



WTO OMC

WIPO Information Session on Patents and Standards

Patents and Standards in the Context of International Trade

Ms. Xiaoping Wu

Counsellor

Intellectual Property, Government Procurement and Competition Division
World Trade Organization

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Focus of the debate on the issue of patents and standards

- Availability of injunctions
- Valuation of standard essential patents (SEPs) and calculation of Fair, Reasonable And Non-Discriminatory (FRAND) royalty rates



The impact of these two issues on the international trade

- ❑ Fair and free flow of trade of ICT products
- ❑ Innovation and dissemination of patent technology
- ❑ Harmonization and implementation of international standards



WTO agreements

- WTO agreements
 - Agreement on Technical Barriers to Trade (TBT Agreement)
 - Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)
- Legally binding on all WTO Members



The TBT Agreement

- Reflects a balance between:
 - Recognizing WTO Members' right to adopt technical regulations and standards to achieve legitimate policy objectives; and
 - Ensuring that these measures are not discriminatory or unnecessary barriers to trade.
- Strongly encourages WTO Members to use international standards as a basis for their technical regulations and standards.
- International standards as tools for helping WTO Members strike that balance when regulating.



The TRIPS Agreement

- ❑ Minimum substantive standards for IPR protection and enforcement;
- ❑ IP protection should contribute not only to the promotion of innovation but also to the transfer and dissemination of technology;
- ❑ IP protection should benefit both producers and users of technology;
- ❑ IP protection should strike a right balance of rights and obligations.



The issue of patents and standards in the WTO

Trade Policy Review Body

TBT Committee

Not yet

TRIPS Council



Trade Policy Review Body – ongoing discussion

- Trade Policy Reviews – ensuring transparency
- The issue of patents and standards raised in the TPR process
 - United States
 - European Union
 - China

TRADE POLICY REVIEW: US (WT/TPR/M/350/Add.1)

WT/TPR/M/350/Add.1

- 116 -

RESPONSE: We object to the characterization of "indefinite protection." Protection for a geographical indication may be maintained provided that the requirements of the Lanham Act, state law, or the Federal Alcohol Labeling Act continue to be met. Please refer to those laws for further information about such protections.

Question 110

Page 97, 3.3.6.3 Patents

110. *Standard organizations in the U.S. are now formulating their own policies regarding standard essential patents without a unified rule, which increases the uncertainty and cost of the whole procedure. Does the U.S. have any consideration on the balance of interests of patent owners, standard enforcement organizations and the public? Will the U.S. consider promulgating a unified federal rule regarding standard essential patents?*

RESPONSE: The private sector leads standards setting in the United States, including in the development of the policies of Standards Setting Organizations regarding standard essential and other patents. It is unlikely that there is a single approach to such policies that would best serve the wide range of standards setting organizations, and attendant circumstances that may change over time. Variation among SSOs' patent policies could be beneficial to the overall standards-setting process.

Questions 111-112

Page 98 para. 3.253

These entailed: transitioning the U.S. to a first-inventor-to-file system; providing an enhanced grace period for inventors to safeguard patent rights against disclosures made one year or less before the effective filing date; modifying the definition of prior art to include non-printed disclosures, including oral disclosures, made available to the public anywhere in the world; providing prior art effect to U.S. patent applications as of their foreign priority dates; eliminating the requirement for inventors to set forth the best mode to carry out the invention as a defence in

TRADE POLICY REVIEW: EU (WT/TPR/M/357/Add.1)

WT/TPR/M/357/Add.1

- 219 -

EU reply: Article 27 of the Unified Patent Court ('UPC') Agreement which set up a unique jurisdiction dealing with disputes relating to the European patent with unitary effect ('unitary patent') but also classical European patents, set some rules regarding the limitation to the effects of a patent. Article 53 of the European Patent Conventions lists the exceptions to patentability which apply to any European patent (covering classical European patents but also unitary patents). Recital 10 of regulation 1257/2012 implementing enhanced cooperation in the area of unitary patent protection states that compulsory licenses for European patent with unitary effect should be governed by the law of the participating Member States as regards their respective territories. In addition, actions relating to compulsory licenses for unitary patents and classical European patents are handled by national courts according to article 32(2) of the UPC Agreement.

3.3.8.2.1.3 Standard-essential patents 3.280 p. 117

In particular, the Court found that the holder of a standard-essential patent who has committed to the standardization body to licence third parties on fair, reasonable and non-discriminatory terms, may seek an injunction to stop the infringement or to recall the products concerned without abusing its dominant position. Prior to seeking such an injunction, the right holder must, however, alert the alleged infringer of the infringement and, if the latter is prepared to sign a licensing agreement, submit an offer for a licence, including the applicable terms, such as the royalty to be paid and the way in which it is to be calculated.

Question 58: Regarding the standard-essential patents please clarify methods for determining the amount of the respective license fees (determined by the rights holder, standardizing body, etc.).

