

Tensions between intellectual property rights and standardisation: **reasons and remedies**

22 November 2010, Brussels

On 22 November 2010, the European Commission and the European Patent Office jointly organised a conference on IPR in ICT standardisation. The Conference was part of an open dialogue process that the Commission is undertaking with key stakeholders, it was the first to be organised in co-operation with EPO. The objective for the ongoing dialogue is to explore the extent to which IPR can be a barrier to ICT standardisation and to see how best the rights of technology owners as well as the expectations of technology users can be satisfied.

To that end 5 panels were invited to discuss following topics:

- Who needs standards-related patents registers and what should such registers look like?
- Is there a need to improve standards-related patent quality and if so, how can we do it?
- How should ex-ante commitments to licensing terms be drafted?
- How can we ensure certainty regarding the availability and continuity of essential IP rights for licensing?
- What is the best relationship between standards and open source software and freely available technologies?

The Conference was opened by Michel Catinat, Head of Unit responsible for ICT for competitiveness and industrial innovation at the Commission's Enterprise & Industry DG. Michel Catinat referred to the white paper on ICT standardisation and in particular to the section on intellectual property rights highlighting the need for a balanced, open and transparent treatment of IPR in ICT standards. He added that IPR in ICT standardisation is still a complex and controversial issue however, and further dialogue is needed to increase transparency and predictability in IPR treatment. He also referred to the Digital Agenda for Europe, underlining the importance of IPR in ICT standardisation related issues in support of interoperability.

Nikolaus Thumm, Chief Economist at the EPO, briefly addressed the issue of cooperation between the EPO and the European standardisation organisations in his keynote address. He focused on the inherent tension between standardisation and patents. Whereas patents represent a temporary protection of the intellectual ownership and include an exclusive right to exploit the benefits derived from the new knowledge, standards can be seen as an important instrument for the diffusion of new technology. They make information about new technologies available to everyone for a small fee and can be seen as a public good. Both patents and standards serve to codify technical information but their roles are different.

The different roles explain the traditional conflicts between patents and standardisation and the related problems that can appear when patents are used in standardisation activities – patent ambush, refusal to license, failure to agree on FRAND, etc.

Nikolaus Thumm suggested some possible ways to solve these issues, for instance cooperation between EPO and European standardisation will allow increased transparency on

patent issues by early identification/disclosure of essential patents, identification of prior art documents coming out of the standardisation process, availability of detailed information on essential patents related to a specific standard, etc.

The first two panels of the Conference covered the relationship between the EPO and standardisation organisations.

Panel 1: Who needs standards-related patents registers and what should such registers look like

The first session aimed at providing answers to the role patent authorities can play in improving patent-related transparency in standardisation.

The session was chaired by Konstantinos Karachalios, Policy Officer at EPO. The two other speakers on the panel were; Erik Jansen, Director Legal Affairs ETSI and Serge Raes, Rapporteur Patent Guidelines Issues, ITU TSB Director's ad hoc group on IPR. Tim Frain, Director IPT regulatory affairs Nokia and Amy Marasco, general manager standards strategy Microsoft formulated questions.

While patent authorities maintain databases on patent and related information, standards developing organisations usually are responsible for databases linking essential patents to standards as well as information on licensing conditions made to the standard developing organisations. Cooperation between patent authorities and standards developing organisations would allow the respective registers to be linked. In this context, the link between esp@cenet, the EPO database and the ETSI database would provide a major improvement in transparency.

Panel 2: Is there a need to improve standards-related patent quality and if so, how can we do it?

The session was chaired by Joachim Schwerin, DG ENTR /B2 competition team leader. The two other speakers on the panel were Dirk Weiler, Chairman of the ETSI IPR group and Michel Goudelis, Director Telecommunications EPO. Michael Frohlich, Director EU Intellectual Property Strategy RIM and Per Hellstrom, European Commission, Head Unit Anti trust IT formulated questions

Panel 3: How should ex-ante commitments to licensing terms be drafted?

The panel was chaired by Steve Mills, President-elect of IEEE. The two other speakers on the panel were Donald Deutsch, VP Standards Strategy and Architecture, Oracle and Gustave Brismark, VP Patent Strategies and Portfolio Management, Ericsson. Martin Prager, eHealth expert, Normapme and Markus Muenkler, Senior Manager Industry Initiatives, Vodafone, formulated questions. The session aimed to gain and understanding of the impact of essential patents in standards development, gather information on what an ex-ante declaration of maximum licensing rights means and how it could be implemented in practice and more generally analyse the advantages, disadvantages and feasibility of the ex-ante approach.

