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Submitted via email (PA0A00@ipo.go.jp)

Legislative Affairs Office
General Coordination Division
Policy Planning and Coordination Department
Japan Patent Office
3-4-3 Kasumigaseki
Chiyoda-ku Tokyo 100-8915, Japan

RE: Comments of ACT | The App Association in response to the Japan Patent Office’s Invitation to Contribute to Guidelines for Licensing Negotiations Involving Standard Essential Patents (SEPs)

ACT | The App Association (The App Association) writes in response to the Japan Patent Office (JPO) request for input on potential JPO guidelines to help prevent disputes involving standard essential patents (SEPs) and quickly resolve any disputes that arise in global markets.¹

I. Statement of Interest & General Views of ACT | The App Association on Standard Essential Patents Licensing

The App Association represents more than 5,000 small- and medium-sized app development companies in the United States and around the world. Our association is committed to preserving and promoting innovation while developing robust standards and a balanced intellectual property system to accelerate the growth of technology markets. We applaud JPO for undertaking a public consultation on this important matter.

¹ https://www.jpo.go.jp/iken_e/170929_hyojun_e.htm
The App Association strongly supports JPO’s efforts to provide clarity about the SEP licensing ecosystem for all stakeholders. We agree that the rise of the internet of things (IoT) is poised to expose new markets and verticals to SEP licensing, and we strongly urge the JPO to build upon existing, global-consensus guidance on the abuse of fair, reasonable, and non-discriminatory (FRAND) commitments and the effects of their abuse on competition and innovation.

A variety of market regulators have provided significant guidance regarding SEPs and FRAND licensing commitments; we urge the JPO to align with and build upon their guidance to support Japanese innovation and competition in the global market. Further, leading standard setting organizations (SSOs) like the Institute of Electrical and Electronics Engineers (IEEE) have, after much effort, successfully revised their intellectual property rights (IPR) policies to clarify technology contributors’ FRAND commitments in ways that are consistent with such guidance. We believe the JPO’s future guidance on the anti-competitive implications of breaches of FRAND commitments can increase competition by reducing IP abuse and deterring unnecessary and burdensome litigation, supporting ingenuity in the Japanese market.

Specifically, the App Association believes clarifications on the meaning of FRAND commitments are extremely beneficial to SEP holders and standard implementers as well as the consumers of technology. The negative effects of abusive licensing of SEPs can be particularly harmful to the App Association’s members, which include thousands of small- and medium-sized enterprises (SMEs) that are both SEP holders and standards implementers. These SMEs, which include many companies in Japan, often do not have the resources to deal with larger enterprises holding numerous SEPs. As a result, they must face financially debilitating litigation with no predictable outcome or are forced to accept excessive royalty demands made by the SEP holders. In the worst case, the SME may be forced to change their product, or abandon their business plan all together, if they cannot afford the litigation or the expensive SEP licenses. Patent licensing abuses pose a major threat to any industry that relies on standards in its innovation cycle. We believe the JPO’s guidance will be essential to deter these abuses for innovators.

The convergence of computing and communication technologies will continue as a diverse array of industries come together to build the internet of things. IoT’s seamless interconnectivity will be made possible by technological standards like wi-fi, LTE, and Bluetooth, which bring immense value to consumers by promoting interoperability while enabling healthy competition between innovators.

Unfortunately, a number of FRAND-committed SEP owners are flagrantly abusing their unique opportunity and reneging on their commitment to license in a fair, reasonable, and non-discriminatory manner. These practices threaten healthy competition and jeopardize the potential of nascent markets like IoT.
The patent policies developed by standard development organizations (SDOs) today will impact the way Japanese citizens work, live, and play for decades to come. These issues are important to app developers and emerging industries around the globe, which prompted the App Association to launch the All Things FRAND (http://www.allthingsfrand.com/) initiative. We encourage JPO to utilize All Things FRAND as a resource to better understand how regulators and courts around the world are defining FRAND.

SDOs vary widely based on their membership, the industries they cover, and the procedures for establishing standards. Each SDO will need the ability to tailor its intellectual property policy to its particular requirements and membership. We do not believe the governments should prescribe detailed requirements for all SDOs to implement. However, as evidenced by the judicial cases and regulatory guidance posted on www.allthingsfrand.com, basic principles underlie the FRAND commitment to ensure standard-setting is pro-competitive and SEP licensing terms are in fact reasonable, fair, and non-discriminatory. Ideally, an SDO’s IPR policy that requires SEP owners to make a FRAND commitment would include all of the following principles that prevent patent “hold up” and anti-competitive conduct:

- **Fair and Reasonable to All** – A holder of a SEP subject to a FRAND commitment must license such SEP on fair, reasonable, and non-discriminatory terms to all companies, organizations, and individuals who implement or wish to implement the standard.

