in III.A.3.a.(c).</p>
139	<p>We do however caution the JPO to take into account, as is clearly recognized in some parts of the draft, that potential licensees are in a significant disadvantage in terms of available relevant information. If the view is taken that implementers need to seek to provide a FRAND counter-offer, it should be born in mind that an undertaking is only able to prepare a meaningful counter-offer if it has the information available that is relevant to make such determination.</p>	<p>We would like to maintain the description because the point of your comment is already stated in II.A.3.</p>
140	<p>We recommend referencing section II.B.1. “Notification of a Timeline” in this section “(Reasonable Amount of Time for Response)”.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.4.</p>
141	<p>Step 3 provides that a patent holder may exhibit bad faith by “presenting an initial offer that is unreasonable on its face”, but Step 4 has no parallel element. In fairness, implementers’ actions that may be viewed as bad faith should include “presenting a counteroffer that is unreasonable on its face.”</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.4.</p>
142	<p>Section II.A.3. provides that “[A patentee’s p]resenting an initial offer that is unreasonable on its face” may constitute “bad faith.” In contrast, the Guide says nothing about a licensee counter offer that is “unreasonable on its face.” Courts have issued injunctive relief for infringement of FRAND-committed SEPs where the infringers at issue were found to be “unwilling licensees.” To assure balance between licensor and licensee positions, and to recognize equivalent concerns regarding licensee “hold out” as well as licensor “hold up,” the Guide should provide corresponding examples for each position.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.4.</p>

143	<p>The Guide should articulate paths to safety for both implementers and innovators. For example, Section II.A.4 implies that implementers can more “safe[ly]” avoid an injunction by “promptly urg[ing] the rights holder[s] to present specific FRAND terms.” The Guide should add similar recommendations for innovators. This can be done by providing a list of actions that innovators may take when implementers fail to respond to FRAND offers that are less likely to be considered “bad faith,” and more likely to demonstrate good faith on the part of innovators.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
<p>5. Step 5: Rejection by Right Holders of Counteroffer/Settlement of Disputes in Courts or through ADR</p>		
144	<p>Disputes occur primarily due to disagreements over royalty rates, as well as disagreements over the royalty base on which such rates would be applied. They can occasionally include disputes as to whether a given patent is standard-essential. In the stage of standard promulgation, such disputes have on occasion led to delays in promulgation, and therefore delays in implementation. In addition to such delays, in general such disputes may lead to decreased consumer choice and increased marketplace costs. Given the broad differences in the circumstances under which such issues arise, in what patent claims cover, and in what a reasonable royalty may be, we do not recommend any particular methodology/mechanism for resolving such disputes.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>
145	<p>Unless the court limits the action to specific patents, it is unclear why arbitration can address a large volume of patents (albeit in an abbreviated time) while a court cannot. Frequently, courts consider cases that involve numerous patents or portfolios, especially in the standards context. It is true that a court may look at sample patents or families, but how would an arbitrator determine portfolio value if it did not adopt such a methodology to assess hundreds of patents?</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>
146	<p>It is unclear why, as stated in paragraph 3, Alternative Dispute Resolution (ADR) can address a large volume of patents (albeit in an abbreviated time at supposedly reduced expense) while a court is limited to a few important patents. Courts have addressed more than several patents in many cases.</p>	

147	<p>It would be “objective” to also identify issues with ADR – what country’s law and damages apply; generally no appeal; arbitrators are less regulated and less known than are courts; is outcome precedential or not; limited number of witnesses and limited discovery (although rules may be malleable); bound to some precedent or not?; etc.</p>	
148	<p>We do not see the advantages or disadvantages of ADR mechanisms in cases involving many patents. We also note that employing such mechanisms may hinder the JPO’s goal of enhancing transparency given that ADR proceedings and decisions, unlike district court proceedings and decisions, are generally not available to the public. That said, the parties should be able to mutually agree to an ADR process if they see that as a more cost-effective and reasonable path forward under their specific circumstances.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>
149	<p>In our view, this is correct for mediation – if the parties really are willing to find a quick solution without clearing all the legal details. The topic seems more problematic, however, with regard to arbitration. Although an arbitrator may have more freedom in assessing a case than a judge, he normally is also bound to certain legal standards – which may make it difficult to decide on validity, infringement, and licensing of a large number of patents without assessing the details of each patent in suit. An arbitrator may be allowed to do so if the parties agree on that point, thus reducing the number of questions the arbitrators have to decide on. But this should – at least to some extent – be possible in a law suit as well. Overall, the fact that one party suggests ADR and the other party rejects this suggestion may be a rather weak indicator for good or bad faith in most of the cases.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>
150	<p>Although qualified by the sentence that immediately follows (“Refusing ADR options may not, however, indicate bad faith.”), this language could be read to suggest that the JPO prefers that parties resolve their licensing disputes through means other than litigation. There is also a risk that— notwithstanding the qualification—a party’s decision not to use ADR could be construed as the absence of good faith, or even bad faith. We respectfully submit that no inferences regarding a party’s good faith or bad faith should be drawn from its willingness to pursue alternatives to litigation.</p>	

151	<p>The statement “Refusing ADR options may not, however, indicate bad faith.” is potentially ambiguous because it can be interpreted in two different ways. One interpretation is that a refusal of an offer of ADR can NEVER indicate bad faith. Another interpretation of this language is that sometimes the refusal of an offer of ADR can indicate bad faith depending on the circumstances. We believe that this latter interpretation is correct and what was intended.</p>	
152	<p>The Guide further states that “[p]roposing or accepting to use ADR can be considered a factor showing good faith in negotiations. Refusing ADR options may not, however, indicate bad faith.” Since the choice to resolve disputes via ADR is optional and the parties’ decision is based on various factors, we respectfully submit that this statement is unnecessary.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>
153	<p>The same considerations should apply to the refusal to agree to arbitration. Provided the implementer is infringing and has received a FRAND license offer, the refusal to agree to ADR is a sign of bad faith if not objectively justified.</p>	<p>We would like to maintain the description because the point of your comment is already stated in II.A.5.</p>
154	<p>The Guide highlights a crucial principle in this regard, indicating that “proposing or accepting to use ADR can be considered a factor showing good faith in negotiations. Refusing ADR options may not, however, indicate bad faith” – a principle we very much agree with.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>
155	<p>In section II.A.5, the Guide states that providing a business security – which, according to the Huawei decision, can be a crucial requirement for using the invention in good faith before the parties have agreed on a licensing contract – is not necessarily a general business practice in regions outside Europe. The latter is certainly true. However, in our view, the CJEU did not establish this requirement because offering securities is a general business practice in Europe. Instead, the main reason may be that it seems contradictory – and therefore unfair – if the implementer asserts that he is willing to pay a license fee, but uses the patent without doing so.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>

156	The willingness to provide securities – or to pay the license fee that the implementer himself deems to be FRAND – may also be a strong indicator for good faith outside Europe.	
157	We respectfully suggest that it is not correct that a rights holder’s provision of a “security” arose only in Europe as “a general business practice.” Rather, the concept of providing security arose as part of the ECJ attempt to construct a fair and reasonable licensing negotiation framework, in which the provision of security by an implementer played a part. That requirement at the appropriate stage in the negotiations should be adopted by the Guide.	We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.
158	We think it is important for the Guide to introduce sufficient incentives for both rights holders and implementers to negotiate in good faith (in India, for example, courts have required certain accused infringers to make interim payments pending resolution of those litigations). Securities (which are not the same as payments) may help providing these kinds of incentives. We would recommend reflecting this in the paragraph.	Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.
159	It is important for SEP holders to protect themselves against the risk that some standard implementers may not be capable to comply with the financial terms of the license.	
160	While we appreciate the authoritative nature of the Huawei/ZTE judgement in the European Union, and without elaborating on the content of the judgment in this document, we urge that failure to offer a security during an SEP dispute should not be considered an act of bad faith by the implementer.	We would like to maintain the description because we believe that the point of your comment is included in the description in II.A.5.

