



The Standards People

# “Patents & Standards”

Presented by: **Christian Loyau**

For: **WIPO**

**13 July 2018**

# Agenda

---

Presentation of ETSI

The irrevocable undertaking of Art 6.1 of the ETSI IPR policy

Should transparency not start with more accuracy ?

ETSI and FRAND

Standardizations, patenting, licensing and disputes are global – court decisions are national

# ETSI

ETSI is a French non profit organization located in Sophia Antipolis  
Produces standards in support of European Union policies and legislation, e.g.

Radio  
e-ID  
e Signatures  
Security  
Accessibility

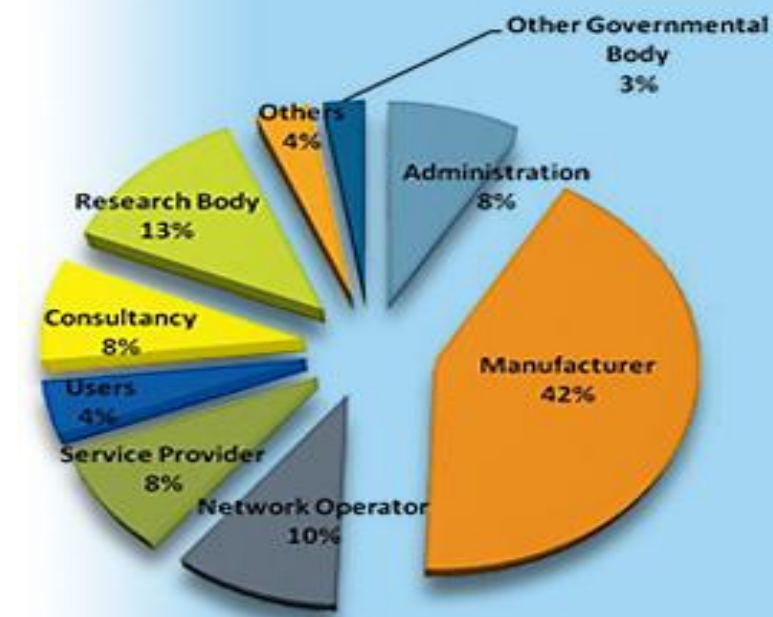
It contributes to ICT radio frequency requirements to the European co-ordination process