- **Injunctions Available Only in Limited Circumstances** – Injunctions and other exclusionary remedies should not be sought by SEP holders or allowed except in limited circumstances. The implementer or licensee is always entitled to assert claims and defenses.

- **FRAND Promise Extends if Transferred** – If a FRAND-encumbered SEP is transferred, the FRAND commitments follow the SEP in that and all subsequent transfers.

- **No Forced Licensing** – While some licensees may wish to get broader licenses, the patent holder should not require implementers to take or grant licenses to a FRAND-encumbered SEP that is invalid, unenforceable, or not infringed, or a patent that is not essential to the standard.

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3 “Principles for Standard Essential Patents” About AllThingsFRAND.com (explaining the FRAND commitment requirements.) http://www.allthingsfrand.com/about/about-allthingsfrand.com/
- **FRAND Royalties** – A reasonable rate for a valid, infringed, and enforceable FRAND-encumbered SEP should be based on several factors, including the value of the actual patented invention apart from its inclusion in the standard, which cannot be assessed in a vacuum that ignores the portion in which the SEP is substantially practiced or royalty rates from other SEPs are required to implement the standard.

The App Association calls on the JPO to ensure that its future SEP licensing guidelines reflect the above principles. We remain committed to working with JPO to assist in shaping draft guideline language on which the public can review and comment.

We also note that a number of SDO IPR policies require SDO participants to disclose patents or patent applications that are, or may be, essential to a standard under development. Reasonable disclosure policies can help SDO participants evaluate whether technologies being considered for standardization are covered by patents. Disclosure policies should not, however, require participants to search their patent portfolios. These requirements can be overly burdensome and expensive, effectively deterring participation in an SDO. In addition, FRAND policies that do not require disclosure, but specify requirements for licensing commitments for contributed technology, can accomplish many, if not all, of the disclosure requirements.

II. **JPO Should Propose Draft Text for Public Comment Before Finalizing its Standard-Essential Patent Guidelines**

We appreciate JPO’s call for input on its guidelines and the outline it has provided. Given the importance of such guidelines to our community, we seek to ensure that our views on this issue are fully appreciated and that adequate consideration is given to the essential market players we represent. While this request for comments is a constructive step to ensure all impacted stakeholders have an opportunity to provide insight to JPO, we cannot fully understand JPO’s proposals, or evaluate their effect, without draft communication text to review. From a procedural standpoint, the App Association strongly urges JPO to publicly present and accept comments on draft guideline text before finalizing any policies related to SEP licensing.
III. The JPO’s Guidelines Should Align With and Build Upon Existing Guidance on SEPs and FRAND Licensing Behavior from Other Key Markets

We strongly urge JPO to acknowledge the inherent link between standard setting and competition and innovation, and the role of competition law in ensuring a balanced and fair SEP licensing ecosystem. Standard setting naturally gives rise to competition issues, therefore, the JPO’s guidance should not be developed in a vacuum. We encourage the JPO’s guidelines be developed and released with the assistance of the Japan Fair Trade Commission (JFTC).

In early 2016, JFTC updated its Guidelines for the Use of Intellectual Property under the Antimonopoly Act. This stated that a refusal to license, or bringing an injunction against a party who is “willing” to take a license based on FRAND terms, can be considered exclusionary conduct under Japan’s Antimonopoly Act. The Guidelines indicate that a “willing” licensee will be judged on a case-by-case basis, based on the conduct of both negotiating parties. Examples include whether the licensor notified the prospective licensee of a specific patent that has been infringed and how it was infringed; whether the licensor made a licensing offer based on reasonable conditions; whether the prospective licensee made a prompt and reasonable counteroffer; and whether the parties otherwise acted in good faith. The JFTC clarified that a prospective licensee’s challenge to the validity, essentiality, or infringement of the SEP(s) would not be grounds for labeling it an unwilling licensee, as long as it undertakes the negotiations in good faith in light of standard business practices. It is essential that JPO move forward in coordination with JFTC as it addresses the SEP licensing ecosystem.

