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欧州委員会、標準必須特許( SEP )に関するパブリック・コンサルテーションへの意見提出	欧州委員会	2022年4月28日

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The Japan Automobile Manufacturers Association, Inc. ("**JAMA**") respectfully submits this response to the Call for Evidence for an Impact Assessment by the European Commission ("**EC**").

## A. JAMA

JAMA is a nonprofit industry association representing 14 manufacturers of passenger car, truck, bus, and motorcycle manufacturers of Japan.<sup>1</sup> JAMA is headquartered in Tokyo and has a branch office in Brussels. JAMA's objective is to promote the sound development of the motor industry and support its members' efforts to serve consumers, contribute to economic and social prosperity, and address safety and environmental challenges in those communities around the world in which they build and sell their products.

JAMA members have been integral to the European auto industry and the broader European economy for decades.

Japanese-brand automakers are interwoven with communities throughout the EU who count on them not only for employment but also for improved access to training and education, philanthropic support, and environmental stewardship.

In light of JAMA's strong economic footprint in the EU, JAMA and its members are particularly interested in the Draft's commitment to facilitate industry competitiveness through licensing of standard essential patents ("**SEPs**") that adheres to the patent owners' commitments to license on fair, reasonable, and nondiscriminatory ("**FRAND**") terms.

## B. OVERALL COMMENTS

Overall, JAMA appreciates the opportunity granted by the Consultation to submit comments and hopes that resulting policy decisions by the EC will strike the appropriate balance between promoting innovation by protecting IP on the one hand and not blocking practical implementation and access to the single market on the other. As such, JAMA also considers the Consultation an important contribution to boost the resilience of the patent system and support the EU's twin transition (digital and green).

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<sup>1</sup> JAMA members are listed on its English-language website: <http://www.jama-english.jp/about/member.html>.

## C. COMMENTS ON POLICY PILLARS

- I. *Enhancing transparency on SEPs, for example by: (i) requiring the disclosure and update of certain information to improve publicly available information; and (ii) introducing a system for independent third-party assessments of essentiality under the management and control of an independent body.*

JAMA agrees with the EC's observation that transparency on SEPs should be enhanced.

- a. SEP declarations and ownership. SSOs should require SEP holders to declare specific SEPs considered to be essential to the relevant standard and, further, to identify the part of the standard on which the patent reads. This information should be regularly updated. In particular, expired and invalidated patents should be removed, and patentees should be required to revisit their essentiality assessment upon any substantive revisions of the relevant part(s) of the standard and to record changes in ownership. The latter could potentially also be implemented with automatic data transfers from the national and EPO patent registers to the respective SSO's database.
- b. Essentiality. When patentees declare their patents to be standard essential *vis-à-vis* an SSO, this declaration is based on the patentee's own assessment. However, patentees have a commercial interest in over-declaring patents, and several studies show that, in fact, over-declaration frequently occurs.<sup>2</sup> Against this background, a pilot study for essentiality assessment of SEPs published by the EC in 2020 recommended that policymakers "pursue the development and implementation of a system for essentiality assessments" based on the study's conclusion that such a system "seems both technically and institutionally feasible"<sup>3</sup>.

JAMA agrees that independent and publicly accessible third-party essentiality assessments could be a helpful tool for both patentees and potential licensees. However, they would need to be carefully structured to be truly independent, avoid bias or unintentional harm, and to ensure consistency and transparency of the assessment. It is also important to note the inherent limitations of any such assessment given the number of patents to be assessed and the resulting time constraints and the fact that both standards and patents may change over time. Furthermore, it is critical to understand that determining whether a patent truly reads on a particular standard specification requires diligent construction of the relevant patent claim under applicable laws which is the domain of the competent national courts.

As such, any third-party essentiality assessment can only ever serve as an – ideally reliable and hence helpful – indication of essentiality that is subject to review by the competent courts in case of a dispute between the parties involved. In this context, JAMA encourages the EC to take note of a recent position paper<sup>4</sup> of the Fair Standards Alliance, which sets out these and further considerations concerning third-party essentiality assessments in more detail.

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<sup>2</sup> See, e.g., the sources cited by the EC in its "Call for Evidence For An Impact Assessment", Section A. fn. 24.