161	<p>JPO notes that “around the world,” “limitations are consistently imposed on the exercise of the right to seek an injunction against implementers who have responded in good faith.” The draft then suggests that under U.S. law, seeking an injunction may be restricted under the Supreme Court’s decision in eBay v. MercExchange, as well as principles of contract and competition law. This section misstates the extent to which U.S. law restricts the right of SEP owners who have made a FRAND commitment to seek an injunction, and thus suggests a greater degree of global consensus on these issues than exists.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>
162	<p>There is a view that eBay v MercExchange has been misapplied by Courts.</p>	
163	<p>Footnote 36: This footnote should be explained or revised. The main text discusses limitations on injunctive relief from various jurisdictions. In the UK, the “Principle of Proportionality” is referenced. It might be helpful to explain what that principle states. Does “proportionality” limit access to injunction? Or does “proportionality” merely mean what is fair to the parties? In any event, the last sentence of footnote 36 should be clarified in that the first part of the sentence provides that third parties can invoke FRAND but the second part indicates that it would be “disproportionate” if an injunction was not granted. While the second part tracks the court’s decision, it is unclear how it fits with the main text and remainder of the footnote.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>
164	<p>Footnote 36: The first premise that the FRAND assurance extends to implementers does not seem to fit with the next premise that it is “disproportionate not to grant an injunction against the implementer.” The main text discusses limitations on injunctive relief from various jurisdictions. In the UK, the “Principle of Proportionality” is referenced. It might be helpful to explain what that principle states. In any event, the last sentence of footnote 36 should be clarified in that the first part of the sentence provides that third parties can invoke FRAND which suggests that the third party can avoid injunction. But the second part indicates that it would be “disproportionate” if an injunction was not granted. While the second part tracks the court’s decision, it is unclear how it fits with the main text and remainder of the footnote.</p>	

165	<p>The draft Guide’s observation that “competition authorities around the world suggest that demanding an injunction against an entity that is willing to obtain a license on FRAND terms may be a violation of Competition Law” risks overstating the degree to which there is consensus on this important issue.</p> <p>While it may be technically accurate to state, as the Guide does, that “competition authorities around the world suggest that demanding an injunction against an entity that is willing to obtain a license on FRAND terms may be a violation of Competition Law,” such a statement could also be read to imply that there is more consensus regarding this controversial subject than in fact exists.</p> <p>We therefore respectfully suggest that the Guide be revised to explain that the proposition that an SEP holder may violate competition laws when it seeks to protect its rights by seeking an injunction is, at best, unsettled. The JPO might also consider updating the Guide to reflect the current state of the policy discussion, for example by adding a reference to AAG Delrahim’s statements to footnote 39.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>
166	<p>The characterization of competition law here is incomplete and imbalanced. It should be noted, for example that:</p> <p>(a) The Huawei v ZTE decision set up a broad safe harbor from competition liability in this area;</p> <p>(b) that no U.S. court has ever found the seeking of an injunction to be a competition violation. Moreover, courts have found seeking of injunction to be immune from antitrust liability.</p> <p>(c) That Art. 41 of the WTO TRIPs agreement secures the right to “effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.” Injunctions are an important part of such remedies.</p>	

167	<p>The Guide states that “competition authorities around the world suggest that demanding an injunction against an entity that is willing to obtain a license on FRAND terms may be a violation of Competition Law” and cites Google v. Motorola (U.S. Federal Trade Commission, 2013). It is important to note that this case was based not upon an antitrust statute but solely upon the unique “unfair methods of competition” authority contained in Section 5 of the Federal Trade Commission Act. More important still, the case was resolved by a consent decree, which is an agreed upon non-judicial resolution of a pending enforcement agency matter. While consent decrees certainly have their place in antitrust enforcement, they are not the law; indeed, they hinder the development of actual legal precedents.<sup>24</sup> Accordingly, we recommend omitting the citation to this case.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>
168	<p>Section II.A.5 contends that “competition authorities around the world suggest that demanding an injunction against an entity that is willing to obtain a license on FRAND terms may be a violation of Competition Law[,]” citing, among other things, the 2013 negotiated consent between the FTC and Motorola Mobility and its then-parent company, Google. We respectfully urge the deletion of this citation given that: (1) it was a negotiated consent without precedential value; (2) the consent was based on an alleged Section 5 “unfair methods of competition” theory under the FTC Act and not traditional U.S. antitrust laws; and (3) it does not accurately represent the current view of U.S. DOJ and the acting head of the FTC.</p>	
169	<p>Footnote 35: It is understood that the third party beneficiary is the implementer and not the SSO.</p>	
170	<p>Footnote 35: The implementer not the SSO is the “(third-party beneficiary)”.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.5.</p>
171	<p>The Guide could note that implementers will have little incentive to negotiate without the possibility of injunctions.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

172	<p>In addition to the fact that a tilt in policy favoring implementers has the potential to dilute the incentive to innovate, it is important to recognize that it definitely will change both the incentives and the actions of an implementer. If an implementer faces little real risk of an injunction, then it is free to act on its incentive to hold-out. The implementer may hope that the patent holder simply will go away eventually, tired of or unable to afford the protracted controversy. But even more importantly, if the implementer knows that no matter how long it holds out, and no matter how clearly it infringes, if the worst outcome is limited to the possibility that one day in the future it may have to pay FRAND rates for its years of infringement, the implementer will have little incentive to act in good faith to pay for the technology that it is already using.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
173	<p>To be considered that the implementer has been duly put on notice and received a FRAND license offer. Means at the same time he infringed and continues to infringe without paying for the necessary license. In that situation injunctions should be granted if an implementer does not provide a security deposit with the rendering of account about the infringing acts in the past. It is a fundamental right of patent owners to ask for injunctions and the refusal to grant injunction can only be accepted in exceptional cases.</p>	
174	<p>We request that the JPO note that courts have also granted injunctions. This clarification is important, as absent patent holders' right to injunctive relief implementers may have little incentive to participate in licensing negotiations.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.</p>
175	<p>We have been encouraged by repeated mentions in the Guide that injunctions for SEPs should be rare and only available when the licensee has grossly failed to act in good faith. These statements are in line with broad views shared by court and agencies around the world.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>
176	<p>If the JPO issues a final Guide, "good faith" should be the main determinant on the question of injunctions for infringement of SEPs. For example, a "willing" implementer needs to demonstrate its willingness across all its conduct, and does not do so adequately merely by writing or saying the words "I am willing to take a license under certain conditions."</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.A.2.</p>

No.	Comments	Responses to Comments
<b>B. Efficiency</b>		
177	While we agree that there may be possible efficiencies linked to portfolio or global licensing, parties should be able to voluntarily agree whether they proceed with a portfolio and/or global license or not. The SEP holder should not be in a position to be able to force a potential licensee to take a license to a portfolio of SEPs, if that licensee has reasons to believe that the portfolio includes patents that are not valid, essential or infringed.	Based on the comments you kindly provided to the JPO, we revised the description in II.B.4. and II.B.5.
<b>1. Notification of a Timeframe</b>		
178	With regards to the mention of the number of patents at issue, we would like to emphasise that FRAND license negotiations in the cellular industry are in general portfolio based and not patent by patent. Technical evaluations regarding large portfolios of SEPs are typically done via sampling. The number of patents is therefore only relevant to the extent that the negotiations over a larger portfolio may impact the sample size.	Based on the comments you kindly provided to the JPO, we revised the description in II.B.4.
179	Timing is often the most serious battleground and often the telling point that discloses if a party is negotiating in good faith. Thus parties often differ significantly on the point of when they wish to impose a deadline that will conclude the negotiations. This guide gives a thorough list of factors. We would note, however, that European SEP jurisprudence including Huawei v. ZTE, sees one year as a reasonable timeframe for consideration of all issues and conclusion of the negotiations. Thus, we would suggest that the Guide might also use that one-year target as the limit for most good faith negotiations. Beyond that year the parties might mutually agreed to proceed longer, but that target might set some tentative conclusion date. The Guide might also suggest some estimates, for example in terms of months, for conclusion of more simple negotiations. Thus, the Guide might set forth three scenarios – complex cross licenses with vast portfolios completing in 12 months (absent mutual agreement to extend); one-way licenses with fewer SEP families at stake completing in 9–12 months (absent mutual extension); and simple one-way licenses with a few patents completing in 6–9 months (absent mutual extension). These scenarios might set some default targets for good faith negotiations.	Based on the comments you kindly provided to the JPO, we revised the description in II.B.1.

2. Parties to Negotiation in Supply Chain		
180	The sentence “In the telecommunications field, this will be the MNO.” is not correct; the MNO (i.e. the operator) is not the manufacturer of the end product. We therefore recommend deleting the text between parentheses.	
181	<p>There is no golden rule as to which entity/entities should be involved in licensing negotiations as circumstances vary. In our experience, it is however rare that mobile network operators (“MNOs”) become involve in licensing negotiations as end-product manufacturers are better placed to know whether their products infringe the patents of the SEP holder, as well as the FRAND rate that should be paid to the SEP holder if its products practice the SEPs in question.</p> <p>In this respect, the JPO should be aware that there are circumstances where NPEs seek to negotiate with MNOs and/or sue them because it may be easier to coerce them or the end-product manufacturers to take a license at terms that are not FRAND. Therefore, the draft Guide by the JPO should not be misinterpreted by those NPEs to endorse or justify such behaviour in bad faith.</p>	Based on the comments you kindly provided to the JPO, we revised the description in II.B.2.
182	<p>We believe that when choosing the licensing level, all parties involved should focus on efficiency. Depending on the industry and the technology, we believe different outcomes are possible and it is important for all parties to work together to determine which licensing model works best.</p> <p>The important item to point out here is that there are no ‘one-size-fits-all’ solution, as different supply chains and different FRAND commitments exist. We believe this is a key topic to emphasize in this section.</p>	Based on the comments you kindly provided to the JPO, we revised the description in II.B.2.
183	Normally, discussions on the question mentioned above arise because all the parties involved assume that the license fee will be higher if the license is given to the manufacturer of an end-product. In my opinion, this assumption is not necessarily true. As the Guide states in section III.A.2, the royalty rate may depend on the calculation base. Accordingly, it may also depend on the licensee’s position within the supply chain. Mentioning this connection may prevent inefficient discussions on the question who is the “right” party to enter license negotiations.	Based on the comments you kindly provided to the JPO, we revised the description in II.B.2.

