



Setting out the EU approach to Standard Essential Patents:

Update on the European Commission's work

Anne von Zuckowski (GROW F3)

**SBS – WIPO Seminar
Alternative Dispute Resolution: a potential tool for SMEs
for standards related disputes
22.01.2019**

Standard-Essential Patents: an EU Framework

- **Why an EU framework?**

- SEPs underpin the roll-out of IoT and 5G (potential gains of € 110 billion revenue per year in the EU)
- IoT entails new landscape of licensees: need to avoid bumps in the road

- **Key objectives of the SEP Communication:**

- **Balance** (taking account of needs of SEP holders and implementers, with a specific focus on newcomers /SMEs)
- **Holistic approach** (focus on entire 'ecosystem')

SEPs - What are the issues?

- **Lack of transparency**
 - Self-declaration of SEPs at SDOs, without scrutiny
 - Asymmetry of information (risks for start-ups and SMEs)
- **Disagreement on 'FRAND' licensing principles**
 - Diverging views on royalty calculation and licensing conditions: e.g. where to license in the value chain
 - Lack of predictability fuels possible abuses ('hold up'/ 'hold out')
- **Increased (sometimes abusive) litigation**
- **Interplay of Open Source and standardisation**

Standard-Essential Patents: an EU Framework

- SEP Communication adopted in November 2017
- Current work items:
 - Transparency
 - Essentiality Pilot
 - FRAND Valuation and Licensing Expert Group
 - Enforcement, including ADR
 - Studies on SDO governance and on OSS & FRAND

Council Conclusions on IPR Enforcement

- ***Support the holistic and balanced approach of the SEPs Communication***
- *SUPPORT the establishment of common licensing practices based on the IP valuation principles set out in the Communication, including key signposts on the concept of fair, reasonable and non-discriminatory (FRAND) licensing terms, so as to provide for a more stable and efficient standardisation ecosystem.*
- *Stress the importance of improving transparency*



Brussels, 1 March 2018
(OR. en)

6681/18

PI 22
MI 120
ENT 37
IND 65
COMPET 121
UD 43
TELECOM 48
ENFOCUSTOM 37

'IIA' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council
Subject: Council conclusions on the enforcement of Intellectual Property Rights

1. On 29 November 2017, the Commission adopted a set of Communications relating to the enforcement of intellectual property rights (IPR)¹.
2. Following an exchange of views on these Communications within the Working Party on Intellectual Property, the Presidency tabled a set of draft Council conclusions. These were discussed at the Working Party on 5 and 20 February 2018.
3. At the end of the meeting on 20 February 2018, the Presidency launched a silence procedure on the latest draft, set out in WK 2103/18, asking delegations to notify the General Secretariat of the Council of any opposition to these conclusions by 27 February 2018 at the latest.
4. No such opposition has been notified to the General Secretariat of the Council so far.

¹ Documents 15313/17+ADD1, 15314/17 + ADD1+ADD2, 15315/17

Transparency

- Improve SEPs databases of SDOs
 - User-centric
 - On-line declarations
 - Up-to-date and complete information (link to patent databases)
- Awareness-raising (in particular for SMEs)
- Fostering patent pools and other licensing platforms
- Exchange of information between SDOs and Patent Offices

- Consultation process in the Multi-Stakeholder Platform on ICT Standardisation

Mandate SEP pilot project :

'The Commission ... will launch a pilot project for SEPs in selected technologies with a view to facilitate the introduction of an appropriate scrutiny mechanism.'
EC Communication (29.11.2017)

'Emphasises the importance of more transparency related to essentiality of patents and invites the Commission, together with relevant stakeholders – including, where applicable, Intellectual Property Offices – to develop a system that ensures better scrutiny' Council of the European Union (1.3.2018)

Set-up SEP pilot project:

Expected results

- Scrutiny mechanism **feasible?**
- **Best practices**, costs involved, lessons learned, skills needed ...

Stakeholders

- Intellectual Property Offices (IPOs)
- Standard Developing Organizations (SDOs)
- SDO members, SMEs in particular

Project structure

- JRC contract (open call published autumn 2018)
- Voluntary external test contributions following a common template of analysis (30 SEPs each)
- Steering committee
- Start January 2019, 14 months duration.

Focus of analysis SEP pilot project:

Technical feasibility: *How could it be done?*
(Costs, Skills, Scope, Liability ...)

Institutional feasibility: *Who could do it?*
*(Market based, IPOs, SDOs, EC, Independent
European body ...)*

Main tasks of analysis (deliverables):

- Literature review
- SEP quality landscaping
- Legal analysis of cases including essentiality tests
- Japanese model (Hantei model)
- Patent pool examples (market based solution)
- Common template for essentiality case studies
- Test sample of at least 30 SEPs
- Additional **voluntary external test samples** (e.g. from IPOs)?
- Stakeholder workshop

General principles for FRAND licensing

to guide negotiations and avoid abuses on both sides:

- Concept of **present value added**
- **Reasonable aggregate rate** for the standard
- Rightholders cannot discriminate between implementers that are **'similarly situated'**
- SEP licences granted on a **worldwide basis** may contribute to a more efficient approach

Commission Expert Group on SEP Licensing and Valuation

- ❑ To facilitate exchange of experience and good practice**
- ❑ To provide economic, legal and technical expertise**
- ❑ To assist the Commission in monitoring SEP licensing markets to inform any policy measures**

A balanced and predictable enforcement regime

- Guidance
 - Injunctive relief => Huawei vs ZTE
 - Proportionality
 - Litigation of patent portfolios - sampling
- Support ADR
- Monitor Patent Assertion Entities
- Awareness raising (SMEs)

Study: Governance of SDOs & their IPR Policies

- Team: Justus Baron, Jorge Contreras, Martin Husovec, Pierre Larouche
- Timing: Study in final phase, publication upcoming
- From an analysis of the SDO ecosystem, governance architecture and governance principles to an application of the overall framework in the case of IPR Policies.

Study: Interaction between Open Source Software and FRAND licensing in Standardisation

- Duration: 01/2018-5/2019
- Team: JRC/Fraunhofer Focus Germany and Open Invention Network
- Objective: The objective of the study is to identify possible commonalities and barriers for interaction between standardisation and opens source processes. The study should clarify the role of open source in the context of standard setting, in particular its interplay with proprietary knowledge solutions (FRAND licensing) and should provide an overview of OSS and FRAND features in standardisation.

The international dimension

- Standards are one of the elements enabling Globalisation through interoperability of products
- Consequently, SEPs business model/licensing is often global
- Important for many sectors, but in particular in the telecommunications field (interconnectivity itself being the main purpose)
- Presentation of the EU approach in third countries

Thank you for your attention!

anne.von-zukowski@ec.europa.eu

<https://ec.europa.eu/growth/industry/intellectual-property/patents/standards>