



Institut der beim Europäischen Patentamt zugelassenen Vertreter
Institute of Professional Representatives before the European Patent Office
Institut des mandataires agréés près l'Office européen des brevets

European Patent Institute · Bayerstrasse 83 · 80335 Munich · Germany

European Commission
DG Enterprise and Industry
Unit A4 – Industrial Competitiveness Policy for Growth
Avenue d'Auderghem 45
1040 Brussels
Belgium

6th February 2015

Observations of the epi on Patents and Standards

Dear Sirs,

Please find attached the observations submitted by the Institute of Professional Representatives before the European Patent Office (**epi**) to specific questions in your Public Consultation on Patents and Standards.

Yours sincerely,

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Antonius Tangena,
President

The President • Antonius Tangena

epi Secretariat · Bayerstrasse 83 · 80335 Munich · Germany

Phone +49 89 242052-0 · Fax +49 89 242052-20

info@patentepi.com · www.patentepi.com

Direct Phone: +31 40 2324 620

president@patentepi.com

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Respondent profile

This response is submitted on behalf of the Institute of Professional Representatives before the European Patent Office (**epi**), which is an international non-governmental public law corporation. The Institute came into existence pursuant to the European Patent Convention (EPC) upon provisions adopted by the Administrative Council of the European Patent Organisation.

At present, the Institute comprises more than 11 000 members from the 38 European countries contracting to the European Patent Convention. The members are both from industry and private practice and represent clients from all fields of technology and of all sizes, including start-up companies, single inventors, SMEs, and multi-national corporations. Thus, **epi** members regularly act in their professional capacity on behalf of many contributors to open standards as well as standard users.

The **epi** headquarters are located in Munich, Germany.

At present, the Institute is not registered in the EU Transparency Register.

In the following, **epi** has elected to comment on a few of the key issues listed in the Consultation which it considers most relevant to its competence area.

Key issue 2: Rules and practices governing standardisation involving patents

Open standardisation carries many benefits for example in terms of interoperability, access for new entrants to the field, and increased consumer choice. In **epi**'s view, when a standard relates to complex technology, it is both logical and desirable that inventive and patentable solutions are developed as a part of the standardisation process. These solutions constitute advances in technology that can provide significant added value to users of the standard.

Seeking a patent for such solutions is a way of obtaining, through out-licensing, a fair return on the investment in research and development that was required to invent them in the first place. Patent pools can sometimes be an option, and in special cases such pools may even work on a royalty-free basis if the parties can agree. However, such

arrangements will not always be viable from a business perspective. If obtaining a return on innovation were excluded for standard essential patents, this would in many cases lead to a reduced incentive to continue investing in innovative contributions to the standard.

epi have no position on evaluation of a value of a Standard Essential Patent (SEP).

With this in mind, where SEPs are concerned a balance needs to be struck between the possibility for the patent holder to get a fair return on his innovation, and the possibility for a user to gain access to the standard. FRAND-based licensing provides one way of ensuring such a balance, and is a mechanism that should be kept.

One situation that raises concerns in the context of FRAND is that a Standard Setting Organisation (SSO) might unknowingly adopt a solution that later turns out to be patented by a non-SSO member, who is not bound by the associated FRAND licensing commitment. For this situation there are in principle two possible solutions. One solution is that the non-SSO member accepts FRAND, or even becomes an SSO-member. If that turns out to be unacceptable to the patent owner, then the solution is to remove the patented feature from the standard.

Further, it should be noted that the situation is different between SSOs in different fields. In all cases SSOs must adopt a patent policy to provide clarity.

Key issue 3: Patent transparency

The questionnaire defines transparency as comprising several factors, such as the existence of specific patents, their scope, ownership, validity, enforceability and essentiality. The comments below focus mainly on validity and scope.

With respect to patent validity, a definitive answer in any given case can ultimately only be given by a court. However, **epi** considers the quality of the grant procedure to be of key importance to the question of validity in general. A high-quality and reliable patent system produces strong patents with clear scope protecting truly innovative solutions, entitling the patent holder to fair compensation in return for a license.

In other words, a comprehensive search and examination procedure greatly increases the likelihood that the presumption of validity is in fact correct, should it be put to the test. A number of patent authorities, such as the European Patent Office, are already widely regarded as offering high-quality services. However, **epi** believes that a continued emphasis on patent quality is important. Furthermore, increased harmonisation,

collaboration and work sharing between patent offices are measures that could further enhance quality and reliability, and hence improve patent transparency. A concrete example is the pilot project on collaborative search and examination between certain PCT offices, where promising results have been reported from the first two phases. Joint handling of an application by examiners from different offices increases the chance that relevant prior art is found, especially if the examiners have access to complementary documentation and perform their search in different languages. Another advantage of such collaboration is that it increases the chance that a patent is granted with similar scope in different jurisdictions (or alternatively, rejected on similar grounds in those jurisdictions). This would contribute to a more uniform patent landscape, making it easier for prospective new entrants to assess the patent situation with respect to international standards.

In this respect it is also noted that the EPO search documentation databases include documentation, such as standard contribution papers, from certain SSOs (in particular ETSI). This contributes to a higher quality prior art search in those areas and similar projects should be encouraged and, where possible, expanded.

It is further noted that the towering backlogs and long time-to-grant which are currently seen in many patent offices reduce transparency, as the scope of protection is not fully clear to third parties until a final decision on an application is reached. This is also problematic against a background of global standards, as it could create international market distortions that may become trade issues.

Increased efficiency and/or additional resources for patent offices may alleviate this problem. One way of increasing efficiency without raising costs is by mandating reuse of work products between offices, for example within the scope of the existing Patent Prosecution Highway (PPH) program.

To reduce pendency times, PPH and other acceleration programs might be expanded. As a concrete measure to shorten the period of uncertainty with respect to the scope and potential validity of standard-related patents, patent treaties and agreements could be amended to require patent offices to expedite the processing of patent applications that have been declared to an SSO as standard essential.

Key issue 8: Protection for patent holders and injunctions

The right for a patentee to exclude others from using the patented solution is a cornerstone of the patent system, and one way of enforcing this right is by requesting an

injunction when a patent is infringed. However, standard essential patents are a special case, as excluding prospective users from the standard could reduce standardisation impact, and may also give rise to competition issues if done in a discriminatory manner.

FRAND-based IPR policies provide a solution where the patent holder undertakes to license standard essential patents under fair, reasonable, and non-discriminatory terms. However, in practice a user of the standard will have little incentive to enter into or honor a FRAND-based agreement if no negative consequences could ensue from “holding out” by delaying negotiations or refusing to pay royalties, which would outweigh the economic benefits of such behavior.

Hence, provided that the standard essential patents holder has attempted negotiations and offered a license under FRAND terms, seeking an injunction against an unwilling licensee cannot be considered as an abuse. On the contrary, a bar on injunctions against unwilling licensees would create an imbalance where the chances for holders of standard essential patents of getting any return on their innovative contributions to the standard would be severely limited.

On the other hand, a potential licensee who is objectively willing to conclude a FRAND-based licensing agreement should also have the possibility, if negotiations fail, to request a third party to determine the appropriate FRAND rate.

FRAND principles should be applied to promote the use of the standard by preventing unreasonable, unfair or discriminatory royalties, while at the same time enabling a fair return on innovation for the patent holder. Both parties should be required to act in good faith and without using delay tactics. However, if the parties cannot come to agreement on what constitutes a FRAND rate, this will ultimately have to be decided by a court.