184	<p>We urge JPO to recognize in its Guidance that, across key markets and in Japan, SEP holders' are required to offer licenses to "all third parties" on FRAND terms (i.e., "license for all"), and we urge the JPO to reject the "access for all" SEP licensing concept. We urge the JPO to align with the EC's judicious decision to confirm that SEP licenses must be made available to any willing licensee, including a competitor.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
185	<p>We note that the European Commission's SEP Communications document, released in November 2017, clarifies the idea that the FRAND declaration is not a "one-size-fits-all" requirement for licensing to all parties using a standard technology, but is, rather, a mechanism to ensure that those who want to use a standard technology can access that technology. This is commonly referred to as "access for all." We respectfully request that the JPO add a citation to this important document.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
186	<p>While the text on page 21 "There are some end-product-manufacturers . . . to the licensing negotiations." puts both sides of the argument, we wish to raise a couple of points in connection with the first sentence, which alludes to the so-called "license-to-all" principle advanced by some implementers. First, the doctrine of patent exhaustion means it is not legally permissible to grant the same license to all actors across different levels in a supply chain. Second, the suggestion that it is discriminatory and therefore contrary to FRAND commitments to only license the end-product manufacturer, is misplaced. It is well understood that the ND (nondiscriminatory) aspect of FRAND is directed towards similarly-situated implementers. Actors at different levels in a supply chain, specifically upstream actors, are by definition, not similarly situated. As such, the ND aspect of FRAND does not apply to them.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
187	<p>We urge the JPO to remove the following sentence from page 21's Footnote 41: "Objections to this amendment have been made by rights holders." We make this recommendation because the sentence's addition to a statement of fact regarding IEEE-SA's policy clarification unduly undercuts the IEEE-SA patent policy clarifications which were legitimately made within the open and consensus rulemaking process of IEEE-SA. Further, the policy changes have not, as alleged by fringe voices, derailed the standards development processes or output of IEEE-SA.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

188	<p>We note that other SDOs have refused to follow the approach set forth in the IEEE' s amendments. For example, ETSI' s Intellectual Property Rights Policy explicitly provides for the possibility that rights holders will choose not to license their essential intellectual property rights.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
189	<p>The Guide notes that “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.” We agree with that statement and appreciates its inclusion in the Guide.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>
190	<p>We welcome your general statement that it is the right holder to decide with which party in the supply chain it signs an agreement.</p>	
191	<p>We have significant concern with the section of the Guide that is entitled “parties to negotiation in supply chain”, as it seems to take the view that “in general, the rights holder is in the position to decide with which party in the supply chain it signs an agreement”. We strongly disagree with the statement that such behavior is a general principle or a statement of fact – to the contrary. According to the FRAND commitment, licensing should be available throughout the value chain. Furthermore, allowing the SEP holder to choose to license only at the end-device level, and to refuse licensing higher up the value chain, raises significant competition concerns.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
192	<p>With a license to end-product manufacturers, all suppliers will be covered and have access to the patented technology through have made rights. Therefore, the paragraph “There are some end-product manufacturers . . . to be the party to the licensing negotiations.” could be misinterpreted, and we recommend rephrasing it.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
193	<p>We agree with JPO' s view on p.22 that the problem around patent exhaustion can be avoided if the end-product manufacturer takes the license. This does not exclude the possibility to engage the supplier in the discussions, which JPO mentions further down.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>

194	<p>Companies developing such technologies will want to have clarity around their cost basis before making the necessary investments to bring their innovative products to market. The suggestion that licensing would be more efficient when done at the end-product level is somewhat surprising, as there are clearly far more end-product manufacturers than component manufacturers.</p>	
195	<p>The fact that licensing would be more efficient when done at the end-product level seems to ignore the fact that within IoT, there are likely to be millions of end-product manufacturers around the globe. However, there are only a dozen or so IoT chip manufacturers in this space.</p>	
196	<p>The idea that licensing at the end-device level would be “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 conditions between suppliers” is incorrect. The supplier will not be covered by a license that its customer is concluding. This statement is inaccurate for other reasons: (i) it is unlikely that there are multiple components in an end-device that implement the standards; and (ii) component suppliers rarely supply only one customer. In order for other customers to be covered by the SEP license, a component or module manufacturer will still need to conclude a SEP license for its other customers (and is likely to gain very little from the fact that one of its customers separately concluded a license). Therefore, the idea that licensing at end-device level “can minimize the number of negotiations by conducting licensing negotiations with such suppliers” is simply not correct.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
197	<p>Despite the fact that legitimate patent owners acting in good faith will make sure to prevent redundant earnings, we agree with the statement that “if a rights holder concludes licensing agreements with multiple suppliers within a single supply chain, it becomes unclear which right has been exhausted”, increasing the complexity and cost of the licensing transactions.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

198	<p>What would be an example of the scenario “when a small number of suppliers . . . negotiations with such suppliers”? Currently, multiple suppliers supply different components for one single device.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
199	<p>As regards practical considerations and business practice, it is first of all common business practice in the licensing business not to license on the chip maker level. The ECJ expressly recognized business practices as the point of reference and there is no statement in the decision that the ECJ had the intention to change these practices. There are several reasons why in the licensing business SEP holders in the past have not licensed their patents on a chip maker level. Amongst these reasons are efficiency, avoidance of unclear situations re. exhaustion and the reduction of transaction costs. The latter especially applies in the context of portfolio licensing which is the rule in the licensing business of consumer electronics products. In most patent portfolios, there are patents which read on different parts of the licensed product, for example on the chip or the antenna or the entire system of the “terminal”. An obligation to license on the chip maker level would necessarily include the technical and legal need to split the portfolio into several licensing programs which unnecessarily raises again the transaction costs and is in contrast to the recognized idea that the SEP holder should grant access to its entire SEP portfolio as a kind of one-stop-shop providing comprehensive freedom to operate.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.2.</p>
200	<p>While the argument in page 22 “there are opinions that if . . . with such suppliers.” may make sense in the context of non-standardized products, where a component may be a black-box (only inputs and outputs known), it does not necessarily make sense with respect to standardized components. That is because the standards are publicly available and so both component manufacturers and end-product manufacturers have equal access to information regarding the operation of the standard. Moreover, in the context of SEPs, essentiality analysis (claim charts to the standard) often replaces infringement analysis (claim charts to the product). As such, end-product manufactures have sufficient access to technical information to evaluate the claims of rights holders.</p> <p>Also in the interests of balance it should be recognised that in practice a proposal for discussions with suppliers is sometimes used as an excuse to delay genuine good faith progress.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

201	<p>We propose that the Guide note that, under U.S. law, the Quanta v LGE application of exhaustion applies in only limited instances. Accordingly, the Guide ought to quote the LGE case text that opens exhaustion to not only patents in a product sold by a patentee or its licensee, but also to certain components of patented products. That is, instead of referring to “patents practically implemented in the component” being exhausted, the Guide should discuss how a sold component can exhaust patents in a larger product when the component “substantially embod[ies] the essential features of the patent… where the only reasonable and intended use [of the component] is to practice the patent [in the larger product].”</p> <p>Also, the discussion of “confusion” regarding multiple exhaustions is unclear. With regard to double recovery, if exhaustion applies with one upstream supplier, then downstream suppliers may not pay royalties, so there is no double payment. If exhaustion does not apply, the multiple parties in the chain can address multiple payment by adjusting downstream royalties based on payments made by licensed upstream component makers/sellers (when such information is known).</p> <p>Further, it would be useful for the Guide to recognize that “patent exhaustion” in the U.S. is court-made law and not found in statute. The drafters of the Guide are commended for referencing differences between U.S. and Japanese law, to show the complexity of patent exhaustion globally.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
202	<p>Patent exhaustion may also lead to underpayment of royalties. We respectfully suggest that the Guide acknowledge both the possibility of overpayment and the possibility of underpayment or no payment.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.2.</p>
203	<p>If the end-product manufacturer requires technical input for specific patents or standards, such a consultation can be arranged under appropriate terms outside of bilateral licensing negotiations. We respect the right of the potential licensee reaching out to the component manufacturer to get clarifications on technical details, as long as the potential licensee abides by the terms of the NDA signed with the licensor. We take exception to the process of component manufacturer joining the licensing negotiation process. We therefore request you to make the necessary clarification to clarify that licensing negotiations should be a bi-lateral exercise between the potential licensee and licensor without the component manufacturer on the negotiation table.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.2.</p>

204	<p>We agree that the rights holder is in the best position to decide which party in the supply chain it wishes to license, from the end-product manufacturer to its component suppliers. Similarly, whether an implementer decides to involve its supplier should be up to the implementer, and such a decision should not delay or burden licensing negotiations.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
205	<p>One issue underlying this debate is that indemnity obligations often exist between connectivity suppliers and their customers, especially in the IoT. Most connectivity components are commodity products with intense price competition and the total cost of the IPR licenses is often unknown. This leads to a situation where components are often supplied with full IPR indemnity, however the supplier may not hold back a sufficient portion of sales price to pay IPR costs in the future. This situation creates 3-way standoff between supplier, manufacturer and patent owner. In our experience we believe the best solution is one where predictable IPR costs are known by all involved so they can be fairly allocated regardless of where the license is taken in the supply chain.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.2.</p>
206	<p>Licenses should be accounted for, and payment of royalties accounted for by manufacturers. Moreover, indemnification clauses are the result of specific, case-by-case commercial considerations and negotiations. It would be misleading to suggest that one specific approach to indemnification should be favored.</p>	<p>Since the description in II.B.2. does not mean the point in your comment, we would like to maintain the description.</p>
<p>3. Protecting Confidential Information</p>		
207	<p>Because patents are public documents, we respectfully suggest that confidentiality concerns may not affect a licensor's ability to identify the patents in their portfolio by number such that implementers can assess the patent's disclosures and their risk of infringement. However, the accessibility of issued patents should not impose additional disclosure obligations on SEP licensors, particularly with respect to technical analyses such as claim charts, expert reports, and/or license agreements with third parties.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