<sup>3</sup> Rudi Bekkers, Joachim Henkel, Elena M. Tur, Tommy van der Vorst, Menno Driesse, Byeongwoo Kang, Arianna Martinelli, Wim Maas, Bram Nijhof, Emilio Raiteri, & Lisa Teubner, "Pilot Study for Essentiality Assessment of Standard Essential Patents" (2020) p. 11 (Nikolaus Thumm, ed.), available at <https://publications.jrc.ec.europa.eu/repository/handle/JRC119894>.

<sup>4</sup> Fair Standards Alliance, "Transparency Issues with Standard-Essential Patents", 2 August 2021, p. 5 *et seq.*, available at [https://fair-standards.org/wp-content/uploads/2021/08/210802\\_FSA\\_Position\\_Paper\\_on\\_Transparency.pdf](https://fair-standards.org/wp-content/uploads/2021/08/210802_FSA_Position_Paper_on_Transparency.pdf).

JAMA believes that, in principle, both SEP holders and potential licensees would benefit from improved transparency on SEP declaration, ownership and essentiality. However, in JAMA's experience the need for improvement is much more urgent for potential licensees than for SEP holders because potential licensees suffer disproportionately from the current lack of available information. This is in particular due to the power imbalance between SEP holders and potential licensees that will be addressed in more detail in the subsequent section below. In any case, enhanced transparency on SEP declaration, ownership and essentiality must not be viewed as a substitute to the transparency required from the SEP holder in bilateral negotiations when it comes to its infringement, essentiality, and validity contentions and willingness to offer FRAND license terms. Instead, both forms of transparency are two pieces of the same puzzle aimed at enabling the potential licensee to negotiate with the SEP holder at eye level, which is an integral part of FRAND principles.

II. *Providing clarity on various aspects of FRAND by developing guiding principles and/or processes for (i) clarifying the concept of FRAND; (ii) negotiating FRAND terms and conditions; and (iii) determining appropriate level(s) of licensing in a value chain.*

1. Clarifying the concept of FRAND

Consistent with applicable authority, JAMA believes that a SEP holder's FRAND commitment to an SSO places limits on the SEP holder's subsequent ability to exercise market power obtained as a result of standardization. This includes a promise to seek FRAND royalties in lieu of inappropriately attempting to capture value added due to standardization.

Further, and again consistent with applicable authority, JAMA believes that monetary remedies will usually be adequate to fully compensate a SEP holder for infringement. Accordingly, JAMA firmly believes that injunctive relief should rarely be granted and only under certain circumstances, such as when, e.g., the potential licensee does not express a willingness to negotiate a licensing agreement. In contrast, injunctive relief should not be granted in case the SEP holder does not provide a specific offer for a license or specific information about infringement of the SEP by the potential licensee, validity and essentiality of the SEP as set out in the CJEU's decision in *Huawei v. ZTE*.

## 2. Negotiating FRAND terms and conditions

As a general note, JAMA would appreciate guidance on a EU level by the EC regarding the negotiation on FRAND terms and conditions. JAMA believes that such guidance by the EC could in particular resolve the “forum shopping” rightly identified by the EC as one of the two main problems that affect both SEP holders and potential licensees.

### a. Forum shopping

JAMA recognizes that *e.g.*, German courts focus their scrutiny on the parties' conduct in the negotiations and throughout the proceedings. There is a rapidly growing and evolving set of decisions detailing how potential licensees should or should not behave. At the same time, German courts appear extremely reluctant to assess or determine the FRAND-compliance of the monetary terms proposed by either party. JAMA understands that, in fact, there is not a single German decision addressing monetary FRAND-requirements in any detail whatsoever.

In contrary, *e.g.*, UK courts have recently chosen another approach by not assessing in detail the question of whether or not SEP holders and potential licensees have conducted negotiations cooperatively but rather on focusing on downstream issues such as calculations whereas German courts do not appear to have decided on details of financial issues yet. Further, the High Court in its *Unwired Planet v. Huawei* decision concluded that a SEP holder's insistence on only agreeing to a worldwide license is consistent with its FRAND obligation, which was affirmed by the UK Supreme Court.<sup>5</sup> Such approach of granting injunctions when a licensee does not enter in a portfolio (here: global) license highly incentivizes SEP to engage in global forum shopping.

The different approach of national courts in the EU and UK in particular regarding (i) the willingness of calculating royalties; and (ii) focusing on the parties' behaviour when negotiating licenses is detrimental to the overall goal of effective licensing in Europe. Hence, JAMA encourages the EC on further guidance in order to reduce forum shopping.

