IEEE SA
STANDARDS ASSOCIATION

WIPO SCP/35 SHARING SESSION ON STANDARDS ESSENTIAL PATENTS AND FRAND LICENSING

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19 October 2023

IEEE

DELICATE BALANCE

Cutting-edge contributions to the standards and access to Standards Essential Patents (SEPs) associated to such contributions are important to the ecosystem

However, the systems (standardization, patent system, and – eventually - the markets) suffer from a stunning lack of clarity of the rules that are – at bare minimum - necessary in order to satisfy the mantra, repeated constantly in the hope that somebody may hear it, namely that:

- Patent owners can contribute to the advancement of technology while being fairly compensated for their intellectual property
- Implementers can utilize the standardized technology with some assurance of access to essential patents

DELICATE BALANCE EASY TO DISRUPT

Such lack of ***fundamental*** clarity makes the interface between the two systems inherently untransparent, and the outcome aleatory and unpredictable, as evidence from several court cases has demonstrated.

If FRAND can mean anything under the sun, then it is relatively easy for players from the two extremes to play individual maximum optimization games to the detriment of the stability of the system. E.g.,

- Patent owners may not negotiate in good faith to offer fair and reasonable licenses ("reasonable is what the patent owner ultimately asks for" told me once a now retired judge very active in this field), discriminating at will by not offering licenses to whom may need them, targeting the upper echelon of the food chain, and threatening even against *prima facie* willing licensees.
- Implementers may not negotiate in good faith to accept even *prima facie* fair and reasonable licenses proposals or choose to unreasonably delay negotiations, speculating on the same grounds of fundamental uncertainty.

IEEE SA'S ASSESSMENT OF THE SITUATION

IEEE SA's position has emerged over the past 10 years and has become very clear and consistent.

We agreed that such a protracted fundamental uncertainty with respect to RAND, the foundation of our policy, would eventually enable unfair appropriation (btw from both extremes of the spectrum) of the value that is created by our standardization collectives, and would eventually de-stabilize our ecosystem.

This was not a speculation, this was a very real risk, as the recent disintegration of other, very influential ICT ecosystems has demonstrated.

IEEE'S ACTIONS

We decided therefore to address head on this matter, and updated in 2015 our patent policy, delivering a definition for what could be "reasonable" that seems to be in resonance with both court opinion and current regulatory proposals (including the current one by the EC).

Namely, to offer *appropriate compensation to the patent holder for the practice of an Essential Patent Claim excluding the value, if any, resulting from the inclusion of that Essential Patent Claim's technology in the standard*.

In addition to this (relatively vague condition) we offered a mathematically precise definition of what would constitute discrimination.
Namely, *to not offer licenses to implementers who are in need thereof.*

THE AFTERMATH OF THE REFORM

With this, we thought that we accomplished part of our duty, and found ourselves - predictably – in the crossfire of very intense battles between the lobbies.

As the lobbies were using extreme techniques and arguments, regulators became either silent or hyperactive.

In particular, the stance and repeated U-turns of a certain very influential regulatory body toward IEEE will be taught in future classes as a master example of what can go radically wrong at regulatory level.

In addition, with the exception of some academics, nobody defended convincingly the need for a reform, and IEEE was practically left alone to explain why it became an “alien outlier”.

Thus, doing nothing seemed to be the safer bet for all other SDOs, as they were observing the practically unhindered attacks against IEEE.

THE END OF A TEN YEAR ODYSSEY

Ten years after the beginning of our patent policy review in 2013, and wiser from what we had seen and experienced in the meantime, we decided to take a fresh look at it.

The core RAND definition remained unchanged, we emphatically reaffirmed it by absolute consensus at our highest governance level, signaling thus a remarkable continuity.

We also reconsidered all secondary optional features which could nevertheless give the unnecessary impression of specific preferences in calculating a FRAND rate.

And, we decided to not delve into the territories of the patent law, leaving it to patent law actors (among whom, certainly also WIPO) to explore the limits of the holy cow of the patent system, namely the applicability of exclusionary dogmas (“this is my house, you do not get in”) in critical domains, such as ICT standardization.

THANK YOU