Steve Mills introduced the subject by presenting the IEEE patent policy which obliges participants in the standardisation process to disclose the identity of the holders of potentially essential patent claims involved. Donald Deutsch argued in favour of ex-ante declaration

policies as a means to reduce uncertainty and increase transparency noting that ex-ante declaration policies avoid unreasonable licensing demands and are not anti-competitive. Mr Brismark, on the contrary was of the opinion that ex-ante policies were not feasible for dynamic standardisation processes like in the telecommunication industry. The FRAND IPR regime serves the telecommunication industry very well. Mr Brismark was of the opinion that the ex-ante approach requires stable standards and a well-know patent landscape as prerequisites and this is not the case for the telecommunication industry; therefore the ex-ante approach is not suitable. Markus Mundler wondered whether the ex-ante approach could help to determine cumulative royalty burdens ex-ante. Martin Prager brought forward some concrete examples.

In conclusion, there is agreement about FRAND being the minimum expectation for licensing terms for essential IP in standards. There is also general agreement that known potentially essential IPR should be disclosed as early in the process as possible to ensure maximum transparency. There are differing views regarding when in the process the final landscape of essential patents can be known and therefore disclosure can occur. It is clear there are differences across industries leading to the conclusion, at the moment, that there is no one size fits all solution that will meet the needs of all industries.

The panel did not discuss whether currently available guidance is sufficient to implement the ex-ante approach correctly and efficiently.

Panel 4: Certainty of availability and continuity of essential IP rights for licensing

The Panel was chaired by Thomas Vinje, Legal Counsel ECIS. The two speakers on the panel were Thomas Vinje and Joost Demarest, System and Administration Director KNX association. Heinz Goddar, former president LESI and Nicolas Schifano, IP Attorney IBM, formulated questions

This panel discussed the challenge of ensuring the availability and continuity of licensing commitments for patented technologies embedded in standards. There is a need to ensure stability of these licensing conditions to ensure standardisation fulfils its full potential and to allow IP holders and standards implementers to take rational business decisions.

When ensuring the availability and continuity of licensing, there is a clear need to strike a balance between the respect of the rights of IP owners and the need to make the patented technologies available.

Licensing commitments can reduce the potential value of a patent included in the standard however this is compensated by the large revenue base from licensing to all implementers of the given standard.

The panel looked at the mechanisms to ensure the availability and continuity of licensing commitments that could be available in the patent system, in the standardisation process and in competition law.

Within the patent system, the future EU patent offers a promising solution for including a License of Right provision for essential standards. The information about licensing commitments should be visible in public patent databases, whether in an EPO patent registry, in SSO databases, or both.

Within the standardisation process, solutions could be in the form of improved contractual obligations of members of consortia or standardisation bodies. Such obligations could range from committing to licensing conditions even in case of leaving a consortium/standardisation body, the need to notify the commitment by the patent seller to a patent buyer, the need to notify the consortium about the change of ownership, and potentially to obligate those who originally grant the FRAND commitments to make good faith efforts to ensure compliance with them by future patent owners.

Within competition law, as a safety valve, in certain circumstances a license to essential patents could be compelled under reasonable conditions. Safeguards have begun to be created by Member State case law. Specifically in Germany, it is in principle not possible to obtain an injunction on an essential patent if the putative licensee begins paying reasonable royalties into an escrow account, with the court ultimately deciding the appropriate level of royalties.

The suggestion was also raised to consider the possibility of a central authority being established to determine the appropriate royalties, on a cumulative basis, for standard-essential patents.

Panel 5: Open Source, freely available software and standardisation

The panel was chaired by James Bryce Clark, General Counsel OASIS. The two speakers on the panel were Scott K. Peterson, Senior Counsel, Hewlett-Packard, and Karsten Gerloff, President of the Free Software Foundation Europe (FSFE). The two discussants on the panel formulating questions were David Hammerstein, Trans-Atlantic Consumer Dialogue (TACD), and Erwin Tenhumberg, Open Source Programme Manager, SAP.

The panel explored the characteristics of open source development and implications different licensing terms and conditions have on open source.

Regarding the relationship between standards bodies and open source, OASIS was taken as an example. It was pointed out that OASIS has a stable regime for open standards development. Many OASIS projects are robustly supported by open source implementations.

The panel provided an outline on the interrelations between different licensing regimes and open source technologies. Two predominant licensing models for open source technologies were differentiated: highly permissive licenses on the one hand versus 'copyleft' licenses on the other. The latter covers the majority of open source licenses on the market-place (about 85%). It was stressed that copyleft licenses conflict with conventional FRAND-type patent licensing where the payment of royalty fees is required.