Hence, JAMA believes that further guidance by the EC on FRAND terms and conditions would be very valuable to both SEP holders and potential licensees and, eventually, make SEP licencing more effective, *e.g.*, by reducing forum shopping. JAMA would appreciate guidance on *e.g.*, what is regarded to be best practice or setting guidelines on safe harbour with respect to FRAND behaviour for avoiding injunctions. However, it appears that such guidance needs in any case go beyond the general guidance provided by the Court of Justice of the European Union (“**CJEU**”) in *Huawei Technologies Co. Ltd v. ZTE Corp., ZTE Deutschland GmbH* (CJEU Case Number C-170/13)).

Further, JAMA understands that national courts may also appreciate further guidance on FRAND requirements. *E.g.*, in Germany the Regional Court of Düsseldorf referred several questions to the CJEU in a patent infringement proceeding between Daimler and Nokia<sup>6</sup> that were expressly seeking further specification of the FRAND requirements set forth by the CJEU in *Huawei v. ZTE*<sup>7</sup>. The referral was welcomed by many SEP holders and potential licensees alike. However, the parties agreed on a settlement in 2021 and, by doing so, terminated all proceedings including the CJEU referral. To JAMA's knowledge, there is no other pending referral addressing the issues raised in the Düsseldorf Court's referral.

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<sup>5</sup> *Unwired Planet International Ltd v. Huawei Techs. Co. Ltd.* [2020] UKSC 37.

<sup>6</sup> Order of the Regional Court of Düsseldorf ('Landgericht – LG) of 26 November 2020, *Nokia-SEP*, Case No. 4 c 17/19.

<sup>7</sup> Judgment of the Court of Justice of the European Union, *Huawei v. ZTE*, Case C-179/13, EU:C:2015:477.

b. Access to information / power imbalance between SEP holders and potential licensees

Licensees should have the opportunity to request from the SEP holder to provide more specific information reasonably needed for the licensee to evaluate the SEP holder's offer as it appears that such increase of transparency would meaningfully reduce ineffective licencing (see above, Section C.II.1.). Such specific information should also include claim charts as submission of such claim charts are not an undue burden on the SEP holders. In particular, claim charts will not be potential licensee-specific but establish whether the relevant SEP reads on essential aspects of the relevant standard.

Further, SEP licensors as well as licensees have an obligation to act in good faith during licensing negotiations. SEP licensors should refrain from the following actions, which are inconsistent with good faith: seeking an injunction prior to initiating negotiations or offering a license;<sup>8</sup> seeking an injunction to pressure a licensee to accept more onerous licencing terms than the patent holder would be entitled to receive consistent with FRAND commitment;<sup>9</sup> relatedly seeking an injunction to improperly capture the value added due to standardization, as opposed to the underlying value of technology outside the standardization;<sup>10</sup> and immediately seeking an injunction after an offer has expired, which suggests that the offer was a mere pretext.<sup>11</sup>

In addition to the proposed improvements of transparency outlined above, JAMA believes that SEP holders should be open and transparent about what patents are being licensed, their basis for representing their SEPs are valid SEPs, the royalty rates sought, how the royalty rates are calculated, whether other licensees have entered into licenses for the same portfolio, and, if applicable, the royalty rates for those licenses in the same portfolio.

JAMA believes that guidance and requirements by the EC to this effect would reduce the power imbalance between SEP holders and potential licensees from an information perspective and would facilitate FRAND-compliant negotiation results.

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<sup>8</sup> *Realtek Semiconductor Corp. v. LSI Corp.*, 946 F. Supp. 2d 998, 1007–1008 (N.D. Cal. 2013).

<sup>9</sup> *Id.* at 1007.

<sup>10</sup> See, e.g., *Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024, 1045 (9th Cir. 2015).

<sup>11</sup> *Id.*

### c. Role of comparable licenses

SEP owners confer positive externalities on one another when raising prices. This is because when calculating reasonable royalties for patent infringement, significant weight often is placed on comparable licenses for similar patented technology—other licenses covering the same standard. As a result, pools can allow SEP owners to internalize these “comparable externalities” by raising prices and collectively committing to a tough bargaining posture. Whereas individual licensing arrangements help constrain the prices other SEP owners can charge, pool licensing arrangements can sidestep that constraint.

