Research Report on Enforcement of Standard-essential Patent in Major Countries

I. Purpose of This Research

For a patent complying with a certain standard, it is comparatively easy for the patentee to make the case for infringement based on the ground that an allegedly infringing product uses a standard-essential patent. Consequently, a standard-essential patent can be easily exploited by a person or entity seeking profits by acquiring and patents from others and make money by enforcement of patents, without working the patented inventions by themselves.

In order to address issues involving standard-essential patents, various studies have been made in relation to appropriate manners for enforcing them, including restriction of injunction claim by a patentee; however, so far, there has been no research conducted from a comprehensive viewpoint.

Accordingly, in the wake of more and more globalized activities of Japanese companies, it is necessary to make a comprehensive research on foreign legal frameworks relating to the enforcement of standard-essential patents and developments in discussions in the international sphere.

In addition, considering the situation that an early out-of-court dispute settlement is expected as a favorable option to respond to increasing disputes, it would also be useful to conduct a comparative study on alternative dispute resolution (ADR) system such as mediation, reconciliation and arbitration of Japan and foreign countries.

II. Contents of This Research

1. Standardization organization and patent policy

Standards means technical specifications to ensure interchangeability and to provide convenience to users in various technical and industrial fields. Standards are broadly divided into two categories depending on their formation method, i.e. "de facto standard" and "de jure standard." De facto standard is a standard which has virtually become a standard by a private entity setting a certain standard for itself and then other entities following such standard. De jure standard is a standard recognized by an official body such as a state or international government, according to certain prescribed procedures. In some cases, a de facto standard can be subsequently recognized as a de jure standard.

Standardization entities and organizations include industrial bodies and official agencies of various countries, a geographically defined organization such as Europe and other international

bodies. Such entities also include international organizations not limited to a national boundary, such as forum and consortium constituted by industry stakeholders.

One or more individuals and companies submitting proposed standards to a standard body will generally make patent applications for the relevant technology before the submission. Some standardization organizations provide a policy whereby the participants are required, as a condition precedent to incorporating the proposed technology into the standard, to declare that they will license technologies covered by such patent application or patent, or prior-filed patent application or patent. If they do not make such declaration, such proposed technology would not be incorporated into the standards.

Apart from this, standardization organizations are making efforts to avoid proposed standards which potentially involve the risk of infringement of a third party's patent. As such, in the standardization process, these organizations require their participant entities and third party patentees to submit a declaration to express their policies for handling their potentially-infringing patents.

Such rules of standardization organizations are called "IPR policy."

An essential patent which is unavoidable for working a standardized technology is called a standard-essential patent. A standard-essential patent is divided into two categories, i.e. a technically-essential patent which is incapable of being technically avoided, and a commercially-essential patent for which a technically replaceable patent exists but such patent cannot provide an alternative in a commercial sense. In general, a standard-essential patent is voluntarily declared by its patentee. However, if a patent pool scheme is to be used, whereby two or more patentees create a pool of standard-essential patents and licenses them to licensees in an aggregated way, some organizations provide for a system to have a fair and impartial third party evaluate whether the patent declared by the patentee is an essential patent. Such practice has been in place because if a non-essential patent is included in the patent pool, aggregated licensing of such pool may involve problems under a competition point of view.

2. Issues relating to standard-essential patents

There are many reported issues relating to standard-essential patents. The author categorizes such issues according to the following aspects: (1) standardization process, (2) patent distribution process, (3) IPR policies of standardization organizations, and (4) issues with royalties. The author further reorganized these issues according to developments in respective countries and regions.

The points in dispute and discussion of respective countries and regions covered by this

Research are summarized broadly as follows. The mark "○" in the following table denotes an item identified as an issue in this Research, and "-" an item not identified as an issue. However, it should be noted that due to a broad scope of research topics, comprehensive research is impossible, and further that some issues are latent rather than apparent.

【Table 2】Developments in respective countries

	JPN	USA	EU	GBR	DEU	FRA	NLD	KOR	CHN	HKG	IND	SGP
Standardization process	―	○	○	―	―	―	―	―	―	―	○	―
Patent distribution process	○	○	○	○	○	○	○	○	―	○	○	―
IPR policy	○	○	○	○	―	○	―	―	○	―	―	―
Royalty	○	○	○	○	―	―	―	―	―	―	―	―

3. System to promote use of patented inventions and its operation

A patent law grants to a specific right holder a right to exclusively exploit its patented invention, entitling such holder to prohibit others from using such patented invention. On the other hand, standards are created with a view to disseminating specific technologies so as to make people's lives more convenient. Thus, for an invention covered by a standardization patent, due consideration should be given to ensuring that working of such invention is not insufficient to satisfy social needs due to unsuccessful license negotiation between the patentee and a third party and lack of sufficient capability of the patentee to work the invention.