208	We respectfully request that the final guidelines recognize the legitimate concerns of parties with respect to confidentiality protections, the role such protections play in facilitating amicable dispute resolution, and the limitations that must be placed on such protections for purposes of subsequent litigation related directly to the parties negotiating conduct, including good faith.	We would like to maintain the description because the point of your comment is already stated in II.B.3.
209	The Guide states that “Confidential information of a rights holder might include an explanation of claim terminology and the corresponding sections in the standard documents, and the terms of comparable license such as the rate or the amount that are used to explain and support a FRAND offer”. Making such terms confidential will prevent implementers from verifying whether the terms and conditions they are being offered are non-discriminatory, for example, as they have no means to verify to which extent other licenses include comparable terms. Furthermore, information on patent claims and corresponding sections of the standard is often publicly available either through court procedures or through disclosures at SDOs. For example, at ETSI, such information is often included in the SEP holder’s declaration form, and hence publicly disclosed. We therefore strongly suggest deleting the sentence referred to above.	Based on the comments you kindly provided to the JPO, we revised the description in II.A.1.
4. Choice of Patents Subject to Negotiation		
210	The cited example (footnote 43) is from a specific court case and does not reflect usual industry practice for negotiations. The use of random samples is not part of industry practice. In our experience, parties typically discuss a selection of patents chosen by the rights holder. Various criteria may be based for selection.	We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.

211	<p>Consider discussing the effects of “representative” patents not being truly representative of a portfolio. Perhaps the best way of achieving “representativeness” is for the parties also to select random samples out of hundreds of patents, and analyze the randomly-selected patents thoroughly. Otherwise a patent holder might pick the few best patents, and when that is the case, the overall royalty rate might be inflated over its actual value when all the patents in the portfolio were not equivalent to the value of the selected few. The parties need some way to gauge how quickly the quality of the patent portfolio drops off from the best few patents. The patents might all be high quality, in which case the select few may be chosen somewhat arbitrarily. But there could also be a relatively steep drop-off in quality that would substantially bring down the overall royalty. Another approach to solving this of representativeness problem is to categorize the patents into “tiers.” Analyze the top few from each tier. This could give a good idea of the topology of the overall portfolio’s quality. And perhaps it would be possible to have both parties independently perform this analysis, and get together and compare results.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.4.</p>
212	<p>In relation to non-SEPs, the Guide also takes the position that “parties may also want to discuss whether the negotiations will include non-SEP patents in addition to SEPs”. We agree that parties may choose to do so, but only on a voluntary basis. SEP holders that seek to license on FRAND terms should not use their market power from SEPs to make their FRAND offer conditional upon licensing of non-SEPs as well.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.4.</p>

213	<p>The statement on page 25 “The parties may also •••(commercially essential patent).” could be interpreted to suggest that rights holders can only offer licenses to SEPs and commercially essential patents. It should be made clear that rights holders may, at their discretion, offer licenses to both SEPs and non-SEPs regardless of whether the non-SEPs are commercially essential or not.</p> <p>Implementers often desire rights to a variety of non-SEPs. The reason is that licensing is frequently done on a product basis and implementers often prefer not to leave their products exposed to non-SEPs regardless of whether or not the non-SEPs are commercially essential or not. To be clear, a rights holder must offer a license to just SEPs but it can also offer a license to both SEPs and non-SEPs including those which are not commercially essential. It should also be noted that there is no obligation on the part of the rights holder to offer a license to any patent except SEPs.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.4.</p>
214	<p>As far as portfolio licensing is concerned, while we agree that there may be efficiencies attributed to portfolio licenses, we would disagree with the statement that “portfolio negotiations have become standard practice in actual licensing negotiations involving SEPs”.</p> <p>Parties should remain free to dispute validity, essentiality and/or infringement, and should not be forced to take a portfolio license in case they have indications that certain patents in the portfolio may not be valid, essential or infringed. Parties may however freely decide to conduct a portfolio negotiation, and sign a portfolio license if they both agree.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.4.</p>
215	<p>It would be helpful to clarify how “commercial feasibility” expands the definition of essential claims for which a license assurance may apply. While some SSOs have policies that govern patent claims for which there is “no commercially feasible technical alternative,” other SSOs define a claim as “essential” if there is merely “no technical alternative” (where commercial feasibility is not recited). The Guide should clarify that the FRAND assurance depends on the SSO Policy and its definitions.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

5. Geographic Scope of Licensing Agreement		
216	As far as the geographic scope of the SEP license is concerned, we agree with the view that an implementer should not be required to pay licensing fees for regions or countries where it does not operate. Again, parties may freely choose to decide to conduct global licensing negotiations, but potential licensees should also have the option to reduce such scope if they believe they have reasonable arguments to do so.	Based on the comments you kindly provided to the JPO, we revised the description in II.B.5.
217	The draft Guide should be careful not to suggest that licensing on a worldwide or global scale is, as a rule, the best solution unless such a prospective license has been voluntarily been agreed between the parties. The draft Guide should thus refrain from citing the Unwired Planet v. Huawei judgment in the footnotes.	
218	Should there be a statement toward the end of this section that “What is reasonable in a FRAND sense in terms of geographic scope may not be subject to a fixed rule.” This topic (along with others) raises the conundrum of what happens when both parties are reasonable and acting in good faith? For example, the SEP holder may wish to license globally while the implementer wishes only a license in one country. That said, we recognize that in the Unwired Planet case, the court upheld, as FRAND compliant, the SEP holder’s offer to license globally even though the implementer preferred a local license. That said, if the licensee markets globally (or may sell globally), is the answer different than if the licensee is a local seller?	We would like to maintain the description because the point of your comment is already stated in II.B.5.
219	We would like you to consider the following situation: in case that a license offer covers a worldwide portfolio for various patent families and provided the same patent families are granted to the same extent in all relevant regions, it is our understanding that a blended royalty rate is fair even if the products of an implementer are both manufactured and sold in just one region of the world, which by the way is not the typical situation today where most products are manufactured in Asia and then are sold around the world.	Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.

220	<p>The Draft Guidelines suggest that the parties address in each case whether to negotiate a worldwide license, and before doing so, to ensure the rights holder has patent rights and the implementer commits infringing acts in all relevant jurisdictions. We respectfully suggest that this approach may unduly burden and needlessly complicate the analysis of whether rights holders may and should offer only world-wide licenses to implementers. So long as such licenses impose no obligations on implementers unless their product infringes a valid patent, world-wide licenses are efficient and should be encouraged. It makes no sense either to (a) require a rights holder to enter into licenses of limited geographic scope and then incur the cost of policing each licensee and amend the license when the licensee's business expands; or (b) allow a licensee to pay a reasonable royalty in one place, but infringe in other places. Yet both scenarios will result if rights holders are discouraged from or penalized for offering worldwide licenses only. Worldwide licenses can maximize efficiency, streamlining licensing negotiations, and implementers should be encouraged to consider such licenses when appropriate.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.5.</p>
6. Patent Pool Licensing		
221	<p>Pools are only one efficient option in obtaining a license and there are contractual mechanisms that prevent double royalty payments.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.6.</p>
222	<p>This is generally not true, for well-designed patent pools avoid double royalty income by pre-netting or post-netting royalty payments.</p>	
223	<p>The Guide's text discusses the situation where a party may pay twice for the same patent when it takes a pool license, if it already licensed separately from a pool member. The pool or pool member may adjust royalties to avoid such double royalties.</p>	
224	<p>In practice, a number of pools or pool members adjust the royalties paid by the licensee to avoid double payment.</p>	
225	<p>We clarify that as a practical matter, double dipping is avoided in the pools.</p>	

226	In this section addressing pools, we would like to emphasize that being part of a pool does not preclude cross-licensing.	
227	This section also seemingly references a licensee concern that it cannot defray its royalty payment with a cross license of its SEPs to pool members (where the license is from, and a license back is to, an administrator). This concern is not fully understood. If a licensee has SEPs, it can enforce them against a pool member in a pool cross license or separately. Importantly, the Guide could provide useful guidance in recognizing that a pool should, to protect its members, provide for a mechanism by which the members can obtain licenses under the licensee’s SEPs for the standard. In that way, the pool members do not license all of their SEPs, while being vulnerable to SEP infringement allegation by the licensee. The pool agreement may provide for a license back, an option to a FRAND license back, or a defensive suspension/termination for members to address licensee’s SEPs.	Based on the comments you kindly provided to the JPO, we revised the description in II.B.6.
228	If a licensee has a bilateral agreement with one or more pool licensor, that licensee will only pay the amount distributed to the remaining licensors in the pool. Thus, we respectfully request that the Draft Guide be modified to correctly reflect how these situations are handled in a pool setting.	
229	The sentence “because pool management organizations are not practicing entities” is unclear, and should be either clarified or deleted.	Based on the comments you kindly provided to the JPO, we revised the description in II.B.6.
230	The section of the draft Guide devoted to “patent pool licensing” (section 6) is very short. However, it is important to ensure that patent pools are governed and operate in a way that takes account of both the interests of SEP holders and standard implementers. Going forward, some guidance may be needed on how to ensure that such interests are equally represented in patent pools.	Based on the comments you kindly provided to the JPO, we revised the description in II.B.6.