#### 3. Determining appropriate level(s) of licensing in a value chain

JAMA believes the EC should take a position against SEP holders engaging in discrimination based on a potential licensee’s position in a value chain.

As discussed above, by contributing technologies during standards-setting activities at an SDO and voluntarily making a FRAND licensing commitment under the SDO’s policies, a patent holder indicates that it is willing to license that technology for uses implementing the standard and that it will not exercise any market power obtained through standardization. The FRAND commitment necessarily entails that SEP licenses must be available to all entities, regardless of their role within the product supply chain (though only one level needs be licensed pursuant to patent exhaustion principles). The intellectual property rights policies of SSOs do not permit SEP holders to unilaterally dictate the level of the supply chain that will be licensed. But despite their FRAND commitments, some SEP holders refuse to offer licenses to component suppliers, instead targeting only end-product manufacturers in order to capture a larger royalty base. SEP holders do so even when component suppliers are willing and desire to have an independent court adjudicate a binding license on FRAND terms.

This dynamic is particularly acute for JAMA members due to the general and longstanding role and responsibility in the research, development and manufacturing activities that have been shared among automakers and their component suppliers. These practices exist because an automobile consists of tens of thousands complex components, and its safety and economy are assured by the fact that each level of suppliers is engaged in research and development in the corresponding component area. As a result, suppliers are generally responsible for their components’ quality and warranty, including intellectual property. Moreover, component suppliers are more knowledgeable concerning the applicable standardized technology, which is generally practiced at the component level (not the level of the vehicle).

Against this background, JAMA firmly believes that the appropriate level to be approached are the manufacturers of the component that is the smallest saleable patent practicing unit (“**SSPPU**”). This is the unit that most accurately captures the value of the patented invention. It is also the most efficient approach as it mitigates the risk of the SEP holder capturing the additional value generated by entities downstream in the value chain.

Accordingly, the SSPPU is the appropriate base for royalties. This is irrespective of which level the licencing takes place, *i.e.*, the SSPPU should also be the basis for calculating the FRAND royalty if the licence were to occur at

the end product level (notwithstanding concerns that limiting licenses only to the original equipment manufacturer level does not comply with the non-discrimination prong of FRAND). This approach ensures that SEP holders obtain fair compensation for what they actually invented, and not compensation for the value of others' work or contributions.

Notwithstanding the above, many component suppliers are unable to fulfill their responsibility for third party intellectual property of their components due to some SEP holders' refusal to offer component licenses. This imposes unnecessary costs on the supply chains and prevents the free market from otherwise determining at what level licensing would be most efficient. This problem does not just affect companies within the value chain, e.g., in the auto industry; ultimately it is to the detriment of consumers.

As a result, effective licencing would require SEP holders not seeking injunctions against an original equipment manufacturer in connection with components supplied by a party that is willing to enter into a license on FRAND terms, or to have those terms adjudicated in court or via voluntary arbitration. As mentioned above, JAMA appreciates further guidance from the EC in order to ensure effective licencing as well as reducing forum shopping (please see above Sections I., II.2. a)).

### III. *Improving the effectiveness and efficiency of enforcement, for example by incentivising mediation, conciliation and/or arbitration.*

JAMA believes that improving the effectiveness and efficiency of dispute resolution is not a question of the forum, in particular whether courts are involved or the parties are enabled to negotiate the settlement on their own or with the support of a mediator. As set out above, it appears to JAMA that the best ways of improving effectiveness and efficiency of dispute resolution are (i) enhancing transparency, and (ii) providing guidance and clarity on negotiations of FRAND terms and conditions.

While JAMA is aware of and appreciates advantages and disadvantages of the court orientated or non-court orientated forums, *inter alia* confidentiality issues, it appears that the crucial questions are being dealt with similarly in any forum. In this respect it appears that transparency from the very start of the negotiations, *i.e.*, upon presentation of their first offer, on *inter alia* about why SEP holders believe their desired terms are FRAND would be beneficial in any forum.

Accordingly, JAMA appreciates the EC Consultation and encourages the EC to undertake respective steps and providing further guidance in order to eventually improve the effectiveness and efficiency of dispute resolution.

As a final note, to the extent that SEP holders and potential licensees are encouraged to pursue alternative dispute resolution, it must be abundantly clear that this should not restrict the parties' access to the courts and should not be structured in a manner that might coerce them to give up their rights in that regard.