



WIPO SPC
35th Sharing Session
on SEPs and FRAND Licensing

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I. Introduction



The German Association for the Protection of Intellectual Property (GRUR)

- largest and oldest association in Germany that is devoted to the protection of intellectual property
 - purpose of advancing the academic debate on pertinent legal issues
 - members of the GRUR Association are German and foreign individuals - lawyers, patent attorneys, judges, academics, professors, as well as enterprise representatives
- ➔ Due to this diverse setup, GRUR offers a **differentiated assessment** and not an opinion

II. Legal background



Standard Essential Patents touch upon **three different fields of law:**

- **Patent law:** governs the fundamental question of whether and how the monopoly right of the patent can be used by the patent holder
 - bottom line: rights conferred by Art. 28 TRIPS Agreement
- **Contract law:** in principle, patent holders are free to license their patents
 - bottom line: license agreements are primarily assessed by (national) private contract law
- **Competition law:** Grouping patents in industrial standards is subject to the scrutiny of competition law in the European Union (Art. 101, 102 TFEU)
 - bottom line: restraints of (national) competition law are superimposed on contract law (specifically on the licenses: FRAND preconditions)

➔ **SEPs are not primarily an issue of patent law!**

III. Specific issues concerning SEPs

1. Transparency and Predictability of FRAND-licensing agreements (a)

Problem statement: Patent holders are often criticized by implementers for not revealing comparable license agreements, making it impossible to determine FRAND-royalty-rates

- FRAND-licenses are primarily private contracts concluded after negotiations
- CJEU has stated that FRAND is **range** and not a concrete number
- determining a concrete number from a range of possible FRAND-licensing rates must be left to **free business negotiations** between the parties
- the **right degree of transparency** is crucial to allow both parties to engage in **fair** business negotiations
 - ⇔ **total transparency** is **not** required to determine a FRAND-rate between two parties

III. Specific issues concerning SEPs

1. Transparency and Predictability of FRAND-licensing agreements (b)

Problem statement: transparency is massively hindered by uncertainties as to the true essentiality of SEPs

- SEPs are only registered with SDOs
- FRAND-declaration is being made by patent owners
- **SDOs do not check the essentiality** of registered SEPs
- true essentiality is not determined until the FRAND negotiation and **enforcement stages**
- who determines essentiality:
 - patent holders to prove their licensing demands
 - national courts at the enforcement stage
- centralized body for essentiality checks is desirable but hindered by massive shortage in qualified experts

III. Specific issues concerning SEPs

2. Efficiency of FRAND-negotiations

Problem statement: Patent holders and implementers reproach each other for patent hold out and hold up respectively

- to establish a framework for fair negotiations, the **CJEU** has implemented a **roadmap**
- parties are required by the constraints of competition law to follow the roadmap
- roadmap is designed to leave room for **free business negotiations**
- imposing stricter requirements on patent holders and implementers might conflict with **contractual freedom** and the **patent's exclusivity rights**
- compliance with the roadmap is monitored by the national courts at the enforcement stage

III. Specific issues concerning SEPs

3. Balancing of interests

Problem statement: Patent holder is criticized for unfairly exploiting its monopoly rights;

implementers are criticized for trying to get away with infringement

- Interest of the patent holder: to exercise the rights conferred to him by the patent
- Interest of the implementer: access to technology protected by SEPs
- Notion of FRAND – fair, reasonable and non discriminatory – is key to balancing these interests

bottom line

→ implementers must get access to SEP technology

→ patent holders have to be fairly compensated

III. Specific issues concerning SEPs

4. Dispute resolution frameworks

Problem statement: Criticism to the effect that national courts usually do not provide concrete FRAND-rates

- ➔ Dispute resolution system is **prepared to support** patent holders and implementers in **negotiations** towards individual FRAND-rates
- **alternative dispute resolution:** parties can resort to guided negotiation or mediation services to help
- **state court dispute resolution:** national patent courts and UPC will judge whether parties conducted negotiations in accordance with roadmap instituted by CJEU
 - ⇔ deciding on concrete FRAND-rates in individual cases would run counter the parties freedom to negotiate

III. Specific issues concerning SEPs

5. FRAND-expertise

Problem statement: Access to relevant information on FRAND-issues might be difficult to obtain, especially for SME's and start-ups

→ depends on the type of information:

- **abstract information** on FRAND-related issues is abundant, through journal articles, conferences, information by stake-holders, mostly easily accessible on the internet
- **concrete information** on common FRAND-royalty rates or the true standard-essentiality of patents is very difficult to obtain
 - while more transparency is desirable in this respect, the legitimate interest of actors to protect their business secrets should be weighed against it

IV. Draft EU SEP-Regulation



- ➔ Regulation on standard-essential patents (COM (2023) 232)
(European Commission proposal)

Highlights

- **Establishment of a SEP Competence Center at the EUIPO** to bundle information
 - ↔ criticism: lacking expertise of the EUIPO concerning SEPs
- **SEP-registration** at the EUIPO to foster transparency
 - ↔ criticism: disproportionate administrative burden for patent holders
- **Essentiality checks** to foster transparency
 - ↔ criticism: insufficient number of experts for essentiality checks available
- **Aggregate royalty rates** for SEP to facilitate FRAND determination
 - ↔ criticism: many disagreements on how to build the aggregate royalty

IV. Draft EU SEP-Regulation



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(European Commission proposal)

Highlights (continued)

- **mandatory FRAND determination by upstream conciliation** to foster a transparent and reliable process for FRAND rate setting and reduce disputes over FRAND
 - ↔ criticism: making FRAND determination precondition for enforcement of an SEP by the patent holder is a denial of access to justice
 - ↔ criticism: compromises parties contractual freedom
 - ↔ criticism: so far lacking competence within EUIPO;
 - ➔ may be developed over time in cooperation with outside institutions such as WIPO