EC and EFTA are Counsellors of ETSI

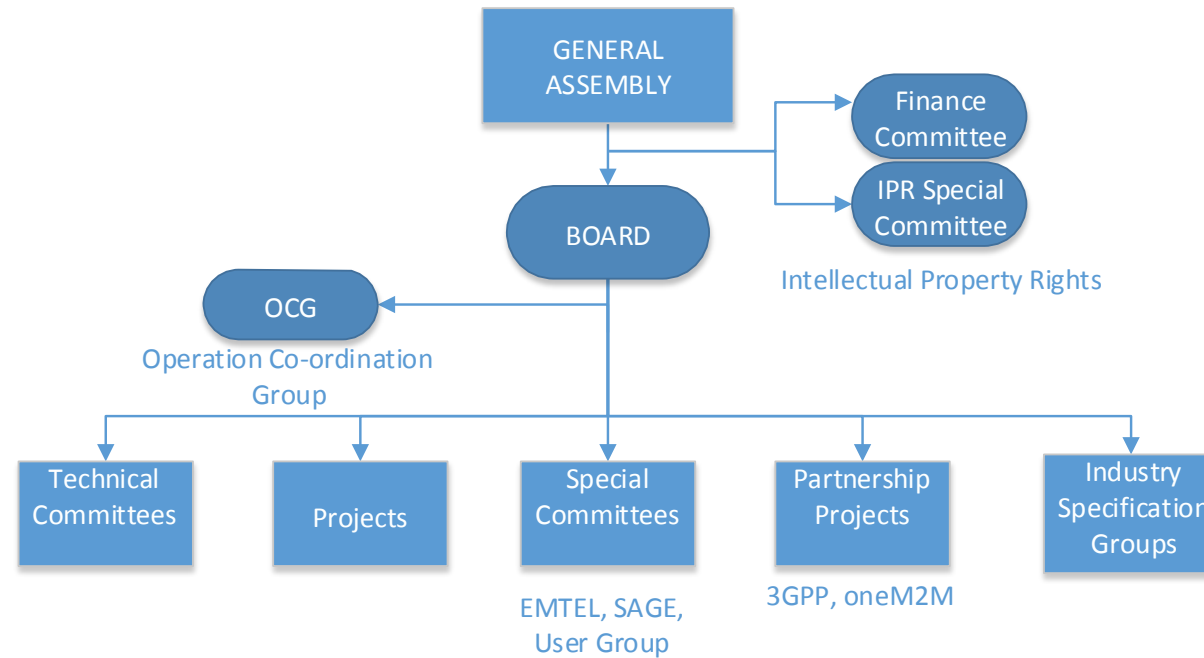


# Membership

- Over 850 companies, big and small, from 68 countries on 5 continents
- Manufacturers, network operators, service and content providers, national administrations, ministries, universities, research bodies, consultancies, user organizations



At all levels,  
consensus is the  
preferred way



## 3 European Standardization Organizations (I)

---

3 Standardization Development Organizations recognized by the EC :Regulation (EU) No 1025/2012 called European Standardization Organizations ESO

**ETSI** : responsible for producing globally-applicable standards for information and communications technology (ICT) including fixed, mobile, radio, converged, broadcast, and internet technologies.

**CEN** : responsible for producing standards for various types of products, materials, services, and processes including air and space, chemicals, construction and more.

**CENELEC** : responsible for producing standards in the electro-technical engineering field.

## 3 European Standardization Organizations (II)

---

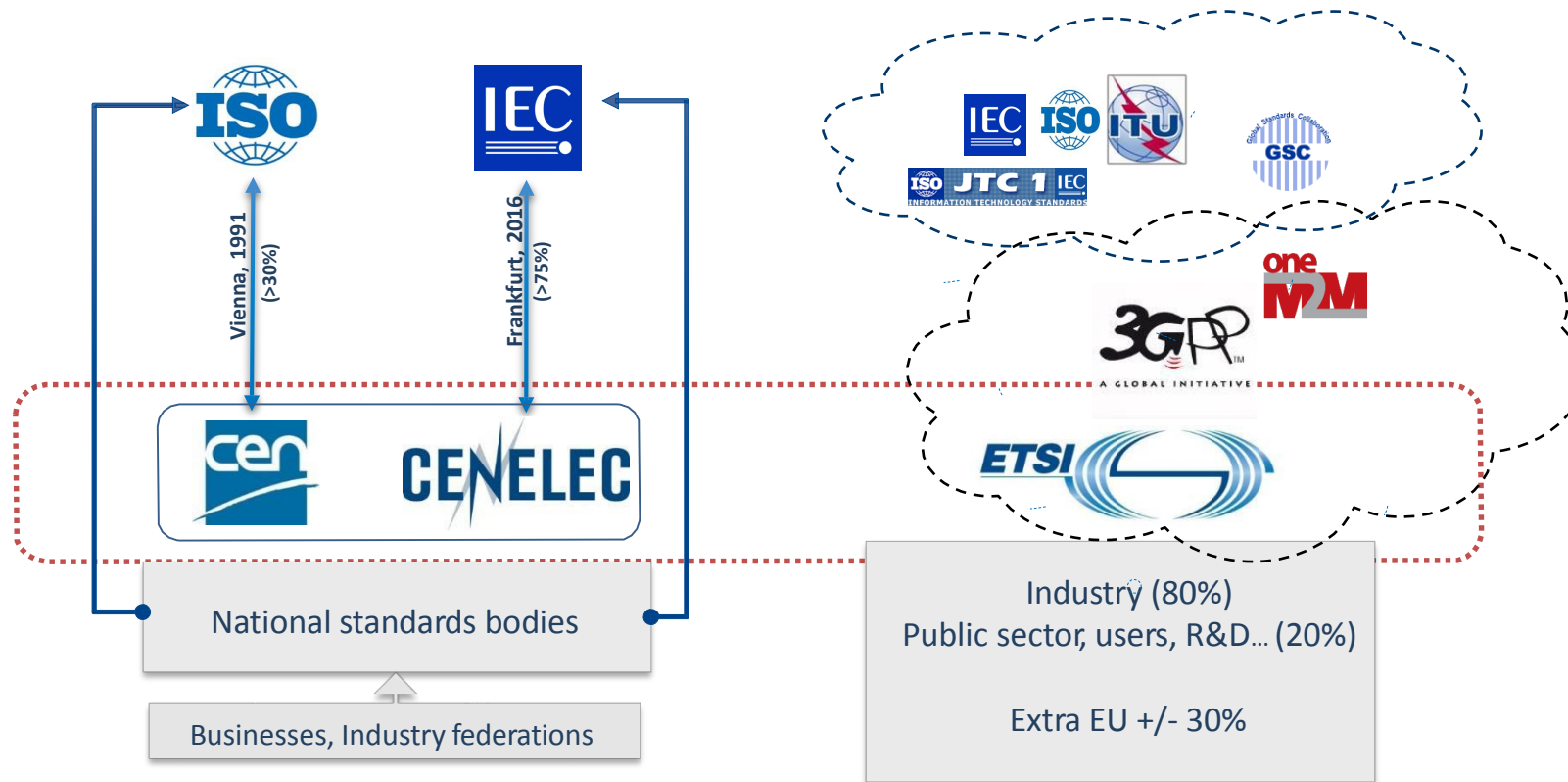
A harmonized standard is a European standard developed by a recognized European Standards Organization: CEN, CENELEC, or ETSI.