It was also explained that licensing is one key aspect that plays into a larger topic. For instance, if for the implementation of a standard a patent license is required imposing fees or other requirements, a dynamic open source development cannot take place. Following this line of argument, one member in the panel brought forward the proposal that some regulation is needed regarding the relationship of ICT standardisation and open source and that a directive on software interoperability should be developed and adopted along the lines of the Interconnection Directive 2002/19/EC.

Looking more closely at Open Source, the panel outlined that Open Source does have significant business impact and economic value in Europe. Studies are available that have shown a high adoption rate for Free and Open Source Software (FOSS). As an example Linux was mentioned as a huge business.

Looking at the topic of patents and ICT more generally, it was stated that in software, patents were not of prime relevance for innovation and a lot of patenting was done with a defensive intention.

Some part of the discussion following the presentations of the panellists took up the issue of software patents and whether and if so, to what extent they should be granted in Europe.

Coming back to the issue of ICT standards and Open Source, one intervention claimed that everything works fine under current IPR regimes, that FRAND is no problem and that no legal changes were required. It was added that any mandatory royalty-free requirement could discourage participation in standardisation however; the panel did not reach any unanimous conclusions on the topic.

Closing remarks

Karsten Meinhold provided a short summarising statement

Karsten thanked all the people involved in the organisation of the Conference: chairpersons, speakers, contributors, EPO and Commission staff as well as the audience.

The Conference, he said, delivered what was announced: no discussions on general principles but practical solutions had been discussed and suggestions for concrete IPR policy solutions had been made.

Today, he added, the focus has shifted from disputing the link between standards and IPR – the discussion had moved to how to shape the interplay between standardisation and patents in such a way that their joint pro-innovation effects were optimised. Today's discussions focused on identifying ways to increase transparency and predictability related to the interplay of IPR and ICT standardisation against the background of the general legal frameworks, beyond the specific standardisation and patent legal frameworks, including the particular provisions on competition and public procurement.

Panel 1 covered the transparency issue in relation to IPR and standardisation and the specific role of patent authorities. The joint ETSI and EPO initiative is of course a pioneer project. However, transparency can even be increased by broadening the approach and creating a database that links patents to important technologies. This cooperation between ETSI and EPO should be broadened; it could be extended to other organisations such as ITU. One should of course keep in mind; a database is as good as the data provided; there are limits to this.

Panel 2 concentrated on the improvement of the data through an improvement of the standard related patent policy. SDOs and their members need to know what patents may be embedded in standards that are developed and patent offices need more information from the standardisation process in order to better assess prior art and thus improve the quality of the patents.

Clear rules should be established for such information systems: information should be available as soon as possible in processing standards and patents and confidentiality rules need to be defined clearly. Documents have to be designed so as to serve both parties.

Panel 3 covered the issues around ex-ante commitments with regard to licensing. Ex-ante disclosure may be a solution in certain areas on the industry and in certain cases; the telecommunication industry is, however of the opinion the currently applied FRAND approach suits them well. There is no commonly shared vision and further consideration is required. This discussion is closely linked to the business models, the competitive situation and competition law.

The subject of panel 4 was the continuity of commitments for licensing of essential IPR in cases where ownership of IP changes.

This complex legal discussion involves patent law and competition law. Since the legislation is different from region to region, the question is not easy to solve. One has to find a balance between making technologies available for the market and the rights of the (new) IP owners. Solutions may need to be identified on a case by case basis by jurisdiction and legislation rather than by standards developing organisations.

Panel 5 had an interesting discussion on open source, freely available software and standardisation. However, the concepts behind the words open and free are not very clear and are certainly not understood in the same way. The open source community, with its different licensing models and business models, has however a major impact on the whole economy. The link with public procurement is evident. Also on this topic further discussion is required.

Innovation rests on several pillars: standards, IPR and competition are at the moment very visible and prominent pillars. All three contribute to innovation by their respective mechanisms and means.

Optimising only each of them separately will not provide a solution, working on the interrelation is however a very ambitious job. It will have positive effects when balanced and neutral frameworks can be found acceptable and are accepted by the various stakeholders.

Today's discussion has demonstrated that the negative tensions have gone and that future work should move to the interplay of the various pillars such that their joint pro-innovative effects are optimised. We have to move now from academic fundamental discussions to progress by concrete practical steps. By that means, innovation, one major strategic goal for Europe's knowledge based digital society would see a major increase.