In principle, licensing of patented invention is left to the negotiation between private entities; however, it may be sometimes necessary to provide incentive for an exclusive right holder to license its patent to a third party. All countries and regions have different systems and practices to promote licensing, including awarding compulsory license, government use, restriction of injunction claim, restriction of abuse of right, restriction by anti-competition laws, and license of right (LOR).

The following is the status of different countries, including Japan, covered by this Research.

【Table 3】Status of different countries[1]

[1] "○" denotes a system provided by a statutory provision, and "―" not provided by a statutory provision. "―" also represents the case where the system has been in place in accordance with the court precedents, without specific statutory provisions.
For China, "Others" means that a right holder is restricted from exercising its claim for injunction according to a national standards management provisions (to be temporarily in effect) and interpretations and precedents of the Supreme People's Court relating to patents.

	JPN	USA	EU	GBR	DEU	FRA	NLD	KOR	CHN	HKG	IND	SGP
Compulsory license	○	○	―	○	○	○	○	○	○	○	○	○
Government use	―	○	―	○	○	○	○	○	―	○	○	○
Restriction of injunction claim※	―	○	―	―	―	―	―	―	―	―	◯	◯
Restriction of abuse of right	○	○	―	―	―	―	○	○	―	―	○	―
Restriction by anti-competition laws	○	○	○	―	○	―	○	○	○	○	○	―
License of Right	―	―	―	○	○	―	―	―	―	―	―	○
Others	―	―	―	―	―	―	―	―	○	―	―	―

※Limited to countries providing for restriction of injunction claim under its patent laws

4. Systems relating to ADR procedures (arbitration, reconciliation, mediation, etc.)

Alternative Dispute Resolution (ADR) is often translated "裁判外紛争解決手段" in Japanese.

Under the parenthesized provision of Article 1 of the Act on Promotion of Use of Alternative Dispute Resolution ("ADR Act"), ADR is defined as procedures for resolution of a civil dispute between parties who seek, with the involvement of a fair third party, a resolution without using litigation. The term ADR generally complies with this definition.

Important ADR procedures can be categorized according to their respective structures as follows: (i) "agreement type" procedures to seek parties' consensus on dispute settlement, and (ii) "awarding type" procedures whereby parties agree in advance that they will comply with the examination and judgment of a third party. Agreement-type procedures include mediation and reconciliation, and awarding-type procedures include awarding and arbitration. This research covers mediation, reconciliation, arbitration and awarding as types of ADR.

The following is the summary of major laws and regulations covered by this Research relating to ADR of different countries including Japan.

【Table 4】Major laws and regulations on ADR of different countries

Country	Laws and regulations
Japan	・Act on Promotion of Use of Alternative Dispute Resolution ・Arbitration Act

U.S.	・U.S. arbitration acts ・Administrative Dispute Resolution Act ・Alternative Dispute Resolution Act ・Negotiated Rulemaking Act ・Federal Arbitration Act ・State laws ・Court rules
UK	・Arbitration Act ・Guide and other rules of the High Court of Justice, Chancery Division
Germany	・Code of Civil Procedure, Section 10 ・Mediation Act
France	・Civil Code ・Intellectual Property Code
Netherlands	・Civil Code ・Code of Civil Procedure
South Korea	・Civil Mediation Act ・Arbitration Act ・Arbitration Rules of Korean Commercial Arbitration Board
China	・People's Mediation Law ・Organic Law of the People's Courts of the People's Republic of China ・Civil Procedure Law ・Arbitration Law
Hong Kong	・Mediation Code ・Arbitration Rules
India	・Arbitration and Conciliation Act ・Arbitration and Conciliation Ordinance
Singapore	・Community Mediation Centres Act ・Arbitration Act ・International Arbitration Act

5. Findings from domestic survey

A survey was conducted for 398 entities including 332 companies (large companies and SMEs), 24 universities/TLOs, 8 non-practicing entities (NPE)/patent assertion entities (PAE), and 34 law offices/patent attorney offices, based on information obtained from research of domestic and foreign public information. Respondents were selected among entities of different sizes and businesses, so as to obtain various information and opinions. Responses were received from 168 entities (response rate: 42.2%).

