

Legal Updates & News

Legal Updates

Japan Fair Trade Commission Publishes Draft Guidelines Concerning Use of Intellectual Property

June 2007

by [Kei Amemiya](#)

Related Practices:

- [Antitrust & Competition Law](#)

[This update is also available on our Japanese language site.](#)

Introduction

On April 27, 2007, the Japan Fair Trade Commission (“JFTC”) published for public comment a draft of the “Guidelines Concerning Use of Intellectual Property” (*Chiteki Zaisan no Riyo ni Kansuru Dokusenkinshiho Jo no Shishin*) (the “IP Guidelines”). The IP guidelines are revisions of the “Guidelines for Patent and Know-How Licensing Agreements under the Anti-Monopoly Act” (*Tokyo Know-how License Keiyaku ni Kansuru Dokusenkinshiho Jo no Shishin*, also referred to as the “Patent and Know-How Licensing Guidelines”) (the “Current Guidelines”), which have been the subject of a long revision project.

The IP Guidelines expand the scope of the Current Guidelines to include intellectual property rights other than patents and know-how, and provide a more in-depth treatment of refusals to license than the Current Guidelines. They also make certain revisions to some of the Current Guidelines, as described below.

Expansion of Coverage

The Current Guidelines only cover patents and know-how. The IP Guidelines expand the Guidelines’ scope to include technologies protected under the Utility Model Law, the Law Concerning Semi-Conductor Circuits, the Seeds and Plants Law, the Copyright Law,^[1] and the Design Patent Law.

Discussion of Refusals to License

The Current Guidelines focus mainly on conditions imposed on licensees, along with licenses of patents and/or know-how. The IP Guidelines divide covered conducts into three categories: (1) refusals to license (conduct foreclosing others from using the technology); (2) limits of the scope of a license; and (3) restrictions on activities of the licensee. Further, the IP Guidelines include more detailed descriptions of prohibited conduct under refusals to license. The IP Guidelines note, for instance, that it may be a violation of rules against private monopolization for a user of influential technologies that are also used by many other users to acquire the legal title to these technologies and then refuse to license them to others. They note further that it may be a violation of the same rules against private monopolization for a firm to acquire intellectual property rights to a large number of technologies of interest to competing firms, but not use the rights and refuse to license them to competitors. The Current Guidelines contain some discussion of this type of conduct. The IP Guidelines, however, address refusals to license in much greater detail, presumably motivated by the JFTC’s recent interest in patent trolling and standard setting.^[2]

Analysis of Impact on Competition

The IP Guidelines explain the JFTC's general methodology for analyzing a transaction's impact on competition, and provide examples of cases with a significant impact on competition, as well as examples where the effect on competition is less significant. Notably, the IP Guidelines say that certain types of restrictions cause only minor impact if the aggregate market share of the products being manufactured by the relevant parties is less than 20% ("product share"). Where the product share analysis does not apply, but four or more firms have rights to alternative technologies, the IP Guidelines call for a similar conclusion.

Changes to Specific Guidelines

The IP Guidelines provide a few new specific guidelines for certain categories of restrictions, and change the existing guidelines on a few categories of conduct. Some examples are as follows:

(a) Assertion of Invalidity of License Rights

The Current Guidelines indicate that agreement provisions that impose an obligation not to assert invalidity of license rights are so-called "gray clauses," meaning that they may be illegal depending on the circumstances. The IP Guidelines change the JFTC's position on such provisions, indicating they are "white clauses" (meaning they are unlikely to be illegal) except in certain limited situations, such as where the obligation survives after the termination of the license agreement.

(b) Restrictions Surviving Expiration of Rights

While the Current Guidelines indicate that restrictions surviving the expiration of IP rights, such as obligations not to use the relevant patents even after their terms expire, are gray clauses, they specifically note that such restrictions tend to be illegal. The IP Guidelines, however, delete this specific note.

(c) Additional Functionality ("Platform Functions")

The IP Guidelines add a new section to the Current Guidelines that defines a standard technology to which related products or services can be added as a "platform function." (The addition of new functions to a cellular phone is an example.) Where there is competition to apply various subsequent technological applications to an original platform, a new license that expands the platform to include certain favored new applications may be an unfair trade practice, or a "gray clause," under the IP Guidelines. The Current Guidelines do not discuss "platform functions."

(d) Restriction on Sublicenses

The IP Guidelines explicitly state that restrictions on sublicenses are unlikely to violate the JFTC's rules against unfair trade practices (a "white clause"). The Current Guidelines are silent on this point.

Schedule Going Forward

The final guidelines are expected to be published in late June or July, although the date may change depending on the volume of public comments received.

Footnotes

[1] The IP Guidelines' coverage under the Copyright Law is limited to copyrights on computer software.

[2] The IP Guidelines also add a discussion of how evolving technologies relate to existing standards or specifications, also presumably motivated by recent JFTC interest in this subject.