EU reply: There is no single correct methodology to determine the amount of license fees for SEPs. The Guidelines on the applicability of Article 101 of the Treaty on the functioning of the European Union to horizontal co-operation agreements (O.J C 11 of 14 January 2011, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C:2011:011:TOC>) refer to various methods such as comparative analysis of various elements (paragraphs 289, 290 and 291).

TRADE POLICY REVIEW: CHINA (WT/TPR/M/342/Add.1)

WT/TPR/M/342/Add.1

- 436 -

stipulates that the formulation of standards shall bring into full play the roles of enterprises, scientific research institutions, consumers and social groups and widely listen to opinions.

Articles 4, 5 and 13 reflect the government's macroscopic management and overall coordination of the development of national standardization, and are consistent with the overall thinking (namely let the market play a decisive role in allocating resources of standardization and give better play to the role of the government) of this round of standardization reform. Article 4 makes regulations on the standardization management systems of China. Since the promulgation of the Standardization Law in 1988, China always adheres to the administration system of "unified management and divided responsibilities", which this law amendment did not change. As Article 5 stipulated, the coordination and promotion mechanism of standardization shall be established. This is an important part of the standardization reform, aiming at enhancing the planning and coordination on the key policies of standardization between government departments and the coordination of formulation and implementation of important standards. Article 13 emphasized that when the law sets new group standards, the government shall strengthen the cultivation, guidance and supervision of group standards. This does not affect the autonomy of social groups to set the standards.

In June 2015, the State Council established the Inter-agency Joint Conference for coordination and promotion of standardization consisting of 39 departments including Cyberspace Administration of China, Ministry of Foreign Affairs and National Development and Reform Commission. Meanwhile, AQSIQ and Standardization Administration of China already carried out pilot work in 39 social groups such as Chinese Institute of Electronics, and formulated and issued the Guiding Opinions on Cultivating and Developing Group Standards on the basis of the pilots.

d. The draft law is not clear with regard to whether private parties, including foreign parties, will be able to participate in the standard setting process in China. Please confirm that private parties, including foreign parties, will be able to participate in the standard setting process in China? Please explain how it is envisioned that the standard setting process will work.

Reply: The Standardization Law has the features of territoriality. Enterprises in China, be it Chinese-invested or foreign-invested, shall obey the law and can conduct standardization activities according to the stipulations of the Standardization Law.

e. The draft law uses terms that are not generally used in standardization settings and that do not appear in the TBT Agreement. For example, the draft law uses the terms "sample standards," "trade/industry standards", "group standards" and "enterprise standards" without providing any definition as to what these terms mean. How does China define these terms for purposes of the draft law?

Reply: The draft law already makes the definition and explanation on the "industry standards," "group standards" and "enterprise standards". Industry standards are set by relevant administrative departments under the State Council, and are the agreed-on voluntary standards of the industry of China in the absence of national standards. Group standards are made by de jure social groups and for voluntary adoption by the society. Enterprise standards are developed by enterprises themselves according to their needs, which act as the standards for organization of production.

The United States notes the importance of respecting intellectual property rights in the standard setting process. Where copyrighted material is adopted or incorporated by reference, the rights of the copyright owners must be protected. It also is critical to protect the rights of holders of patented technologies that are incorporated into a standard. Will China clearly affirm these essential basic principles in the draft law?

Reply: Protecting the rights of owners is one of the main principles of relevant laws and regulations of China on patents and copyrights. Meanwhile, for the patented technologies that are incorporated into a standard, especially the standard essential patents, China holds that the patent policy shall ensure the balance of interest between

TBT Committee: past discussion

- China's IPR proposals
 - Proposals (2006) (G/TBT/W/251 & add.1)
 - The implementation of TBT obligations
 - Non-paper (2007): a draft decision on guideline for IPRs issues concerning preparation, adoption and application of standards
- Main concerns raised in the discussion
 - What is the scope of the TBT Agreement and the mandate of the TBT Committee?
 - Is the TBT Committee an appropriate forum?
 - What is the nature of the proposal?



Provisions of the TRIPS Agreement most relevant to the key issues under debate

- Valuation of SEPs and calculation of FRAND royalty rates
 - Arts. 31(b), 31(h), 31(k) and 45
- Availability of injunctions
 - Art.44
- Control of anticompetitive practices
 - Art. 40
- Compulsory licensing
 - Arts. 31(b)



What role the WTO can play in addressing the issue of patents and standards?

- ❑ A global issue - high demand for transparency and certainty of national rules and substantive coordination of these national rules
- ❑ Practical questions on the implementation of WTO agreements
- ❑ WTO - a forum for Members to consult or negotiate issues relating to the implementation of WTO agreements



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Thank you.

Xiaoping Wu
Xiaoping.wu@wto.org