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Standing Committee on the Law of Patents

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PROPOSAL BY THE DELEGATION OF CANADA FOR AN INFORMATION EXCHANGE ON STANDARD-ESSENTIAL PATENTS

Document prepared by the Secretariat

1. The Annex to this document contains a proposal submitted by Delegation of Canada for an information exchange on the topic of standard-essential patents, for consideration by the Committee under item 8 of the draft agenda: Transfer of technology.

2. The members of the Standing Committee on the Law of Patents (SCP) are invited to consider the contents of the Annex.

[Annex follows]

PROPOSAL BY THE DELEGATION OF CANADA FOR AN INFORMATION EXCHANGE ON STANDARD-ESSENTIAL PATENTS

Introduction

1. A standard-essential patent (or SEP) is a patent on a technology that is essential to the implementation of a given technical standard. In an increasingly complex and interconnected global innovation landscape, SEPs play an important role in facilitating interconnectivity and interoperability across a broad range of products and services. For instance, wireless and mobile communications networks, such as 3G, 4G, 5G, long-term evolution, Bluetooth, and WiFi, make use of standard interoperability protocols, which in turn rely on thousands of patented technologies to operate. SEPs are also increasingly common in sectors that make use of emerging Internet of Things (or IoT) technologies, such as in the energy, electrical grid, health care, and automotive sectors. As the IoT continues to drive the interconnectivity of an even wider range of products and services, such as “smart” devices and home appliances, technical standards and the underlying patents essential for their implementation can be expected to play a prominent role in the global marketplace.
2. The development of standards through formal organizations, also known as “standard development organizations” (or SDOs), can have an important impact on the availability and accessibility of standardized technologies, by lowering production costs, increasing efficiency, reducing barriers to entry, and fostering interoperability and innovation. When a patented technology is incorporated into a standard, SDOs often require the owners of patents covering portions of a standard to disclose patents that are essential to the implementation of a standard, and to commit to license these patents on terms that are fair, reasonable, and non-discriminatory (or FRAND). The negotiation of SEP licences on FRAND terms can facilitate the broad diffusion of a technology to users, while providing patent holders with a return on investment spent on the research and development of that technology. SEP licensing on FRAND terms can also be crucial for small and medium-sized enterprises (SMEs) and start-ups, to facilitate scaling up and entry into new markets, as well as to support the broad diffusion of technology owned by these emerging market players.
3. Nevertheless, despite these objectives, challenges can arise with respect to the licensing of SEPs between patent owners and implementers. For instance, potential SEP licensees may seek to “hold out” by delaying the conclusion of a licence in order to pressure the owner to accept a royalty at a lower rate. Alternatively, an SEP owner may “hold up” FRAND negotiations to seek an even higher royalty rate. In order to address these and other challenges, SDOs and patent owners engage in a range of practices related to the determination of FRAND licensing rates, negotiating licences between SEP owners and implementers, and ensuring that SEP owners and implementers accept FRAND terms.
4. In addition to the continued development of SEP policies between implementers and patent owners, WIPO Member States are also following SEPs and FRAND issues in domestic and international settings. While different Members may of course approach SEPs and FRAND licensing issues from various policy perspectives, as informed by their respective legal traditions, levels of economic development, and economic interests in standardized technologies, WIPO Member States may nonetheless have important experiences to share on these topics.

Proposal for an information exchange on SEPs

5. In order to better understand the various approaches of WIPO Members on SEP-related issues, it is proposed that the WIPO Standing Committee on the Law of Patents (SCP) explore the different experiences of WIPO Members in this area. We would be interested in hearing the

experiences of Member States on their respective current practices on these topics, which could include experiences related to:

- Transparency and predictability in FRAND licensing arrangements;
- Efficiency of FRAND negotiations;
- Balancing the interests of SEP owners and SDO implementers;
- Providing balanced, predictable, and efficient enforcement and dispute resolution frameworks; and
- Encouraging the development of FRAND expertise, including for SMEs and start-ups.

6. We would also be interested in hearing the experiences of SCP observers and other relevant stakeholders, including SDOs, implementers, and SEP owners, including in respect of emerging policies and practices on the incorporation of patented technologies into standards, and the negotiation of licences on FRAND terms.

7. We propose that WIPO Members engage in a sharing session on policy experiences on SEPs and FRAND-related issues at the thirty-sixth session of the SCP (SCP/36), preceded by a sharing session by SCP observers and other relevant stakeholders at the thirty-fifth session (SCP/35).

[End of Annex and of document]