

CLASS MATERIAL  
Group Work on Day 3  
“Standard-Essential Patent (SEP)”

1 On the Private Monopoly  
(Tentative translation for the class work)

(1) Inhibiting the use of technology [current provisions (excerpts)]

- (a) In order to prevent others from becoming a member of a patent pool, an existing pool member refuses to grant a license to them without reasonable reasons. Such restriction may be considered to exclude business activities of others.
- (b) A technology is very influential on the market and is actually used by many companies. There is a patent essential to use the technology. If a company who has obtained the license under the patent from the IPR-owner refuses to sub-license the patent to others, such refusal may be considered to exclude business activities of others.
- (c) A company is licensed from the owner, all of the intellectual property rights (IPRs) relating to a technology that can be used by its actual and potential competitors, but not for its own use. If the company refuses to license the IPRs to competitors so as to prevent them from using the IPRs, such refusal may be considered to exclude business activities of others.
- (d) An industry standard is established jointly by several companies. There are essential patents covering the features and effects of the standard. It may be considered to exclude business activities of others if the owner of the SEP refuses to grant a license so as to block any development or manufacture of any product by others, which comply with the standard.

[Paragraphs sought to be newly added (excerpts)]

- (e) **A standard-setting organization (SSO) in general has an intellectual property right policy (IPR Policy). The IPR Policy describes policies to deal with intellectual property rights relating to the industry standard to be adopted. It also provides principles to deal with the license of the standard-essential patent (SEP).**

**It is likely that an enforcement of the SEP gives negative impacts against the R&D and marketing of products based on the standard. The IPR policy therefore requires the participants to the standard-setting process to declare in writing whether they have any SEPs and whether they intend to license them on the FRAND condition. Such declaration is considered to show willingness of the SEP**

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**owner to grant license on FRAND terms.**

**Companies engaging in the R&D and marketing of the standard-based product believe that the FRAND license under the SEP is available. Such belief makes companies positively invest in their business.**

**Under these circumstances, the SEP-owner who expressed willingness to license on FRAND terms (willing licensor) may refuse the FRAND license to or claim injunction against a party who expressed willingness to be licensed on FRAND terms (willing licensee). Such refusal or injunction claim makes it difficult for others to participate in business and, therefore, may be considered to exclude business activities of others.**

**The owner of intellectual property rights has a right to enforce its rights. Enforcement of the SEP, on the other hand, has negative impacts against the R&D and marketing of the standard-based products. Therefore, the question of whether the party is actually a “willing licensee” should be carefully examined.**

**If the FRAND license has turned out to be unavailable from the SEP owner even after a certain period of time for negotiation, a willing licensee may prove its willingness by showing an intention to seek the award for the FRAND terms from the courts or arbitration tribunals. Even if a willing licensee challenges the validity, essentiality or infringement of the SEP in question, such challenge should not be regarded as acts to deny the willingness of the licensee.**

(For those who want to refer to the full text of the present Intellectual Property Guideline, English translation is available from the website of the Japan Federal Trade Commission at: <http://www.iftc.go.jp/en/pressreleases/yearly-2015/July/150708.files/Attachment1.pdf>)