Clearer, coordinated rules for SEP licensing will allow for more informed participation and enable participants to make more knowledgeable decisions about the implementation of the standard. Since 1995, market regulators have taken numerous steps to provide this clarity in the SEP context and we urge the JPO to align with and build upon these important developments. This approach would prevent regulators in emerging antitrust regimes from concluding that the JPO departs from well-established international norms.

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FRAND licensing-related guidance includes, but is not limited to, the following:

**Canada**

In March 2017, the Canadian Bureau finalized revisions to IP enforcement guidelines that define breaches of FRAND commitments as a competition issue for the first time. The IP guidelines note that (i) bundling of SEPs and non-SEPs can cause competitive harm; (ii) there are only limited circumstances under which SEP holders can obtain injunctive relief; (iii) while contract law may be sufficient to resolve contractual breaches of FRAND, competitive effects from some breaches may need to be addressed under competition law; and (iv) the Bureau is not a rate regulator and would likely only find a royalty rate alone (without the accompanying threat / use of injunctive relief) to be a competition problem if the SEP owner had set a maximum rate during standard development and then breached it. The Bureau acknowledges in its guidelines that rapid developments continue in competition enforcement policy, so the Bureau will regularly revisit its guidance in light of relevant developments.

**China**

- On February 9, 2015, China’s National Development and Reform Commission (“NDRC”) issued an administrative penalty decision against Qualcomm, Inc. The NDRC determined that several aspects of Qualcomm’s licensing of telephony SEPs constituted an abuse of a dominant position. The specific practices deemed to be unlawful were: (i) charging royalties for expired SEPs, (ii) conditioning SEP licenses on licensees’ agreement to take licenses to other Qualcomm patents that were not SEPs (“non-SEPs”), (iii) requiring SEP licensees to grant back royalty-free licenses to their non-SEPs, (iv) imposing a “relatively high royalty” calculated on a device-level royalty base, and (v) requiring baseband chip purchasers to agree to licenses with unreasonable conditions such as the ones listed above and not to challenge Qualcomm’s licenses.

- China’s State Administration for Industry and Commerce issued a Regulation on Prohibiting Abuse of Intellectual Property Rights to Eliminate or Restrict Competition on April 7, 2015. The regulation prevented SEP holders with a dominant market position from engaging in conduct that eliminates or restricts competition by refusing to license implementers, tying SEPs to non-SEPs, or imposing other unreasonable conditions in violation of the FRAND commitment.

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European Union

- The European Commission’s guidelines regarding horizontal co-operation agreements, published in 2011, discuss the anticompetitive threat of patent “hold up” in the SSO context and the importance of the effective use of FRAND commitments in combating that threat. 8 “While a standard is being developed, alternative technologies can compete for inclusion in the standard. Once one technology has been chosen and the standard has been set, competing technologies and companies may face a barrier to entry and may potentially be excluded from the market.” (Par. 266). This characteristic of standard-setting presents the potential of enabling “companies to behave in anti-competitive ways, for example by 'holding-up' users after the adoption of the standard either by refusing to license the necessary IPR or by extracting excess rents by way of excessive royalty fees thereby preventing effective access to the standard.” (Par. 269). To avoid this anticompetitive outcome, the guidelines stress that SSOs should adopt IPR policies that “require participants wishing to have their IPR included in the standard to provide an irrevocable commitment in writing to offer to license their essential IPR to all third parties on fair, reasonable and non-discriminatory terms (‘FRAND commitment’).” (Par. 285). The Commission points out that “FRAND commitments can prevent IPR holders from making the implementation of a standard difficult by refusing to license or by requesting unfair or unreasonable fees (in other words excessive fees) after the industry has been locked-in to the standard or by charging discriminatory royalty fees.” (Par. 287). In case of a dispute involving a FRAND commitment, “the assessment of whether fees charged for access to IPR in the standard-setting context are unfair or unreasonable should be based on whether the fees bear a reasonable relationship to the economic value of the IPR.” (Par. 289). Because FRAND commitments are voluntary, however, IPR holders should be permitted “to exclude specified technology from the standard-setting process and thereby from the commitment to offer to license, providing that exclusion takes place at an early stage in the development of the standard.” (Par. 285).