231	<p>Rate setting by patent pools typically occurs with input from many stakeholders, from both the licensor and licensee community. As such, it is more likely that a pool rate will strike a balance between multiple interests and goals that may have no relevance to bilateral negotiations. Furthermore, the costs of monitoring licensee compliance can be substantial. Pool licensing can do this efficiently across a wide range of licensees and patents. The same is not true for bilateral licensing costs. Many other factors counsel that FRAND rates for bilateral licenses likely are substantially higher (even on a per patent basis) than pool rates. We suggest the Guide recognize this difference.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.6.</p>
232	<p>We consider patent pools may hinder an efficient, functional patent licensing market. We also consider patent pool rates a poor choice for defining FRAND rate because ballooning of numbers and generally poor quality of pool assets. There is need for a more objective assessment of Standard Essential Patents.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.a.(c).</p>
233	<p>At page 26 of the Guide it is stated that the licensing terms for pooled patents may be looked at “for comparison when negotiating on other licenses.” It is important to note that pool license rates tend to be lower than bilateral license rates. Indeed patent holders sometimes prefer to stay outside pools specifically because they consider their portfolio would not be valued fairly at pool rates. This needs to be taken into consideration when one uses pools for comparison. Generally, pool rates should not be regarded as comparable unless there are very specific reasons supporting such a conclusion in a specific case.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.a.(c).</p>
<p>7. Greater Transparency of SEPs</p>		
234	<p>We agree that enhancing transparency of essentiality and validity of SEPs leads to more efficient licensing negotiations. We also note that many SDO IPR policies require SDO participants to disclose patents or patent applications that are, or may be, essential to a standard under development. Reasonable disclosure policies can help SDO participants evaluate whether technologies being considered for standardization are covered by patents. Disclosure policies should not, however, require participants to search their patent portfolios.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in II.B.7.</p>

235	SSO transparency measures involving the timing and details of patent declarations (disclosures) must consider cost and other burdens and risk to potential SEP holders. In considering more detailed and repetitive disclosure, disincentives for innovators to participate in the standards effort should be considered against the likelihood that the information will be used to benefit the implementer.	Based on the comments you kindly provided to the JPO, we revised the description in II.B.7.
236	It is in the interests of rights holders to provide implementers with all the information necessary to conclude licenses efficiently. Typically this information is provided under NDA. It is difficult to conclude that making information already available under NDA, also available in SSO databases will improve the efficiency of SEP licensing negotiations.	Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.
237	What comes to quantitative information the current JPO draft does not adequately address two questions we believe are important for quantitative valuation: choice between count of families versus count of individual patents, and patent count between parties versus patent count of involved technologies as whole. Both questions may have significant effect on the outcome of FRAND valuation.	Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.
238	JPO draft addresses common ways to address this problem. All of them address only the difference of qualitative measures between negotiating parties but fail to address the qualitative measured of negotiating parties compared to market as whole. The problem of qualitative patent information is different from that of quantitative information. For the latter answer is binary while for the former answer falls somewhere on non-even distribution between the extremes, with the majority of the patents falling somewhere on the grey area between them. We believe qualitative analysis addressing the market as whole instead of just between parties is vital for proper FRAND rate determination.	Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.
239	We believe large scale objective essentiality information is important for proper FRAND rate determination for the same reasons as qualitative patent information and that AI-driven technologies allow for a drastic reduction of estimated costs.	Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.

240	<p>JPO Draft correctly addresses the problem of finding a proper yardstick for FRAND rate determination. We believe applying large-scale computerized analysis enables transparency for FRAND rate determination in the license market, benefitting licensors and licensees alike.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
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No.	Comments	Responses to Comments
<b>III. Royalty Calculation Methods</b>		
241	<p>In this section, there is a reference to a royalty calculation and we believe it may be over simplified for purposes of full understanding. We would like to suggest a clarification/addition to this statement.</p> <p>There are many ways to calculate a royalty. While a calculation that uses a percentage royalty rate multiplied by a monetary royalty base has been commonly used for patent royalties in various fields, it is in fact one of many possibilities.</p> <p>For example, parties to a contract may decide not to use a calculation at all, but rather assign a royalty amount that is an estimation of the monetary value that the patented technology in question brings to the product, as agreed by market participants. This principle has in fact been used and is used today in various fields.</p> <p>We believe that by overly emphasizing the use of the percentage royalty rate multiplied by a royalty base factorization as “the” (only) way to calculate or estimate a royalty could be misleading. Using this approach can also often draw attention away from what the value the patented technology brings to the product in question, and instead can focus the licensing discussion on collateral questions and make it more difficult for the parties to reach an agreement.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III. and III.A.1.</p>
<b>A. Reasonable Royalties</b>		
<b>1. Basic Approach</b>		
242	<p>SEP royalties should only reflect the ex ante value.</p> <p>The ex ante value conferred by the patent itself is generally viewed as the amount the SEP holder could have received from licensing before the adoption of a standard and conferral of unearned market power—when the patent still faced competition from alternative technologies.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

243	<p>First of all, it is impossible an a purely theoretical exercise to abstract from reality and try to determine the value of a technology as if it were never incorporated in a standard, and compare it to “the best alternative available at the time”.</p> <p>Secondly, it is a misconception that a technology gains value because it is incorporated in a standard. The opposite is often true. Competition to include technologies in a standard is fierce, and happens ex ante, before the standard is finalized. Therefore, a standard generally “crown” the best technology and not vice versa.</p> <p>Therefore, the “profit of standardization” should also acknowledge the investment made to create that technology, and its adoption into a standard recognize the value added by such technology in solving a real engineering problem.</p> <p>We recommend deleting the paragraph “there is a view that the “ex ante” approach is not practical . . . successfully becoming the standard”.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
244	<p>Cites to the economics literature covering the inaccuracy of premises underlying the ex ante approach to calculating royalties would be a useful.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
245	<p>We suggest that the JPO ensure clarity in its guidance that a reasonable rate for a valid, infringed, and enforceable FRAND-encumbered SEP should be based on a variety of holistic factors, including the value of the actual patented invention, apart from its inclusion in the standard.</p>	<p>We would like to maintain the description because the point of your comment is already stated in III.A.</p>

246	<p>We caution against too great a focus on royalty rates as presented, because FRAND agreements may not be limited to only monetary royalty rates, but may also include substantial non-monetary terms and conditions. A FRAND agreement permits the parties to agree to reasonable terms, which can include non-royalty compensation, such as reciprocal licensing, defensive suspension provisions or any other consideration that the particular parties to a FRAND agreement agree to exchange. A determination of what constitutes a FRAND rate depends not only on all of the other terms and conditions that the relevant parties must negotiate as part of a license or cross-license involving SEPs, but also on whether SEPs alone are to be licensed, or whether they are to be licensed by the SEP owner along with its other patents or IPRs. Indeed, we are unaware of a formula or other detailed framework that can value an SEP outside of the specific transaction at issue. License agreements may, and often do, provide other consideration than payment of royalties. The consideration that a patent holder and implementer would find appropriate in negotiating a FRAND-based license may vary and often is not limited to monetary consideration.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.</p>
247	<p>We are unaware of a formula or other detailed framework that can value an SEP outside of the specific transaction at issue. Rather, license terms often vary for different licensees because negotiations lead to agreements addressing far broader cross licenses, portfolio licenses and other business relations between specific parties. FRAND obligations are a representation of a patentee's willingness to license its technology to willing counterparties, and do not, standing alone, contain any other express substantive limitations on royalties associated with the licensing of SEPs, provided that the ultimate terms are "reasonable." Because a FRAND commitment does not define "reasonable" terms for licensing SEPs, existing and developing patent law for calculating a "reasonable royalty" provides guidance, at least with respect to pure monetary licensing terms. Contract language that reference terms of art used in patent law, like the words of FRAND commitments, indicate that the parties intended for patent law to apply in interpreting the agreement.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.</p>

248	<p>We support SSOs' traditional approach of not establishing specific licensing terms, including monetary terms, which should be left to the negotiations of the parties. Fundamentally, all licensing terms have value, whether monetary or non-monetary terms, so negotiating parties cannot consider monetary terms in isolation. Patent holders may want to seek royalties, but they also may want the ability to expand design freedom through reciprocal licensing requirements and defensive suspension provisions. Thus, an SSO participant could agree to license patents essential to implement a standard in return for a reciprocal licensing commitment from the implementer of the standard.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.</p>
249	<p>The footnote 50 does not really represent well the body of the text; the body of the text refers to the fact that there are various approaches to the calculation of a royalty rate and that these approaches are further shown below. However, the corresponding footnote 50 only refers to the modified Georgia Pacific factors that have only been applied once in the SEP valuation context and has been criticized by many authors. We would therefore recommend deleting this footnote as it creates more confusion and is not aligned with the body of the text that follows.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.A.1.</p>
250	<p>While using the net selling price of the final end-user product and applying a royalty rate is one way to calculate reasonable royalties, there are other possible methods as well. For example, market research data may be used to analyse and calculate the value of a patented feature, e.g. by studying what consumers are willing to pay for that feature.</p> <p>Using market research data in statistical research like this, one can apportion value to rights holders to determine a reasonable royalty. In a similar manner the price difference between similar products, with and without a patented feature, can be used to calculate an appropriate royalty. Flat rates are another way of determining royalties without using a royalty base at all.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