It is created following a request from the European Commission to one of these organizations.

Manufacturers, other economic operators, or conformity assessment bodies can use harmonized standards to demonstrate that products, services, or processes comply with relevant EU legislation.

The use of these standards remains voluntary.

Manufacturers, other economic operators, or conformity assessment bodies are free to choose another technical solution to demonstrate compliance with the mandatory legal requirements





---

# The irrevocable undertaking of Art 6.1 of the ETSI IPR policy

# The irrevocable undertaking of Art 6.1 of the ETSI IPR policy

---

French non profit organisation : law of 1<sup>st</sup> July 1901 “*relative au contrat d’association*”

- Art 1 : contract between 2 or several persons who agree to put in common on a permanent basis their knowledge or activities for another purpose than sharing benefits
- All members are bound by contract and shall abide to the Directives including Annex 6
- Art 12 of ETSI IPR Policy : “The POLICY shall be governed by the laws of France...”

## The irrevocable undertaking of Art 6.1 of the ETSI IPR policy

---

- Article 1205 of the civil Code :

“A person may make a stipulation for another person

One of the parties to a contract (the ‘stipulator’) may require a promise from the other party (the ‘promisor’) **to accomplish an act of performance** for the benefit of a third party (the ‘beneficiary’). The third party may be a future person but must be exactly identified or must be able to be determined at the time of the performance of the promise.”

- On peut stipuler pour autrui.

L'un des contractants, le stipulant, peut faire promettre à l'autre, le promettant, **d'accomplir une prestation** au profit d'un tiers, le bénéficiaire. Ce dernier peut être une personne future mais doit être précisément désigné ou pouvoir être déterminé lors de l'exécution de la promesse.

## The irrevocable undertaking of Art 6.1 of the ETSI IPR policy

---

- Art 1205 of the civil Code : commitment to a performance or a contract ?
- Patent license agreement under French law considered as a rental contract
- And implies agreement on 3 substantial elements; the object of the contract, the duration, and the price;
- High court judgment of June 1973 ( Cass.civ, 3ème, 27 june 1973 n° 72-12321) : a rental promise can only be considered as a rental contract if price is agreed
- Art L. 613-8, IP Code : written agreement
- Civil law ? – IP law ? – Competition law ?

---

Should transparency not start with more accuracy ?

*“The Commission:*

- calls on SDOs to urgently ensure that their databases comply with the main quality features described above and will co-operate with SDOs to facilitate this process;*
- calls on SDOs to transform the current declaration system into a tool providing more up-to-date and precise information on SEPs and will co-operate with SDOs in order to facilitate that process;*
- considers that declared SEPs should be subject to reliable scrutiny of their essentiality for a standard, and will launch a pilot project for SEPs in selected technologies with a view to facilitating the introduction of an appropriate scrutiny mechanism.”*

## Definition of IPRs and disclosure (extract from the IPR policy)

---

"IPR" shall mean any intellectual property right conferred by statute law including applications therefor other than trademarks. For the avoidance of doubt rights relating to get up, confidential information, trade secrets or the like are excluded from the definition of IPR.

### 4 Disclosure of IPRs

4.1 Subject to Clause 4.2 below, each MEMBER shall use its reasonable endeavours, in particular during the development of a STANDARD or TECHNICAL SPECIFICATION where it participates, to inform ETSI of ESSENTIAL IPRs in a timely fashion. In particular, a MEMBER submitting a technical proposal for a STANDARD or TECHNICAL SPECIFICATION shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER's IPR which might be ESSENTIAL if that proposal is adopted.