The survey was conducted for the following questions:

【Table 5】Survey questions (summary)

Parts	Contents	
I. Introduction (Q1 through Q5)	Q1	Whether the respondent owns a patent
	Q2 through Q4	Experience of enforcement (as a patentee or allegedly infringing party)
	Q5	Abuse of rights
II. Method of patent dispute settlement (Q6 through Q19)	Q6	Experience of hesitating to institute a litigation
	Q7 through Q10	Experience of licensing negotiation
	Q11	Experience of using private ADR system
	Q12 through Q19	Experience of using ADR system provided by administrative agencies
III. Enforcement based on standard-essential patents (Q20 through Q31)	Q20 through Q26	Experience of enforcement based on standard-essential patents
	Q27 through Q31	Policies on royalty for standard-essential patents
Others	Q32	Concerns and request relating to patent disputes

"I. Introduction" surveyed experience of respondents in patent enforcement, both as a patentee or alleged infringing party, revealing that, compared to large companies, fewer SMEs have experience in patent enforcement procedures on the alleged infringer' side.

"II. Patent dispute resolution method" surveyed the respondents' experience in litigation, negotiation and ADR and the reason for their choice of countermeasures. As a result, it was revealed that the respondents hesitated to institute a litigation due to various reasons such as difficulty in gathering evidence, costs and personnel burden. Further, a comparatively large number of SMEs raised lack of knowledge on litigation as a reason for hesitating to institute a litigation. In addition, the survey revealed that ADR systems provided by private entities and administrative agencies have not been actively used.

"III. Enforcement based on standard-essential patents" questioned circumstances specific to standard-essential patents. As a result, the circumstances specific to standard-essential patents

were revealed, including the precondition that the use of standard specifications necessarily involves the use of standard-essential patents and the relationship between a FRAND declaration and royalty rate, as well as an issue of being an "outsider" of patent pool.

6. Domestic hearing survey results

We conducted a hearing survey of 30 entities selected among the respondents of the domestic survey and standardization organizations (i.e. the Japanese Industrial Standards Committee (JISC), the Association of Radio Industries and Businesses (ARIB) and The Telecommunication Technology Committee (TTC)), including 20 companies (17 large companies and three SMEs), one university/TLO, one NPE/PAE, four law offices, one patent attorney office, and the three standardization organizations.

The survey was conducted for the following questions:

【Table 6】Survey questions for companies (summary)

Parts	Contents	
I. Patent dispute resolution (Q1 through Q8)	Q1	Experience of patent litigation
	Q2	Experience of license negotiation
	Q3 and Q4	Experience of use of ADR system provided by private businesses
	Q5 through Q7	Experience of use of ADR system provided by administrative agencies
	Q8	Needs for ADR system provided by administrative agencies
II. Standard-essential patents (Q9 through Q15)	Q9	Standardization strategies
	Q10 through Q13	Experience of enforcement based on standard-essential patents
	Q14	Policies on royalty of standard-essential patents
	Q15	Needs for ADR provided by administrative agencies
III. NPEs (Q16 through Q18)	Q16 through Q17	Experience of enforcement by NPE
	Q18	Policies for response to NPEs

At the hearing, we consulted with the respondents to seek more specific situations and opinions on the responses to the survey, as well as challenges and requests. As a result, the hearing revealed certain needs of ADR system (including awarding) for disputes relating to standard-essential patents. On the other hand, it was also revealed that the ADR system has pros and cons that cause some users to hesitate to use the system, and that users have a variety of demands.

We conducted a hearing of standardization organizations regarding the following questions.

【Table 7】Questions to standardization organizations (summary)

Parts	Contents	
I. Trends in standardization (Q1 through Q6)	Q1 through Q3	Cooperation with international standardization organizations and academic societies
	Q4 and Q5	Change in field of technology
	Q6	Countries actively engaged in standard-setting activities
II. IPR policies (Q7 through Q16)	Q7	Development/revision process
	Q8	Dissemination activities
	Q9	Submission of patent declarations
	Q10 and Q11	Patents during and after the process of standardization
	Q12	Verifying whether a patent covers standard specifications
	Q13	Non-disclosure of patent and its impact
	Q14	Governing laws
	Q15	FRAND declaration
	Q16	Opinions and requests from members and third parties
III. Disputes relating to standards (Q17 through Q19)	Q17	Involvement in conflicting rights
	Q18	Issues of dispute
	Q19	Noteworthy cases

The hearing revealed basic circumstances and activities of respective entities, as well as their statuses relating to patent declaration and their involvement in conflict of rights relating to standards.