- In the European Commission’s market testing in December 2012 of a set of proposed commitments offered by Rambus to license its SEPs on reasonable terms, some respondents expressed the concern that Rambus would seek to “extract royalties based not on the price of the individual chips or controllers, but on the value of the end-product (such as PCs, mobile phones and other devices integrating DRAMs), even if the licensed technologies only represent a small percentage of such end-products.” In response, the Commission made clear that the “royalty shall be determined on the basis of the price of the individually sold chip and not of the end-product. If they are incorporated into other products, the individual chip price remains determinative”.9


9 http://ec.europa.eu/competition/antitrust/cases/dec_docs/38636/38636_1203_1.pdf
On April 29, 2014, The European Commission issued a decision in which it determined that “Motorola Mobility’s seeking and enforcement of an injunction against Apple before a German court on the basis of a smartphone SEP constitutes an abuse of a dominant position prohibited by EU antitrust rules.”\textsuperscript{10} The Commission explained that FRAND commitments are “designed to ensure effective access to a standard for all market players and to prevent ‘hold-up’ by a single SEP holder.” The Commission determined that seeking an injunction against a willing licensee of a FRAND-encumbered SEP “could risk excluding products from the market” and “lead to anticompetitive licensing terms that the licensee of the SEP would not have accepted absent the seeking of the injunction. Such an anticompetitive outcome would be detrimental to innovation and could harm consumers.” On the same day, the Commission issued a press release on the case that provided further guidance, including the point that (i) the licensee can challenge the validity, essentiality or infringement of SEPs and still be considered a “willing” licensee; and (ii) the specific rate of a reasonable royalty should be determined by courts or arbitrators.

On April 29, 2014, the European Commission formally accepted commitments from Samsung to not seek injunctions on FRAND-encumbered SEPs for smartphones and tablets against licensees that agree to an approved licensing framework.\textsuperscript{11} This framework gave licensees the choice of having a reasonable royalty rate and other FRAND terms determined by a court or, if both agree, by an arbitrator. The Commission also iterated the same principles that it stated in connection with the Motorola case described above.

\textsuperscript{10} http://europa.eu/rapid/press-release_IP-14-490_en.htm
\textsuperscript{11} http://europa.eu/rapid/press-release_IP-14-490_en.htm
Republic of Korea

- In December 2014, the Korean Fair Trade Commission (KFTC) revised its Guidelines on the Unreasonable Exercise of Intellectual Property Rights to address breaches of FRAND commitments as a competition law matter.\(^1^2\) According to the KFTC, the following licensing practices by SEP holders may be deemed to be abusive:

  - Coercing the licensee to accept a license of a non-SEP as a condition for licensing a SEP;
  
  - Not disclosing patents applied for or registered to increase the possibility of one’s technology being standardized or to avoid prior consultations on license conditions;
  
  - Unreasonably refusing to license the SEP;
  
  - Not licensing the SEP on FRAND terms so the patentee can strengthen its monopoly power or exclude competitors in the relevant market;
  
  - Requesting discriminatory terms for a SEP license, or imposing an unreasonable level of royalties;
  
  - Imposing licensing conditions that unreasonably restrict the licensee’s exercise of related patents held by the licensee;
  
  - Seeking injunctive relief unless (i) the potential licensee refuses to enter into a license agreement on FRAND terms objectively confirmed in proceedings in a court or an arbitration forum, or (ii) a willing licensee is unable to pay damages due to imminent bankruptcy, etc.; or
  
  - Unreasonably imposing licensing conditions that require a cross-license of non-SEPs held by the licensee. (See Section III.3.A, B & D(5)).

The KFTC also indicated that a FRAND commitment obligates SEP holders to negotiate in good faith with willing licensees, and listed various factors to help the agency make that determination.

• In December 2016, the KFTC issued a decision imposing sanctions against Qualcomm Incorporated in the amount of 1.03 trillion Korean Won (approximately $865 million USD) for alleged violations of Korean competition laws. After conducting a comprehensive investigation that spanned for more than a year and issuing its examination report to Qualcomm on November 13, 2015, the KFTC found that Qualcomm, an SEP holder, breached its FRAND commitments when engaging in licensing agreements with certain companies. The Seoul High Court subsequently denied a stay of the Corrective Order.