251	<p>Whether the royalty base is the price of the SSPPU or the EMV of an end-product, the royalty base is not the key determination. The relevant question is not about the royalty base or applicable percentage, but rather, the value of the patented technology to the device in which it is employed and ensuring that the royalty fairly represents the value of the patented technology. The CAFC's cases are focused on ensuring that a royalty captures the value of the patented technology to the product. That should be the focus of the JPO's final guidelines as well: the actual result rather than the structure.</p>	<p>We would like to maintain the description because the point of your comment is already stated in III.A.1. and III.A.2.</p>
252	<p>While it is true that a FRAND rate should not capture the hold-up value of the patent being incorporated into the standard, a FRAND rate certainly may consider the value of the standard to the licensed product and the value of a rights holder's contribution to the standard. Concerns about patent hold-up should not be used to preclude rights holders from earning a fair and reasonable return on their investments, including the value of the technology that has become standardized.</p>	<p>We would like to maintain the description because the point of your comment is already stated in III.A.1.</p>
<p>2. Royalty Base (Calculation Base)</p>		
253	<p>The Guide on page 29 cites U.S. cases that use alternatively the so-called EMV or SSPPU approaches to royalty calculations. While such methodologies may be informative when determining how parties in licensing negotiations might calculate royalties for FRAND-encumbered SEPs, we respectfully suggest that the JPO exercise caution in this regard, so as not to suggest that any particular approach is the only way to calculate royalties that are consistent with FRAND principles. A royalty rate and calculation methodology that a rights holder and implementer might reach through negotiations may well be different from those that a judge might order in an after-the-fact damages action, but that does not mean that the former are inconsistent with FRAND principles.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.A.2.</p>
254	<p>It could be helpful to emphasize here how important it is to understand what the SDO patent policy states as well as what the owner of the SEP has stated to the SDO.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

255	<p>More expensive smart phones, with larger screens and faster processors, tend to use connectivity and data more than cheaper mobile phones with smaller screens and slower processors. Thus the price of the mobile or smart phone correlates with the value that the patented technology provides to the end-use.</p> <p>In contrast, the value that connectivity provides to a car does not necessarily correlate with the price of a car. Thus the price of a car would not be an appropriate royalty base.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
256	<p>We fully agree to your point in this section that there are not only two approaches (SSPPU and EMV) that may be used in determining the royalty. A better approach is to avoid theoretical discussions regarding EMV and SSPPU, which are very much litigation issues, and instead focus the licensing discussions on the value of the technology to be licensed. Therefore, we believe that it would be beneficial to further emphasize the different approaches beyond just SSPPU and EMV.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>
257	<p>The text “There is a view that the EMV approach makes the calculation base high leading to a tendency for the resulting royalty also to be high” fails to recognize the latest case law from all over the world, as well as the existing industry practice of working with maximum royalty caps.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
258	<p>The Guide discusses the view that the EMV approach leads to royalties that are too high but does not also discuss the view that the SSPPU approach leads to royalties that are too low. There is substantial economics literature demonstrating this point. The Guide should add this missing view so that it appropriately recognizes facts and points supporting innovators’ interests as well as those advancing implementers’ interests.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.A.2.</p>
259	<p>There is an equally credible view that “a pricing rule that only changes the royalty base without controlling for the royalty rate nevertheless imposes a hidden revenue cap on standardized technologies, and distorts the distribution of revenue in ways adverse to technology developers.”</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

260	We appreciate JPO's supportive discussion of the SSPPU pricing methodology as an approach to determining reasonable royalty base.	
261	<p>The SSPPU is a starting point, and in many cases the SSPPU will need to be further apportioned to arrive at a royalty base that best corresponds to the claimed invention.</p> <p>The benefit of the SSPPU is that it ensures that compensation to a patent holder will be carefully and narrowly tailored to the patent holder's actual invention. This is true regardless of whether the audience is a jury or a judge – use of a base that is closely tied to the actual patents at issue promotes economically rational and disciplined results. Using the entire market value of a multi-component product as the base, in contrast, leaves far more to chance. It may be possible theoretically to get to the same result, but the likelihood is much greater that there will be widely varied and disparate results that lack economic rigor. Using the SSPPU protects against discrimination and promotes equal access to the standardized technology.</p> <p>We believe that a common royalty base used equally and consistently by all licensees and licensors in royalty calculations, and one that reflects no more than the value of the component (i.e., SSPPU) that practices all or substantially all of the patented, standardized technology sought to be licensed, helps to ensure that no implementer is treated discriminatorily.</p>	We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.
262	Recent court decisions, in the US and elsewhere, have basically excluded SSPPU as a framework to calculate royalties in the context of valuing large patent portfolios of essential patents. Moreover, the SSPPU concept was introduced as a safeguard to instruct juries about damages. Therefore, it really has no use in licensing negotiations and beyond jury trials. Therefore, we recommend stating the above facts clearly, and avoiding suggesting that SSPPU can be used in licensing negotiations.	We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.
263	We suggest clarifying that SSPPU was meant to be an evidentiary rule only for jury trials involving patent damages.	

264	<p>The theory of the smallest saleable patent practicing unit (SSPPU) was already very much contested in the US and as far as we know has never been applied in Europe. Even more important, it has recently even been explicitly rejected by a US Federal Circuit Court. Also, the European Commission recognized that the practicability (and traceability) of the SSPPU is questionable in the context of portfolio licensing. We also believe that per-unit royalty rates address many concerns raised in the discussion.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
265	<p>We are concerned that the Draft Guide may be read to suggest a less flexible approach if a patented technology's implementation occurs wholly at the chip level. Such an occurrence does not mean that a fair or reasonable royalty can be calculated based on the chip price. This is because in practice, chips are sold without reflecting the value of the IP in their selling price and basing royalties on the price would unfairly and drastically undervalue the IP contribution to the technology. Thus, regardless of whether the patent is fully or partly implemented in a chip, the market price of the chip is not typically a reliable or reasonable base for a royalty calculation. We respectfully urge the JPO to acknowledge that while rights holders and implementers should be free to decide as a matter of negotiation that the chip price will comprise all or part of the royalty base, no rights holder can or should be required to do so.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.</p>
3. Royalty Rate (Rate)		
266	<p>The Draft Guide defines a "Bottom Up approach" to royalty calculation as one that "refers to an existing comparable license". We would suggest that this definition of Bottom-Up is narrower than the term is generally understood. In my experience, a Bottom-Up approach to royalty calculation is one in which royalties are calculated patentee by patentee, patent by patent, usually in separate proceedings that bear no relation to each other.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.A.3.</p>
267	<p>The Guide should make clear that no hierarchy should exist between these two basic methodologies as each of them has pros and cons.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.A.3.</p>

268	<p>In terms of the assessment as to what terms are FRAND, we submit that while a bottom-up approach may provide useful context, a top-down approach takes into account the concern of royalty-stacking, starting with the maximum aggregate royalty burden and working down to a fair and reasonable rate. This approach is a more efficient way to verify FRAND terms and conditions.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.A.3.</p>
269	<p>Moreover, in our experience, these methods can be helpfully used in combination or any kind of variation. While no method can be determinative by itself, when both methods lead to comparable rates, it suggests that these rates may be FRAND.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.A.3.</p>
270	<p>It would also be worthwhile to indicate in the draft Guide that “Other than these two basic approaches, there are some variations of these approaches and other approaches available to determine the FRAND royalty rate. Which approach(es) is/are used should be considered on a case-by-case and sector by sector basis.”</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.</p>
271	<p>What constitutes FRAND terms, including a FRAND royalty, depends on a myriad of factors. The parties should be free to utilize whatever combination royalty rate and royalty base fits their circumstances, as long as the ultimate reasonable royalty—i.e., combination of royalty rate and royalty base—is based on the value that the patented technology adds to the licensed products.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.</p>
272	<p>FRAND should be sufficiently flexible to permit patentees and implementers to negotiate specific license terms tailored to their unique interest, relationships and business models, and certainly does not establish any cap on the royalties or license fees that may be charged in connection with standards-essential IPR claims. The concept of capping royalties on a product is derived from royalty stacking concerns. Generally, these are speculative, theoretical concerns unsupported by actual evidence. Royalty calculations should be based on evidence, not speculation. Indeed, the proliferation of standards is strong evidence that implementers have not faced significant obstacles in obtaining the required licenses to implement standards.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

