

# Research Study on the Way of System for Early Disputes Resolution over Standard Essential Patents (Summary)

## I. Purpose of the Research Study

The spread of IoT (Internet of Things) in recent years has caused significant changes in license negotiation of standard essential patents. On the other hand, activities by the so-called patent trolls have been recognized as social problems in the United States, and such concerns have been voiced that these possibly have spread also in the Europe and Asia.

The research study is aimed to (1) examine the actual situation of patent trolls and possibility of institutional measures, and (2) organize basic way of thinking of how to proceed with appropriate license negotiation over standard essential patents and calculation methods of reasonable royalties so as to formulate guidelines on licensing negotiations for standard essential patents.

## II. Contents of the Research Study

In the research study, literature surveys such as relevant literature, previous reports on research studies, judicial precedents or the like, domestic interviews survey and consideration in an ad hoc committee were conducted.

The committee was comprised of 11 members in total, namely 3 academic experts, 5 industry experts, 2 attorneys at law, and 1 patent attorney, and five committee meetings were held.

### <Agenda>

1st meeting: examination and consideration of issues on patent trolls

2nd meeting: examination and discussion I of the issues on way of thinking of appropriate license negotiation and reasonable royalty over standard essential patents

3rd meeting: examination and discussion II of the above issues

4th meeting: opinions on the draft guidelines on license negotiation over standard essential patents

5th meeting: consideration of the draft report

## III. Summary

1. The actual state of patent trolls and situation of handlings under present institutions

Regarding patent trolls, the actual state, the prediction of future activities and the possibility of institutional handlings were compiled as follows.

(1) Actual state of patent trolls

<Japan>

In the committee, such recognition was shared that the patent trolls are currently not active in any industry in Japan.

<the United States>

Patent trolls were active since the late 1990's in the United States, but in recent years it has been reported that number of warnings or litigations by patent trolls is decreasing. Also in the committee, it was pointed out by several committee members that the number of cases related to patent trolls in the United States decreased significantly in 2016 than the previous year.

<Other countries>

In Europe, the number of litigations by NPEs (Non Practicing Entities) is increasing, and it is said that the ration of the litigations by NPEs is high particularly in Germany. In China and India, while litigations by NPEs have been confirmed, no positive activity thereof have been observed.

(2) Prediction of future activities of patent trolls

<Japan>

Currently, specific threats such as the activities of patent trolls have intensified in Japan have not been confirmed. Meanwhile, concerns about future risks of patent trolls is expressed, particularly in such industries that have little involvement with the telecommunications industry so far. However, at the moment, there is no sign that the activity of patent trolls will intensify in the future more than those in the United States, Germany and China.

<the United States>

Due to the influence of the recent institutional reforms and court precedents, number of litigations by patent trolls is on a downward trend in the United States. However,

since it has been also pointed out that the value of patents in the United States became too low, and there will be possible swing-back, it is necessary to keep eyes on the situation surrounding the patent trolls in the United States also in the future.

<Other countries>

Within Europe, there is the increasing possibility of disputes by patent trolls, especially in Germany. In China, although the activities of patent trolls are currently not be confirmed explicitly, its large market size is considered attractive for patent trolls, the activity may become intensified in the future.

### (3) The institutional measures to patent trolls in Japan

Under the existing institutions, there is a possibility to apply restriction under antimonopoly law or the doctrine of abuse of rights under civil law to injunction based on patent law. However, no case has been confirmed that these were actually applied to patent trolls in Japan.

As the conclusion of the committee, such opinions were dominated that it is unlikely also in the future for the patent trolls to become a problem in Japan where the patent system is functioning in a well-balanced manner, and patent trolls can be sufficiently dealt with under the current institutions.

## 2. Consideration on guidelines for licensing negotiations involving standard essential patents

### (1) Opinions for preparing the draft guidelines

The 2nd and 3rd meetings of the committee conducted "examination and discussion on issues on appropriate licensing negotiations involving standard essential patents and way of thinking of reasonable royalty", and the outcomes were organized as "Opinions for preparing the draft guidelines (see Table 1).

Table 1: The outcomes of opinions for preparing the draft guidelines (shown items only)

(1) "the purpose of the guidelines"
(2) "licensing negotiation methods"
(i) "good faith"
(ii) "efficiency"

- (3) "royalty calculation methods"
  - (i) "reasonable royalties"
- (4) European communication

(2) Opinions on the draft guidelines

At the 4th meeting, the draft guidelines proposed by the Japan Patent Office was distributed and discussed as entitled "the opinions on the draft guidelines on licensing negotiations involving standard essential patents", so that the outcomes were organized as "opinions on the draft guidelines" (see Table 2).

Table 2 Outcomes of consideration of opinions on the draft guidelines (shown items only)

- (1) "purpose of the guidelines"
  - (i) "issues and background surrounding standard essential patents"
  - (ii) "nature of the guidelines"
- (2) "licensing negotiation methods"
  - (i) "good faith"
  - (ii) "efficiency"
- (3) "royalty calculation methods"
  - (i) "reasonable royalties"
  - (ii) "non-discriminatory royalties"
  - (iii) "others"
- (4) guidelines general
  - (i) the overall impression of the guidelines
  - (ii) the title of the guidelines
  - (iii) the table of contents/index