United States

• In 2011, the U.S. Federal Trade Commission (FTC) issued a report entitled The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition (2011), in which the FTC addresses the issue of a reasonable royalty for FRAND-encumbered SEPs and recommends that “[c]ourts should cap the royalty at the incremental value of the patented technology over alternatives available at the time the standard was chosen”. The FTC explains that setting the royalty for a FRAND-encumbered SEP “based on the ex-ante value of the patented technology at the time the standard is chosen is necessary for consumers to benefit from competition among technologies to be incorporated into the standard – competition that the standard setting process itself otherwise displaces.” The FTC also addresses the question of the appropriate royalty base in patent cases and recommends that “[c]ourts should identify as the appropriate base that which the parties would have chosen in the hypothetical negotiation as best suited for accurately valuing the invention. This may often be the smallest priceable component containing the invention.” According to the FTC, “the practical difficulty of identifying a royalty rate that accurately reflects the invention’s contribution to a much larger, complex product counsels toward choosing the smallest priceable component that incorporates the invention.”

• The U.S. Department of Justice (DOJ) and Federal Trade Commission issued a report in 2007 entitled Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition, which discusses various way to minimize patent holdup, including SEP disclosure policies, FRAND undertakings, and ex ante disclosure of licensing terms.

• The U.S. Federal Trade Commission issued a Decision and Order in 2013 accompanying its challenge to an injunction sought by Google’s Motorola Mobility Division, which sets forth in detail procedures that a declared SEP holder must undertake before it may seek an injunction or other exclusionary relief based on a SEP and makes clear that a potential licensee may challenge infringement, validity, and enforcement of a declared SEP before being ordered to pay a royalty.\textsuperscript{16}

• In August 2013, the U.S. Trade Representative (USTR), acting on behalf of the President of the United States, overturned a U.S. International Trade Commission ruling that would have issued (i) an exclusion order (similar to an injunction) prohibiting importation of Apple products into the United States that purportedly infringed Samsung SEPs; and (ii) a cease and desist order that would have prevented Apple from engaging in certain activities, such as the sale of these products in the United States.\textsuperscript{17} The USTR decision included substantial discussion of the policy reasons for disallowing the exclusion order.

• In January 2013, the U.S. Department of Justice and U.S. Patent and Trademark Office issued the Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments, which recognizes the harms of patent hold up and explains that FRAND commitments are designed as a solution to that problem that benefits both standard implementers and SEP holders.\textsuperscript{18} The policy statement reasons that FRAND commitments may be incompatible with injunctive relief: “A decision maker could conclude that the holder of a F/RAND-encumbered, standards-essential patent had attempted to use an exclusion order [a form of injunctive relief] to pressure an implementer of a standard to accept more onerous licensing terms than the patent holder would be entitled to receive consistent with the F/RAND commitment—in essence concluding that the patent holder had sought to reclaim some of its enhanced market power over firms that relied on the assurance that F/RAND-encumbered patents included in the standard would be available on reasonable licensing terms under the SDO’s policy.” However, such relief may be appropriate in some circumstances, “such as where the putative licensee is unable or refuses to take a F/RAND license and is acting outside the scope of the patent holder’s commitment to license on F/RAND term” or “is not subject to the jurisdiction of a court that could award damages.”


\textsuperscript{17} https://ustr.gov/sites/default/files/08032013%20Letter_1.PDF

\textsuperscript{18} https://www.justice.gov/sites/default/files/atr/legacy/2014/09/18/290994.pdf
• The U.S. Department of Justice issued a detailed response in February 2015 to a “Business Review Letter” request from the IEEE seeking guidance on its updated patent policy.\textsuperscript{19} The DOJ’s response addressed several important aspects of SEP licensing, including injunctive relief, reasonable royalty rates, availability of FRAND licenses to standard implementers at all levels of the production chain, and reciprocal licenses. DOJ found the IEEE revised patent policy discussed earlier to be consistent with U.S. law.

• In 2017, the FTC brought an enforcement action in the U.S. District Court for the Northern District of California against Qualcomm, asserting that Qualcomm violated competition law in its mobile phone chip licensing practices.\textsuperscript{20} This enforcement action is significant in seeking to provide clarity about what constitutes FRAND behavior. The FTC alleged Qualcomm’s behavior was due, in part, to its dominant position in the chip manufacturing market. Qualcomm makes the lion’s share of Code Division Multiple Access (CDMA) and premium LTE chips, which are essential components to nearly every cell phone. According to the FTC, Qualcomm either refused licenses, or threatened device manufacturers with the withholding of access, to those necessary chips unless licensees agreed to pay exorbitant royalty fees. The FTC described this as an anticompetitive “no license-no chips” policy, which allowed Qualcomm to obtain royalties significantly higher than those suggested within their FRAND obligation. This case continues to be litigated in the U.S. federal court system.