273	<p>We are not aware of any evidence that the possibility of royalty stacking has inhibited access to or the adoption of any standard. The fact that a standard may incorporate a large number of patented technologies does not, in and of itself, support the devaluing of those patents to the level most advantageous for implementers. If a patentee has contributed a valuable piece of technology to the standard, the SSO IPR policies explicitly intended to preserve a reward of adequate compensation for that contribution—regardless of the number of other SEPs that may also contribute to the standard.</p> <p>Accordingly, we believe that royalty caps are artificial and arbitrary limitations on SEP holders’ ability to receive adequate compensation for their inventions, which risks harming effective standards development. Moreover, it would undermine the incentives that patent holders generally, and SEP holders specifically, must have to make the risky investments necessary to create new technologies that can then be made available for standardization to the benefit of uses of such technology and consumers.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
a. Bottom-Up Approach		
274	<p>Additional factors should also be considered, such as:</p> <ul style="list-style-type: none"> <li>– the dates of the licenses (recent licenses are more relevant, while a license concluded more than ten years ago regarding 2G or 3G standard might not be suitable);</li> <li>– the significance of the licenses (some licenses relate to very large patent portfolios, whereas others involve a small number of SEPs – the former are more relevant to the latter);</li> <li>– whether the license was recent enough to reflect changes in the legal interpretation of FRAND; and</li> <li>– whether the licensee had sufficiently countervailing bargaining power to negotiate a balanced license.</li> </ul>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.A.3.a.</p>
275	<p>The draft Guide does not contain any exclusions. Although some licenses may arguably be comparable, they should be excluded from the comparison. This is, for instance, the case for licenses emanating from companies that are or have been subject to antitrust investigations. The draft Guide should include a list of exclusions, such as for the licenses described above.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

276	<p>We suggest that when comparable licenses exist, the JPO, like other agencies and tribunals, consider whether those licenses reflect such widespread acceptance of a specific royalty rate that they constitute an established royalty rate. When such comparable licenses support an established royalty rate, we suggest that such a rate may be presumed FRAND, or at least used as the starting point for determining what would qualify as FRAND.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.A.3.a.</p>
(a) Comparable Licenses Held by the Same Patent Holder		
(b) Comparable Licenses Held by Third Parties		
277	<p>This may be quite a difficult exercise as it would require, 1) the identification of comparable licenses; 2) a correct unpacking of the existing comparable licenses (i.e. with the help of the relevant parties to such agreement?); 3) the evaluation of the portfolio strength of the other patent holder (the document suggests to do this via SEP counting with potential adjustment to reflect the value of the specific SEPs).</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.a.(b).</p>
278	<p>The complexity of this exercise may impact the relevance of the outcome. Pure SEP counting may not be a sufficient practice to determine relative portfolio strength of patent holders. First, SEP counting requires proper identification of SEP, i.e. establishing whether a patent is a standard essential patent. The methodology to perform such determination needs to be rigorous and thorough and applied equally for establishing numerator and denominator.</p> <p>Second, methodologies to adjust for patent quality should not just be limited to ‘forward’ citations, but again be rigorous and thorough applied equally to the numerator and denominator.</p> <p>Third, we would suggest that references to contributions made to the standardization effort is, in the 3GPP context, an important element that can adjust the value of the patent portfolio in a meaningful manner. This can be done via contribution counting and reference to the active involvement in the standardization process in the technical working groups of the relevant SDO.</p> <p>We would recommend to reflect some of the above comments in this paragraph to at least recognize the many complexities that this method triggers.</p>	

(c) Patent Pools		
279	It is generally very difficult to draw meaningful and substantial comparisons between patent pools and bilateral negotiations. We recommend inserting a stronger disclaimer.	Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.a.(c).
280	Whether pool rates should be used as a comparator is a controversial question since some patent pools are run exclusively to maximize the interests of SEP holders and tend to behave like patent trolls.	Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.a.(c).
281	<p>The Guide states that “[a]s an objective benchmark for determining a FRAND rate, one may use a method of comparing the rate charged by a patent pool for the same standard.” This position is problematic, as there are a number of patent pools that have low participation with a selection bias.</p> <p>Specifically, a 2011 study found that symmetry made firms more likely to join patent pools, and “among those firms that do join, those with relatively symmetric patent contributions (in terms of value) to a standard appear more likely to accept numeric patent share rules for dividing royalty earnings[,]” even though numeric proportionality itself was found to make firms less likely to join patent pools in the first place. We therefore respectfully submit that the JPO modify its cautionary note, that “licensing terms for the patent pool are not always comparable[,]” by adding this explanation of the selection bias.</p>	Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.a.(c).
282	Because pools often include patents from multiple major competitors, it might be beneficial to note that pool practices and licensing terms must be designed to avoid anti-competition concerns. While regulators recognize the value of pools in advancing standards, reducing costs, and avoiding royalty stacking, and while regulators give latitude to SSOs with regard to competition issues, SEP pools nonetheless act cautiously to avoid potential issues. The pool members royalty may, in addition to other business factors noted in this section, reflect competition concerns.	Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.

b. Top-Down Approach		
283	We believe a top-down approach is a more efficient way of calculating royalties, and therefore would support preferring that approach over a bottom-up approach – even though the bottom-up approach may well serve as a factor of verification.	Based on the comments you kindly provided to the JPO, we revised the description in the beginning of III.A.3.
284	The limitations of the top down methodology should be considered. That approach assumes that all SEPs relevant to the standard may be identified at the time of negotiation, which may not be possible in all circumstances. The final Guide should emphasize that the top down approach may be useful for determining a FRAND rate (not the upper limit of such a rate), but that the methodology is flexible and should account for the actual circumstances existing at the time of the negotiation and the burdens and costs of making a top down determination as well as the likely fact that even with a dedication of substantial resources such a determination will be speculative.	Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.b.
285	The impacts of royalty stacking are particularly harmful to SME innovators that rely on open standards to compete in the market. We urge JPO to retain this discussion in its Guidance.	
286	We believe royalty stacking is a real, not theoretical, concern. As a matter of common sense, FRAND compensation should reflect the value of the patented invention. This value should be based on the patent's merits – separate and apart from (i) any value associated with its inclusion in a standard, (ii) any value derived from inclusion in a multifunction device , and (iii) mindful of the aggregate impact of any individual FRAND royalty on the licensee and other implementers (i.e., royalty stacking).	Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.b.
287	Discussion of royalty stacking should include cites to the multiple studies indicating that there is no evidence of this phenomenon actually occurring.	
288	Several empirical studies have shown that patent holdup and royalty stacking are not systemic problems, at least in the mobile industry.	Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.b.

289	<p>We would like to point out that the term “royalty stacking” is often used with a negative connotation, while it simply recognizes the reality of the value added by a technology and its associated price. Therefore, this paragraph should be corrected to avoid a negative bias, and clarify that what accounts for a pure cost to an implementer, is in reality a fair return to those innovators who have participated to the development of the standard.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.A.3.b.</p>
290	<p>We believe that that aggregate royalty rate as a definition of the upper limit of all royalty rates together has only a limited practicability and should be rejected. If applied at all it should be more understood as a floor which royalties should be paid at least for the use of a certain technology.</p>	<p>We maintain the description from the perspective of balancing the interests of concerned parties. However, based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
4. Other Factors to Consider in Determining Rates		
291	<p>Instead of suggesting that parties focus on the “essential part of the SEP technology,” the Guide should advance an approach that is more neutral as to implementers’ and innovators’ interests. Sometimes a focus on a single, narrow component makes sense, but other times the fairer approach requires including an entire encompassing product.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
292	<p>One SEP may have a different value than another SEP, even to implementers of the same standard. For example, one SEP may include a claim that reflects all of a standard’s core value, while another SEP may reflect only a minor advantage. Alternatively, one SEP may have been deemed by a government authority to be valid and essential prior to the licensing negotiations. If so, that SEP may have greater value in licensing negotiations than another SEP raising more significant or intractable disputes as to validity or essentiality. In sum, the Guide should recognize that a FRAND royalty for one SEP may not be the same as for another SEP in the same technology area.</p>	<p>We would like to maintain the description because the point of your comment is already stated in III.A.4.d.</p>

a. Number of Licensees that Agreed to the Royalty Rate		
293	We agree with the JPO that the number of licensees is an important indicator of an established royalty rate, which may preclude the need for any or prolonged license negotiations. Consequently, we respectfully suggest that, when an appreciable portion of the implementer community has accepted a FRAND rate without government compulsion, the established rate can be presumed to be FRAND.	We believe that you are basically in support of the contents of this Guide.
294	The number of licensees is not always a valid criterion to determine an “established rate” as, for instance, some patent trolls may have been able to conclude many licenses by using injunctions and other strategies to coerce standard implementers to conclude licenses at terms they would not otherwise accept. Some chipset makers may also have been able to conclude many licenses in the past by tying their chipset supply with the license agreement. In such cases, the royalty contained in such licenses may not be reasonable.	Based on the comments you kindly provided to the JPO, we revised the description in III.A.4.a.
b. Scope of License		
295	While exclusivity clearly plays a role in many commercial licensing transactions, SEP licenses, by definition, cannot be exclusive (i.e., a license must be offered to every implementer of the standard). Thus, it is unclear what the reference to exclusivity means in this context.	Based on the comments you kindly provided to the JPO, we revised the description in III.A.4.b.
c. Essentiality/Validity/Infringement of Patent		
296	We support the statement “The number of existing patents . . . consideration in licensing negotiations.” and we suggest it should be put in context: the royalty rate is a blended average that accounts for portfolio strength, geographical coverage, and evolution of said portfolio over time. Right holders typically do not expect royalty rates to increase if new patent applications grant or assets are purchased, and so licensees should not demand variable rates if patents expire. This would be a far cry from economic efficiency, and an accounting headache for both right holders and licensees.	We believe that you are basically in support of the contents of this Guide.