4.2 The obligations pursuant to Clause 4.1 above do however not imply any obligation on MEMBERS to conduct IPR searches.

4.3 The obligations pursuant to Clause 4.1 above are deemed to be fulfilled in respect of all existing and future members of a PATENT FAMILY if ETSI has been informed of a member of this PATENT FAMILY in a timely fashion. Information on other members of this PATENT FAMILY, if any, may be voluntarily provided

## Current Status of the ETSI IPR database (I)

Distribution of declarations/patent families over time (absolute and aggregate)

	2011	2012	2013	2014	2015	2016	2017
Number of declarations	141	145	181	199	142	136	244
Number of Patent Families	2620	2687	2125	2399	2033	2088	5578

Distribution of patent families over projects


	2011	2012	2013	2014	2015	2016	2017
Number of patent families	2652	2874	2145	2622	2323	2088	5578
Number of projects	132	163	75	81	59	58	74



## Current Status of the ETSI IPR database (II)


Number of ISLD Declarations and disclosures where the couple patent number, standard number is complete

	Declarations	Disclosures
Total	1168	28207
Complete (filter applied)		27502
Rate		97 %



Number of ISLD Declarations where the patent number, standard number is complete and at least one reference is provided in the field “Illustrative specific part”

	Declarations	Disclosures
Total	1168	28207
Complete (filter applied)		7553
Rate		26 %



---

# ETSI & FRAND

# COMMUNICATION FROM THE COMMISSION of 29.11.2017 ON GENERAL PRINCIPLES FOR FRAND LICENSING TERMS FOR SEPS

---



*“...The Commission calls on SDOs and SEP holders to develop effective solutions to facilitate the licensing of a large number of implementers in the IoT environment (especially SMEs), via patent pools or other licensing platforms, while offering sufficient transparency and predictability...”*

# Fair Reasonable And Non Discriminatory

---

- Patent protection & open standardization serve innovation but can be conflicting
- No priority can be given to any of the principles of either system
- Therefore SDOs should be eager to maintain the balance
- Freedom to contribute by the members + FRAND license commitment => business neutrality of the SDO
- No involvement of ETSI in commercial discussions between members => no contractual definition of FRAND
- FRAND purpose : make innovation open and attractive
- Courts begin to define FRAND but no harmonized decisions

# Patent pools

---

- Agreement between two or more patent owners to license one or more of their patents to one another or to third parties
- Positive effects on competition and innovation. By sharing IPRs /SEPs, patent owners may develop new products and reduce their transaction costs and give easier access to implementers.
- Negative effects cartel risk ; patent pools may provide an opportunity for a possible anti-competitive behavior: like any cooperation among competitors, they involve an inherent risk of collusive behavior.
- From an SDO prospective ;essentiality check is done by the patent pool
- From an implementer prospective ; single license contract for a bundle of patents “one-stop shopping”
- From a patent owner prospective ; cost reducing effect and higher transparency

---

Standardizations, patenting, licensing and disputes are  
global – court decisions are national

# COMMUNICATION FROM THE COMMISSION of 29.11.2017

---

## “3.4. ALTERNATIVE DISPUTE RESOLUTION

The Commission takes the view that alternative dispute resolution (ADR) mechanisms such as mediation and arbitration can offer swifter and less costly dispute resolution. While there can be no obligation for parties to use ADR, the Commission believes that the potential benefits of this tool are currently underexploited.

Recourse to ADR is often hampered by unpredictability and criticised for **lack of transparency** of previous decisions. The success of such mechanisms depends not only on appropriate procedures, but also on **the quality of experts**. When it enters into operation, the Unified Patent Court should provide a dedicated arbitration and mediation centre benefitting from a pool of specialised judges, thus ensuring high quality and efficient proceedings, coherent practice and limited scope for forum shopping. As announced in its November 2016 strategy on IP for SMEs, the Commission is, together with the EUIPO, mapping IP mediation and arbitration tools with the view to facilitating the further roll-out of IP mediation and arbitration services, for SMEs in particular.

The Commission considers that **the outcomes of disputes should also be included in SDOs' databases** as mentioned in the chapter on transparency.”

