

JFTC amends IP Guidelines to deal with FRAND issues

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On January 21, 2016, Japan Fair Trade Commission (JFTC) announced partial amendments of the Guidelines for the use of Intellectual Property under the Antimonopoly Act. The amendment, adding new provisions to the present IP Guidelines, is supposed to clarify the policies and principles of JFTC to deal with the issue of FRAND-declaration for standard-essential patents.

The Antimonopoly Act (AMA) statutorily exempts the enforcement of intellectual property rights from its application (Article 21). The amendment, however, makes it clear that AMA would cause a violation of the AMA if the owner of a standard-essential patent withdraws its declaration of a FRAND license to refuse the license or seeks an injunction order from the court against a potential licensee who desires a FRAND license. The effect of the amendment extends to the assignee(s) of the SEP if a FRAND license has once been declared for it. The amendment also clarifies that a determination of whether a potential licensee is willing to license can be made on a case-by-case basis in light of attitude and attentiveness toward negotiations with the SEP owner.

For reference to readers, the amendment in full text is cited at the end of this article. The rest of the IP Guidelines remains unchanged and is still effective. Those who are interested are suggested to visit the JFTC website at:
http://www.jftc.go.jp/en/pressreleases/yearly-2016/January/160121.files/IPGL_Frand_attachment.pdf

JFTC issued the Patent Pool Guidelines in June 2005 in order to promote patent pool arrangements in Japan. In this guideline, JFTC discusses examples of patent pool arrangements which may cause a violation of the AMA. And in 2007, JFTC issued the present IP Guidelines which covers not only patent and know-how licensing but also licensing of other forms of intellectual property rights. Recognizing that these guidelines were insufficient to deal with the FRAND issue, JFTC has added specific paragraphs. Before finalizing the partial amendment, however, JFTC released a draft amendment to seek public comments in July 2015. Reportedly, fifty four comments were submitted from in and outside Japan including one from LES Japan. It was the first time that JFTC sought public comments for the purpose of amendment of guidelines under the AMA.

[The newly inserted provisions are cited below.(source: JFTC website)]

Part 3. Viewpoints from Private Monopolization and Unreasonable Restraint of Trade

(1) Viewpoints from Private Monopolization

(e) The standard setting organization or trade association (hereinafter referred to as the "SSO") generally makes the document (IPR Policy) describing principles for license of patents (including the other intellectual property rights) essential for implementation of the standards (hereinafter referred to as the "Standard Essential Patent"). It is specified in IPR Policy that, in order to prevent exercise of right in respect of Standard Essential Patents from impeding research & development, production or sale of the products adopting the standards and to broadly diffuse the standards, it makes the participants in standard setting clearly show whether they hold any Standard Essential Patents and their intention for licensing for fair, reasonable and non-discriminatory conditions (such conditions are generally called "FRAND conditions"). A Standard Essential Patent holder's declaration in writing to show that it is willing to grant licenses under FRAND conditions to the SSO is generally referred to as the "FRAND Declaration". According to the IPR policy, the SSO will study change of the standards to exclude the technology protected by such if such declaration is not made. Since FRAND Declaration makes it possible for the Standard Essential Patent holders to receive reasonable compensation for the use of the Standard Essential Patent and also makes it possible for those who research & develop, produce or sell the products adopting the standards to access Standard Essential Patents under FRAND conditions, FRAND Declarations promote research and development investment of the technologies concerning the standards and also promote positive investments required for research & development, production or sale of the products adopting the standards.

Refusal to license or bringing an action for injunction against a party who is willing to take a license by a FRAND-encumbered Standard Essential Patent holder, or refusal to license or bringing an action for injunction against a party who is willing to take a license by a FRAND-encumbered Standard Essential Patent holder after the withdrawal of the FRAND Declaration for that Standard Essential Patent may fall under the exclusion of business activities of other entrepreneurs by making it difficult to research & develop, produce or sell the products adopting the standards. The description above shall be applied no matter whether the act is taken by the party which made the FRAND Declaration or by the party which took over FRAND-encumbered Standard Essential Patent or is entrusted to manage the FRAND-encumbered Standard Essential Patent. (The same holds for the case described in Part4-(2), (iv).)

Whether a party is a "willing licensee (who willing to take a license on FRAND terms)" or not should be judged based on the situation of each case in light of the behavior of the both sides in licensing negotiations etc. (For example, the presence or absence of the presentation of the infringement designating the patent and specifying the way in which it has been infringed, the presence or absence of the offer for a license on the conditions specifying its reasonable base, the

correspondence attitude to the offers such as prompt and reasonable counter offers and whether or not the parties undertake licensing negotiations in good faith in light of the normal business practices.)

Even if a party which intends to be licensed challenges dispute validity, essentiality or possible infringement of the Standard Essential Patent, the fact itself should not be considered as grounds to deny that the party is a “willing licensee” as long as the party undertakes licensing negotiations in good faith in light of the normal business practices.

Part 4. Viewpoints from Unfair Trade Practices

(2) Inhibiting the Use of Technology

(iv) The acts described in Part3-(1), (i), (e), such as refusal to license or bringing an action for injunction against a party who is willing to take a license by a FRAND-encumbered Standard Essential Patent holder, or refusal to license or bringing an action for injunction against a party who is willing to take a license by a FRAND-encumbered Standard Essential Patent holder after the withdrawal of the FRAND declaration for that Standard Essential Patent may deprive the entrepreneurs who research & develop, produce or sell the products adopting the standards of trading opportunities or impede the ability of the entrepreneurs to compete by making it difficult to research & develop, produce or sell the products adopting the standards.

Such acts are considered to be Unfair Trade Practices (Paragraph (2) and (14) of the General Designation) if they tend to impede fair competition, even if the acts do not substantially restrict competition in the product market and are not considered to be Private Monopolization.

The judgment whether a party is a “willing licensee” or not is described in Part3-(1), (i), (e).]

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