297	<p>About “Patent rights which duration expires and patent rights which are newly registered”:  There are many ways to address such patents if the parties wish to. However, the parties may choose not to engage in a predictive analysis and not forecast patent issuances, invalidations, acquisitions, and the like, and may wish to set forth terms that apply for a specified period of time.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
298	<p>SEP holders may acquire or divest significant number of patents and this may render prior licenses less comparable. In addition, the change of standard specifications and the change of application status of standards also deserve a consideration when determining rates.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.A.4.c.</p>
<p>d. Value of Individual Patents</p>		
299	<p>Getting back to the question whether IP portfolios should be valued per family or per patent, for most of the cases per family approach can be considered fairer of the two extremes.  On the other hand, doing a valuation based on per family only may be unfair to IP holders who filed massive concept patents and have filed many divisional applications out of original text, claiming different inventions disclosed in the description.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>

e. Negotiating History	
300	<p>It is questionable whether the draft Guide should support the view that a discount may be given to “a licensee that concludes a license soon after receiving a license offer or a licensee that requests a license before an offer is made.” While this may accelerate licensing negotiations, this approach may also have some downsides. This may incentivize SEP holders to set very high standard rates and then offer substantial discounts to try to convince standard implementers to take a license quickly without trying to find out if the proposed license is needed or the proposed rate is FRAND. Moreover, this approach may also interfere with the non-discrimination principle that is embedded in the FRAND concept. While it may be argued that a standard implementer that took a license after several months is not similarly situated as one that takes a license after a month, this will introduce highly subjective considerations into the calculation of royalty rates and reduce the level of protection offered by the non-discrimination principle.</p> <p>Based on the comments you kindly provided to the JPO, we revised the description in III.A.4.e.</p>

No.	Comments	Responses to Comments
<b>B. Non-discriminatory Royalties</b>		
<b>1. Concept of Non-Discrimination</b>		
301	<p>Footnote 75:  First, the case is on appeal, and so should not be relied upon at this point. Second, the TCL decision ignores that companies may be similarly situated in view of acts of infringement other than sales, such as where they manufacture, import, offer to sell, or indirectly infringe. Third, the TCL decision contradicts the Unwired Planet decision on its treatment of FRAND and on who it considers similarly situated. In view of these factors, the TCL decision should be treated with appropriate care at this point in time.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
302	<p>Properly defined, the non-discrimination FRAND obligation does not implicate every term or aspect of a license. Under appropriate circumstances, parties should be able to enter into licenses with more advantageous terms without damaging FRAND principles, and negotiations over such issues should neither be prohibited nor required in every case. We respectfully suggest that an SEP licensor need not supply information about all “terms and conditions” in comparable licenses to an implementer, rather than those terms and conditions relevant to the concerns protected by FRAND. Such a requirement will not facilitate dispute resolution or reduce the costs or complexity of negotiations.</p>	<p>We would like to maintain the description because the point of your comment is already stated in II.A.</p>
<b>2. Royalties for Different Uses</b>		
303	<p>We fully agree that, in the IoT space, different use cases may have different royalties.</p>	
304	<p>The Guide notes on pages 37–38 that setting different royalty rates for different uses of the relevant technology may be appropriate and nondiscriminatory, and thus fully consistent with FRAND principles. We support the JPO’s view in this regard.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>

305	<p>This section fully recognizes the need, for the industry to thrive, to value technologies based on the contribution to specific use cases and fundamental economic principles based on elasticity of demand.</p> <p>By pricing a license equally across verticals, one would fail to: (1) recognize the value added by the technology to a specific vertical; (2) acknowledge the different requirements and uses that different verticals will face; and (3) possibly price such license too high for certain verticals (and hence hinder adoption) or too low for other verticals (and hence discouraging innovation in such verticals).</p> <p>We fully support a flexible, market-driven approach as indicated in this section.</p>	
306	<p>We refer again to footnote 56 of the Guide which makes it clear that royalties must be based upon the value provided to the end-product and this value can vary depending on the use of the technology. This is not FRAND discrimination. Different uses of the technology by implementers clearly establishes that such implementers are not similarly situated. As such, different rates for different uses are not contrary to FRAND.</p> <p>The calculation of royalty rates using a royalty base and a royalty rate is common practice. And since different products have different prices, their royalty rates are different. Indeed, different royalty rates for different uses has strong historical precedence.</p>	We believe that you are basically in support of the contents of this Guide.
307	<p>The Guide contemplates the merits of setting different royalty rates for different uses of a standard technology. As important new standards such as 5G are deployed, new licensing models such as use-based royalties will naturally evolve. We endorse this evolution generally, and the concept of use-based royalties specifically, as a constructive response to the needs of the market.</p>	

308	<p>We agree with the JPO that different uses or applications of standards-essential technologies may be licensed at different rates that are nonetheless FRAND. We are not aware of any legal authority supporting the position, apparently articulated by some implementers, that the same royalty rates and amounts should apply regardless of the application for which the patented technology is employed. We respectfully urge the JPO to adopt a flexible approach that takes into account the underlying purpose of FRAND obligations – namely, ensuring an even playing field for market competitors, not stifling innovation by requiring all implementers to pay the same royalty rate regardless of whether they are similarly-situated to each other.</p>	<p>We believe that you are basically in support of the contents of this Guide.</p>
309	<p>We strongly urge the JPO to avoid any endorsement of pricing schemes that would allow SEP royalty valuations to be based on (1) unconnected SEPs and other innovations brought into the standard development process by unrelated parties, and (2) the ingenuity of downstream innovators that depend on open standards to compete in the market. We are also concerned that proponents of use-based licensing approaches plan to use any positive reference to use-based licensing in the text of this Guidance to legitimize this approach as a market baseline.</p> <p>It is more important than ever that the JPO ensure that its Guidance clearly and unambiguously rejects use-based licensing practices and furthers a balanced and fair SEP licensing ecosystem. We therefore request that the JPO remove the subsection titled Royalties for Different Uses.</p>	
310	<p>Use-based licensing is problematic for a variety of reasons, in particular as it aims to tax the value that is created by downstream inventors. SEP holders should be compensated for value their innovations bring to the standard – not based on the innovation that is developed by downstream innovators. Use-based licensing also will allow SEP holders to refuse to license higher up the value chain, as chip or module manufacturers – especially in the area of IoT – may not be able to identify the specific end-use of their components.</p> <p>Furthermore, different versions of standards are being created in the area of IoT in order to allow for differentiation based on an implementer’s higher or lower connectivity requirements. There is no need for to endorse ‘use-based licensing’ as a universal approach to remedy the concern that implementers that have lower connectivity requirements would need to pay the same amount of royalties as those with higher connectivity requirements.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.B.2.</p>

311	<p>We strongly disagree with the Guide’s support of use-based licensing. When the Guide indicates that “royalties are determined in accordance with the extent of contribution of the patent”, it should be clarified that this principle should be interpreted to refer to the extent to which the patent contributes to the relevant standard. Patents have a specific scope, and many patents do not claim the invention for a specific use. Therefore, allowing rights holders to claim higher value for patents for one use compared to another, artificially extends the scope of the patent rights. Furthermore, it also allows SEP holders to tax ‘downstream’ innovation, and claim value that is being created by innovations that have been developed by the standards implementer. Use-based licensing also will allow SEP holders to refuse to license higher up the value chain, as chip or module manufacturers – especially in the area of IoT – may not be able to identify the specific end-use of their components.</p> <p>We suggest deleting the section entitled ‘Royalties for Different Uses’.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.B.2.</p>
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No.	Comments	Responses to Comments
<b>C. Other</b>		
<b>1. Fixed Rate and Fixed Amount</b>		
312	<p>We respectfully suggest that fixed and flat royalty rates should be given more emphasis in the final guidelines and considered within the range of acceptable or basic SEP licensing approaches. By limiting the discussion of basic approaches to the royalty base-times-rate formula, the Draft Guide does not adequately describe standard industry practices. In many circumstances (but not all), a flat rate is far more fair and reasonable than a royalty that may reflect a higher or lower sale price that is not necessarily dependent on, or proportional to, the different value of the licensed technology in differently priced devices. Flat per unit rates also have the benefit of levelling the playing field so that similarly-situated licensees pay similar royalties that are not dependent on product pricing. The final guidelines should provide further recognition of the widespread acceptance and significant benefits of flat royalty rates and the transactional efficiencies that arise from basing royalties on a count of product sales rather than prices set in the market by licensees.</p>	<p>Based on the comments you kindly provided to the JPO, we would like to continue discussions to further review the Guide, so that we can make the Guide even more useful.</p>
<b>2. Lump-Sum Payment and Running Royalty Payments</b>		
313	<p>We caution the JPO to take the approach that licensing on FRAND terms should “ensure the appropriate recovery of investment in research and development related to SEPs”. While SEP holders much be reasonably compensated for the inventions they bring to the standard, any such compensation should not encourage un-efficient innovation. Some projects are highly successful, others may be less – but that is a risk inherent to doing business. SEP holders are no different in this regard – there should be no concept of a ‘guaranteed’ recovery of R&amp;D investment. Instead, SEP holders should be compensated based on the value of the inventions that they bring to the standardized technology, and when done successfully, the fact that the technology is included in a standard will allow the SEP holder, if it wishes to do so, to seek to obtain FRAND compensation from a wide variety of implementers.</p>	<p>Based on the comments you kindly provided to the JPO, we revised the description in III.C.2.</p>