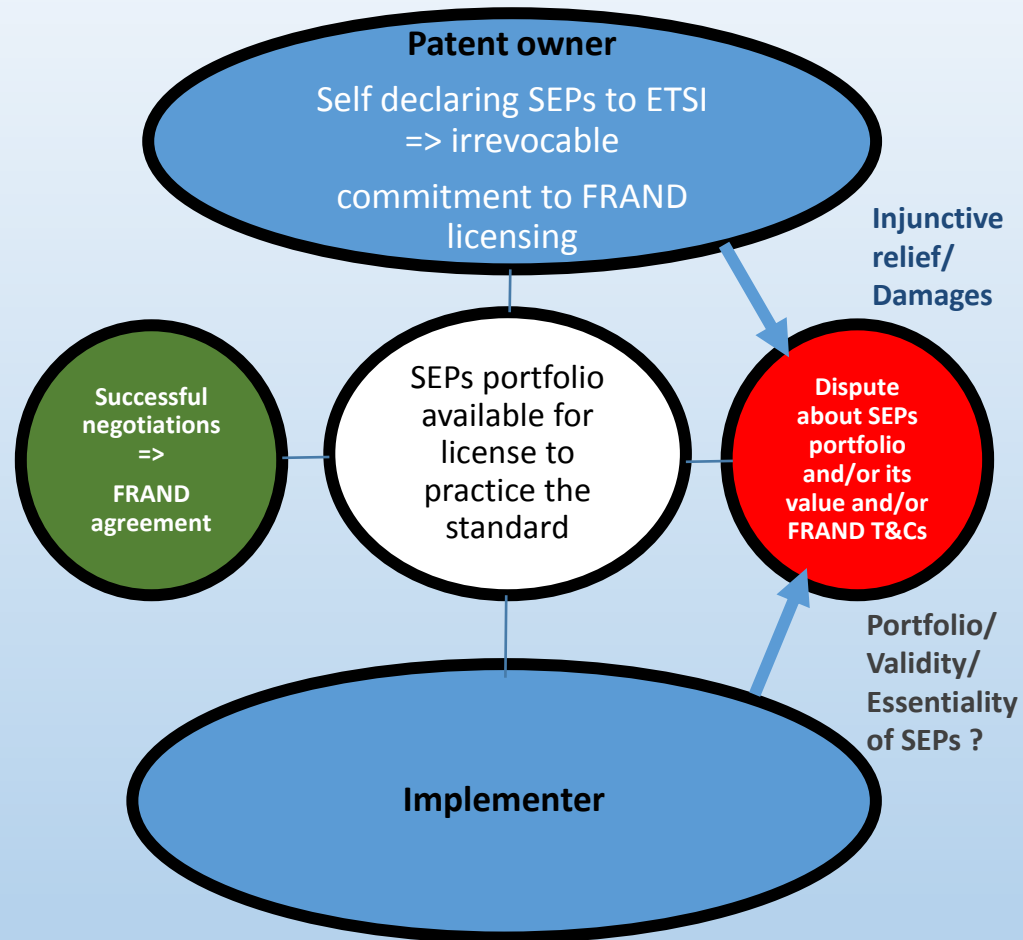
## TRIAL

✓ Forum shopping

✓ Full disclosure of evidence to the parties

✓ Appeal

✓ Duration



## ADR

### • Mediation

✓ Senior executive to be present

### • Arbitration

✓ Single proceeding with determined law/Intl.

✓ Expertise of arbitrators + Experts

✓ Possibility to seek court ordered injunction

✓ Inter partes decision about validity and/or of SEPs

✓ Limited appeal => quick result

✓ Final and enforceable decision (New York convention)

✓ Proceedings & award confidential



# Different options chosen by Courts

---

- Patent vs Patent portfolio
- Single rate vs. range of rates
- Top-down approach (determination of the aggregate royalty that should be paid for all SEPs covering a particular standard, and then allocation of an appropriate portion of the total to the asserted SEPs) vs. bottom-up approach (assess the value of asserted SEPs in isolation by using comparable license agreements)
- Royalty base (Entire Market Value Rule V. Smallest Salable Patent Practicing Unit )
- Patent counting vs. individual valuation
- Ex ante (SEP royalties should only reflect the value before the standard is widely adopted in the market) vs. ex post
- TCL v Ericsson – Unwired Planet v Huawei

---

Thank you for your attention

Christian Loyau

[christian.loyau@etsi.org](mailto:christian.loyau@etsi.org)

M:+33(0)698692042