More detailed summaries of the regulatory initiatives listed above and links to them are available on http://www.allthingsfrand.com/letters-statements/regulatory/.

Although different jurisdictions’ guidance varies in detail, they do exhibit common licensing principles for FRAND-committed SEPs. In particular, one commonly shared guidance indicates that the following conduct can be a breach of the FRAND commitment, or even an abuse of competition law: refusing to license SEPs to standard implementers; coercing the licensee to accept a license of a non-SEP as a condition for the licensing of a SEP; requesting discriminatory terms for a SEP license; imposing an unreasonable level of royalties or other non-FRAND conditions; seeking or using injunctive relief against willing licensees that are able to pay a reasonable royalty; or imposing licensing conditions that unreasonably restrict the licensee’s exercise of related patents it owns. This guidance does not, however, prescribe specific royalty rates for SEPs because of the highly fact-specific nature of SEP licensing.

\textsuperscript{19} https://www.justice.gov/atr/response-institute-electrical-and-electronics-engineers-incorporated
In summary, we recommend that JPO work with the JFTC to establish fundamental principles to guide standardization activities, help ensure SEP licensing on FRAND terms, prevent and effectively resolve disputes over the meaning of FRAND, and encourage the enforcement of FRAND commitments. With such principles, private parties and SSOs will still have plenty of room to negotiate the specifics of FRAND licensing terms.

IV. **ACT | The App Association Input on JPO’s Request for Input on Reasonable Royalty Level Calculation Methodologies and Factors**

JPO requests input on reasonable royalty levels, specifically “royalty base” and factors and methods for calculating royalties. As representatives of small business innovators that rely on FRAND access to SEPs, we seek to avoid two well-established, and deleterious effects\(^{21}\) -- royalty stacking, when the cumulative demands for the patent threaten to make it economically unviable to offer, and patent holdup.

As we have noted, guidance on the general meaning of FRAND commitments can be very beneficial. The App Association recommends that JPO, in conjunction with the JFTC, issue guidelines to fill in the details left unaddressed by the existing Japanese legal framework. This guidance would provide SSOs, courts, SEP holders, and implementers with more clarity on how Japanese law will be applied. We note that the guidelines offered by key market regulators do not establish royalty rates specific to FRAND commitments. Instead, they establish general principles to determine whether a proposed royalty or other licensing term is reasonable.

There is no need to proscribe royalty methodologies or establish an independent expert body to determine the details of FRAND licensing terms. The Japanese courts have jurisdiction to adjudicate infringement, validity, and enforceability of patents. Together, JFTC and JPO can help courts understand the difference between legitimate exercises of patent rights in the standardization context and contractual breaches of FRAND commitments, including instances where the breaches constitute abuses of unearned market power and harm to competition.

Regarding the “royalty base,” JPO requests input on whether certain theories, including the “smallest saleable unit” (SSU) theory, should be endorsed. We urge JPO to avoid exclusive mandates regarding calculation of a royalty base, even though the SSU approach and others have emerged as a reliable basis for calculation.\(^{22}\) We believe it may be helpful for JPO to support the SSU pricing methodology as one -- but not the only -- approach to determining reasonable royalty base.

Should JPO address royalty calculations, the App Association strongly urges JPO to clarify in its guidance that a reasonable rate for a valid, infringed, and enforceable


FRAND-encumbered SEP should be based on a variety of holistic factors, including the value of the actual patented invention, apart from its inclusion in the standard. This value cannot be assessed in a vacuum that ignores the portion in which the SEP is substantially practiced, or royalty rates from other SEPs to implement the standard. Such factors may include those noted by JPO (royalty rates of patent pools or other licenses, relative values of SEPs under negotiation to other SEPs, cumulative royalty rates, total numbers of SEPs, patent portfolio strength, research and development costs, and negotiation histories), as well as other factors used in precedent-setting case law, like the *Georgia-Pacific factors*, as they are refined through further decisions.

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24 *E.g., Microsoft Corp. v. Motorola, Inc.*, No. 10-cv-1823 (W.D. Wash.).
V. Conclusion

The App Association thanks JPO for seeking input on future SEP licensing guidelines. We look forward to assisting JPO on this critical effort. Please do not hesitate to contact us with any questions.

Sincerely,

[Signature]

Brian Scarpelli
Senior Policy Counsel
ACT | The App Association